WASECA COUNTY

Waseca, Minnesota

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Year Ended December 31, 2017

WASECA COUNTY

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INDEPENDENT AUDITORS' REPORT

To the County Board of Commissioners
Waseca County
Waseca, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Waseca County, Minnesota, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise Waseca County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Minnesota Prairie County Alliance or South Country Health Alliance, in which Waseca County has equity interests, which represent 4.8%, 5.6% and 0%, respectively, of the assets, net position and revenues of the governmental activities. Those statements were audited by other auditors whose reports have been furnished to us. The statements for South Country Health Alliance were prepared in accordance with the financial reporting provisions of the Department of Health of the State of Minnesota. We have applied audit procedures on the conversion adjustments to the financial statements of South Country Health Alliance, which conform those financial statements to accounting principles generally accepted in the United States of America. Our opinion, insofar, as it relates to the amounts included for the Minnesota Prairie County Alliance and South Country Health Alliance (prior to these conversion adjustments), is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of South Country Health Alliance were not audited in accordance with *Government Auditing Standards.*

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 over financial reporting relevant to Waseca 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 Waseca County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Waseca County, Minnesota, as of December 31, 2017 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Waseca County's basic financial statements. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2018 on our consideration of Waseca 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Waseca County's internal control over financial reporting and compliance.

Baker Tilly Virchow Krause, LLP

Minneapolis, Minnesota
September 28, 2018

As management of Waseca County, Minnesota, we offer readers of the County's financial statements this narrative overview and analysis of the financial statements of Waseca County, Minnesota for the fiscal year ended December 31, 2017.

The County is presenting prior year data for various comparisons and analyses.

Financial Highlights

The assets and deferred outflows of Waseca County exceeded its liabilities and deferred inflows at the close of the most recent year by $73,761,590 (net position). Approximately 20% of this total amount, $14,636,607 is available for spending at the County's discretion (unrestricted net position).

The County's total net position increased by $3,942,899.

The County's total general-obligation debt as of December 31, 2017 was $2,900,000. $425,000 of principal related to debt issued in prior years was paid off on the general obligation debt during 2017.

Overview of the Financial Statements

This discussion and analysis is designed to be an introduction to Waseca County, Minnesota's basic financial statements. The County's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The report also contains other supplementary information in addition to the basic financial statements.

Government-Wide Financial Statements

The 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 government-wide statements are comprised of the statement of net position and the statement of activities.

The statement of net position presents information on all of the County's assets/deferred outflows of resources and liabilities/deferred inflows of resources, with the difference between the two being reported as net position. Over time, increases or decreases in net position will serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The statement of activities presents information showing how the County's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. This means, some revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods. (E.g., uncollected taxes and earned but unused vacation leave.)

The government-wide financial statements can be found on pages 1 and 2 of the report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions as governmental activities in the government-wide financial statements; however, the governmental fund financial statements focus on near-term inflows and outflows of resources, as well as on balances of resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing 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. This comparison may help readers better understand the long-term impact of a government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The County maintains 10 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balance for the general fund, human services, road and bridge, ditch, and debt service, all of which are considered major funds. Data from the other 6 funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major funds is provided in the combining statements found elsewhere in this report.

The County adopts annual appropriation budgets for 6 of its governmental type funds. Budgetary comparison statements have been provided for these funds to demonstrate compliance with these budgets.

The basic governmental fund financial statements can be found on pages 3 and 5 of this report.

Proprietary Funds

The County maintains one proprietary fund known as the Internal Service Fund. Internal service funds are used to accumulate and allocate costs internally among various functions. The County uses the internal service fund to account for its self-funded health insurance. The proprietary fund financial statements are on pages 8-10.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the County's own programs. The accounting used in fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statement can be found on page 11 of this report.

Notes to the Financial Statements

The notes provide additional information that is 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 12-48 of this report.

Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information regarding budget to actual data, postemployment benefit funding and net pension liability and contribution information for the three PERA funds that the County participates in. Required supplementary information can be found on pages 49-57 of this report.

The combined statements referred to in connection with non-major governmental funds are presented as a component of the supplementary information. Supplementary information can be found on pages 58-69.

Government-Wide Financial Analysis

As discussed earlier, net position may serve over time as a useful indicator of a government's financial position. The assets and deferred outflows of the County exceeded liabilities and deferred inflows by $73,761,590 at the close of 2017.

By far, the largest portion of the County's net position (78%) reflects its investment in capital assets ($60,403,113) (i.e., land, buildings, improvements, equipment, and infrastructure), less any related debt (excluding unspent proceeds) and premium/discount ($2,903,030) used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt ($57,500,083), it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The County also reported restricted net position totaling $1,624,900 for debt service, statutory requirements, ARMER radio system, missing heirs, and small cities development.

The remaining balance of $14,636,607 designated as unrestricted net position may be used to meet the government's ongoing obligations to citizens and creditors.

The statement of net position for Waseca County is summarized in the table below.

ASSETS	2017	2016
Current and other assets	$ 21,188,947	$ 17,869,805
Capital assets (net)	60,403,113	59,770,828
Investment in joint ventures	4,099,352	4,095,034
Total assets	85,691,412	81,735,667
DEFERRED OUTFLOWS OF RESOURCES	3,393,030	5,341,043
LIABILITIES		
Current liabilities	1,002,397	1,175,860
Noncurrent liabilities	10,753,243	14,036,857
Total liabilities	11,755,640	15,212,717
DEFERRED INFLOWS OF RESOURCES	3,567,212	2,045,302
NET POSITION		
Net investment in capital assets	57,500,083	56,506,541
Restricted	1,624,900	1,210,428
Unrestricted	14,636,607	12,101,722
Total Net position	$ 73,761,590	$ 69,818,691

The statement of activities for Waseca County is summarized in the table below.

	2017	2016
REVENUES		
Program revenues:		
Charges for services	$ 2,845,331	$ 3,139,246
Operating grants and contributions	3,371,603	3,201,509
Capital grants and contributions	4,658,513	2,132,947
General revenues:		
Taxes	14,369,335	13,722,137
Intergovernmental revenues	1,167,766	1,038,090
Investment income (including unrealized gains/losses)	89,633	87,582
Miscellaneous	349,010	242,831
Total Revenues	26,851,191	23,564,342
EXPENSES		
Program expenses:		
General government	5,310,535	5,598,452
Public safety	4,203,421	4,634,361
Public works	6,608,676	8,030,071
Sanitation	872,055	897,450
Health and human services	3,983,733	3,622,635
Culture, recreation, and education	376,165	368,361
Conservation and development	1,469,985	1,245,688
Interest and fiscal charges	83,722	109,873
Total Expenses	22,908,292	24,506,891
Change in net position	3,942,899	(942,549)
Net position – beginning of year (as restated)	69,818,691	70,761,240
Net position – end of year	$ 73,761,590	$ 69,818,691

Governmental Activities

Governmental activities increased the County's net position by $3,942,899. This is up from the decrease of $942,549 in 2016 primarily due to a substantial increase in capital related grants for highway projects in 2017 for which the costs were capitalized and will be depreciated over several years.

Financial Analysis of the Government's Funds

As indicated earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus on the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financial requirements. Note how unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of December 31, 2017, the County's governmental funds reported combined ending fund balances of $18,292,067 which represents an increase of $4,232,466 from the previous year's fund balance. Approximately 89% of this total ($16,232,995) constitutes the unassigned, assigned, and committed fund balances, which is available for spending at the government's discretion. The remainder of fund balance ($2,059,072) is included in restricted or nonspendable fund balance to indicate that it is not available for new spending primarily due to the following:

- The Small Cities Development fund originated from a federal grant for housing rehabilitation loans. One of the conditions of the grant is that the fund balance ($26,025) derived from loan repayments be used for other housing rehabilitation activities.

- Funds that have been set aside in the Special Revenue fund ($748,583) are subject to various statutory requirements.

- Debt Service funds ($691,199) are restricted solely to repayment of the County's outstanding bonded indebtedness.

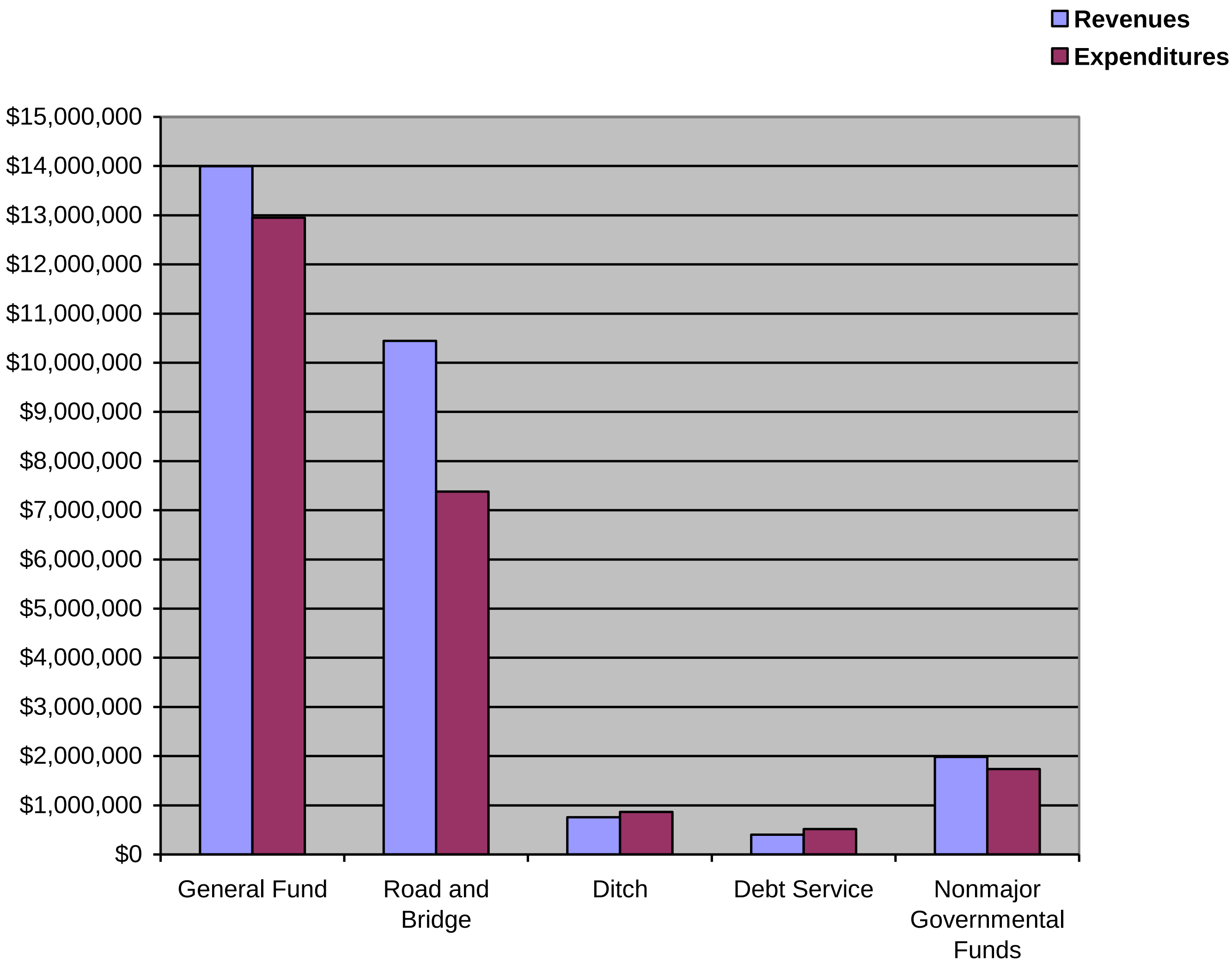
- Missing heirs ($22,543) is set by court order and held by the County for missing heirs of estates pursuant to MN Statutes.

- Nonspendable inventory ($392,848) for Road and Bridge is recorded as expenditure when it is acquired per MN DOT requirements. Road and Bridge reports inventory as an expense when the inventory is consumed. Thus, a journal entry moves the inventory from an expense item to a nonspendable fund balance item.

2017 Revenues & Expenditures By Fund

Funds	Revenues	Expenditures	Balance
General Fund	$ 13,996,119	$ 12,952,900	$ 1,043,219
Road and Bridge	10,443,740	7,381,881	3,061,859
Ditch	756,530	864,266	(107,736)
Debt Service	402,374	515,635	(113,261)
Nonmajor Governmental Funds	1,985,435	1,736,885	248,550
	$ 27,584,198	$ 23,451,567	$ 4,132,631

Revenues and Expenditures by Fund



2017 Revenues By Fund

Fund	Percent	Revenues
General Fund	50.74%	$ 13,996,119
Road and Bridge	37.86%	10,443,740
Ditch	2.74%	756,530
Debt Service	1.46%	402,374
Nonmajor Governmental Funds	7.20%	1,985,435
Total Revenue	100.00%	$ 27,584,198

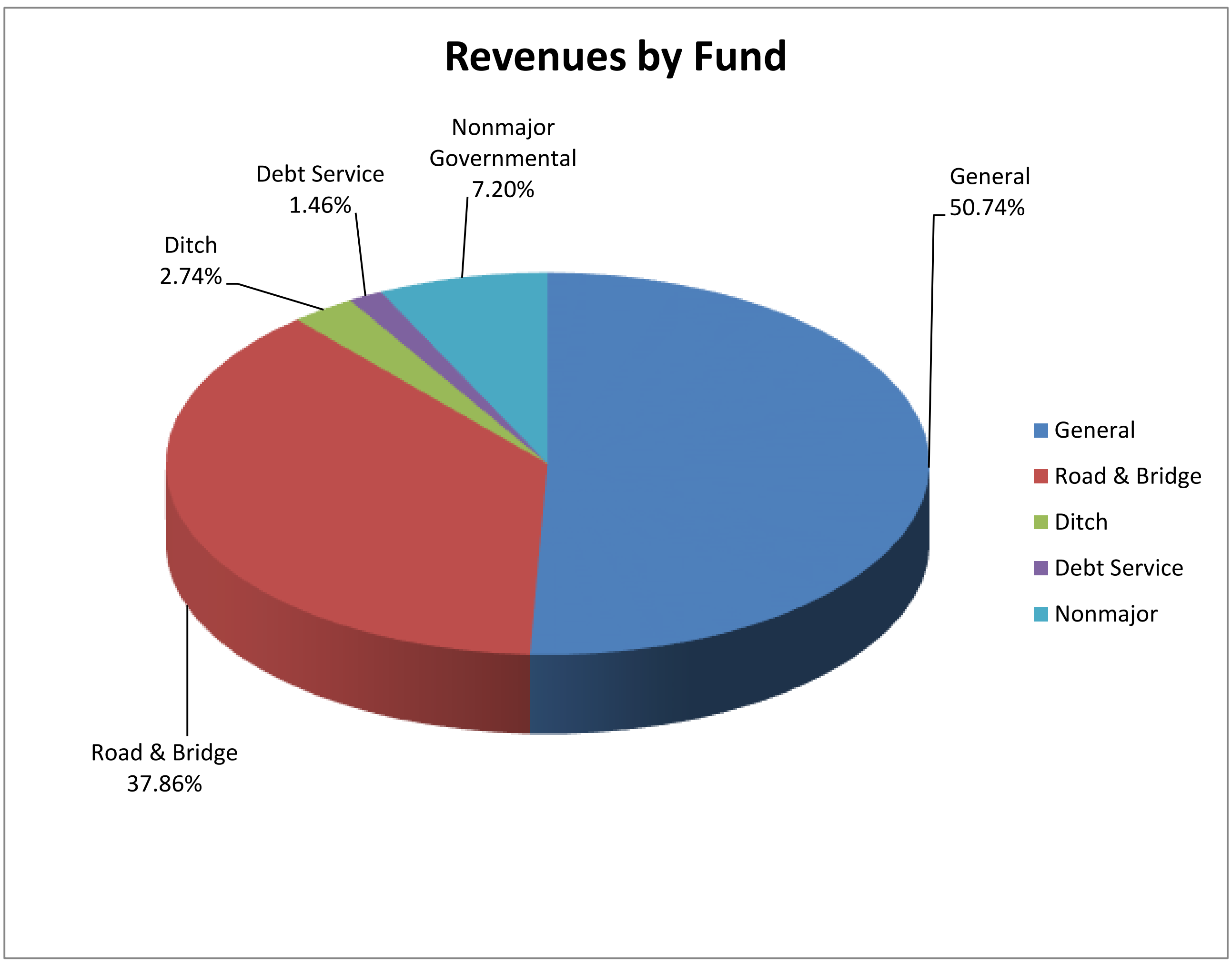
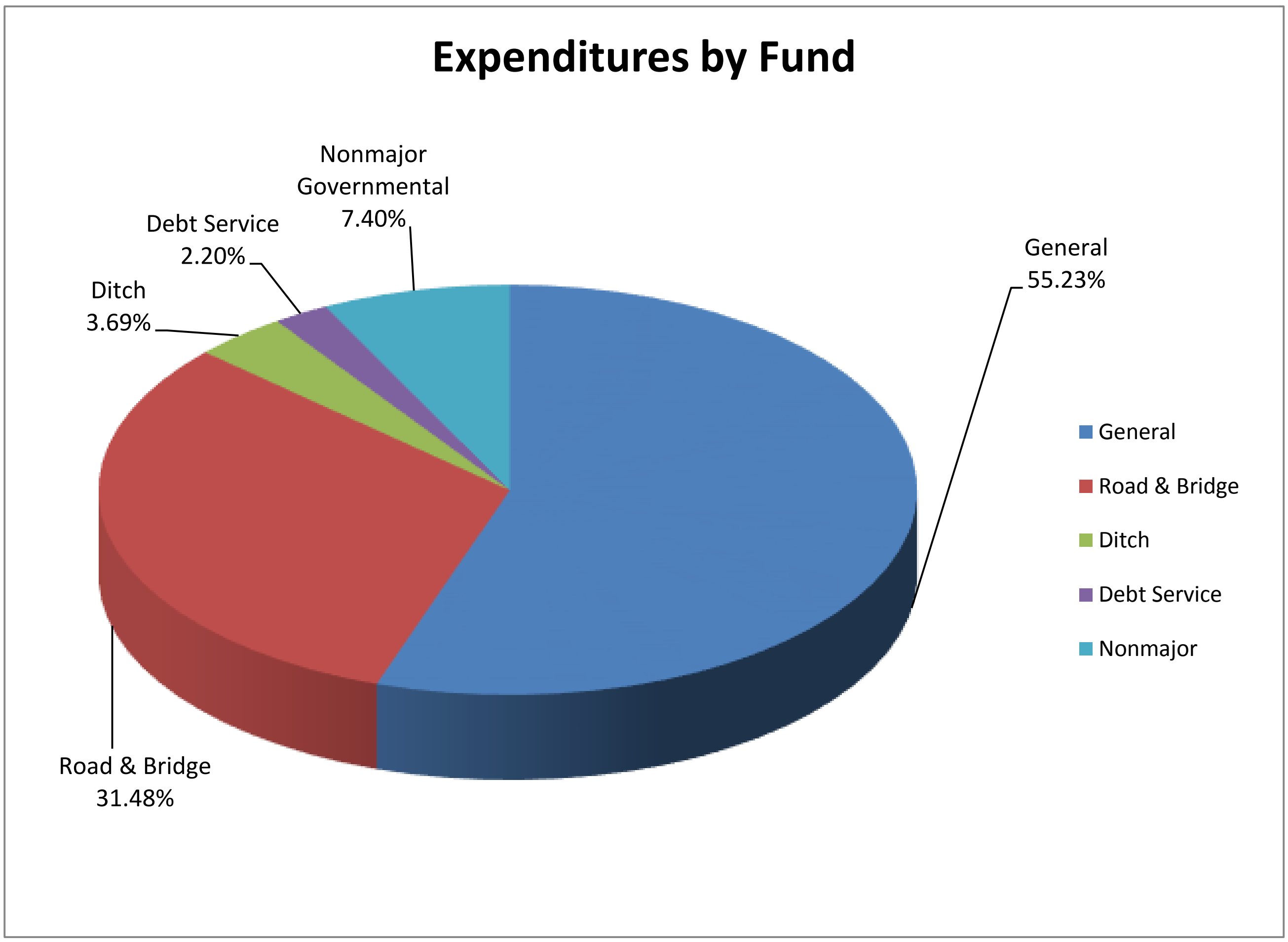


Figure 1

2017 Expenditures By Fund

Fund	Percent	Expenditures
General Fund	55.23%	$ 12,952,900
Road and Bridge	31.48%	7,381,881
Ditch	3.69%	864,266
Debt Service	2.20%	515,635
Nonmajor Governmental Funds	7.40%	1,736,885
Total Expenditures	100.00%	$ 23,451,567



General Fund

The general fund is the chief operating fund of the County. At the end of the current fiscal year, the total fund balance was $8,170,876. The general fund has an unassigned fund balance of $6,901,978, assigned fund balance of $1,223,164, restricted fund balance of $22,543 and a nonspendable fund balance of $23,191. The unassigned portion approximates 53% of the general fund's annual expenditures.

The general fund balance increased by $931,668 during the current fiscal year mainly due to cost containment measures, notably related to the data processing (IT) and sheriff's departments.

Road & Bridge Fund

The Road and Bridge Fund ended the year with a fund balance of $7,998,157. The committed fund balance at the end of the fiscal year was $7,605,309. The fund balance also consists of $392,848 that is nonspendable related to inventory. The total fund balance of the Road and Bridge Fund increased $2,872,276 during the current fiscal year primarily due to an increase in intergovernmental revenues (grant funding for highway projects).

Ditch Fund

The Ditch Fund had a total fund balance deficit of ($701,063). All of this amount represents unassigned fund balance. The total fund balance of the Ditch Fund decreased by $107,736 during the current fiscal year due to expenditures being more significant during 2017 than anticipated.

Debt Service Fund

The Debt Service Fund had a total fund balance of $691,199. The entire amount represents restricted funds. The total fund balance increased by $100,262 during the current fiscal year mainly driven by an internal funds transfer.

Nonmajor Government Funds

All other government funds had a total fund balance of $2,132,898. A balance of $884,239 represents the committed fund balance, $319,368 for assigned fund balance, $922,641 is classified as restricted and $6,650 is nonspendable. Total fund balance of all other government funds increased by $435,996 during the current fiscal year mainly from favorable results related to grant funding and charges for services.

General Fund Budgetary Highlights

There were no changes made to the original budget for 2017. The variance of budgeted amounts to actual revenues and other financing sources in the general fund was $482,262 above budget mainly tied to grant funding. The variance of budgeted amounts to actual expenditures and other financing uses in the general fund was $449,406 under budget mainly related to substantial favorable variances for the data processing and sheriff departments.

Capital Assets and Debt Administration: Capital Assets

The County's investment in capital assets for its governmental activities as of December 31, 2017 amount to $60,403,113 (net of accumulated depreciation). Investment in capital assets includes land, buildings, improvements, machinery and equipment, roads, highways, bridges, right of ways, and construction in progress. The County showed a increase in the overall investment in capital assets for the current fiscal year of $632,285 a 1.05% increase.

Additional information on the County's capital assets can be found on pages 1, 4, 6, 19, and 27 of this report.

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

	Beginning Balance	Adjustments*	Additions	Deletions	Ending Balance
Capital Assets Not Being Depreciated:					
Land	$ 524,107	$ -	$ 163,795	$ -	$ 687,902
Right of Way	1,159,599	-	-	-	1,159,599
Construction in Progress	136,845	-	143,850	(136,845)	143,850
Total Capital Assets Not Being Depreciated	$ 1,820,551	$ -	$ 307,645	$ (136,845)	$ 1,991,351
Capital Assets Being Depreciated:					
Buildings	$ 6,534,588	$ -	$ -	$ -	$ 6,534,588
Improvements	30,311	-	-	-	30,311
Machinery and Equipment	9,662,598	-	438,427	(741,390)	9,359,635
Roads	73,280,226	163,079	3,930,720	(5,423,882)	71,950,143
Bridges	5,780,465	(163,079)	430,695	-	6,048,081
Total Capital Assets Being Depreciated	95,288,188	-	4,799,842	(6,165,272)	93,922,758
Less: Accumulated Depreciation for					
Buildings	(2,446,270)	-	(77,585)	-	(2,523,855)
Improvements	(16,983)	-	(1,312)	-	(18,295)
Machinery and Equipment	(5,459,825)	-	(599,755)	741,390	(5,318,190)
Roads	(28,596,747)	(3,998)	(2,180,742)	4,019,817	(26,761,670)
Bridges	(818,086)	3,998	(74,898)	-	(888,986)
Total Accumulated Depreciation	(37,337,911)	-	(2,934,292)	4,761,207	(35,510,996)
Capital Assets, Net of Depreciation	$ 57,950,277	$ -	$ 1,865,550	$ (1,404,065)	$ 58,411,762

*Adjustments are to reclassify certain capital assets and related accumulated depreciation between categories.

Long-Term Debt

At the end of the current fiscal year, the County had total bonded debt outstanding of $2,900,000 backed by the full faith and credit of the County. General obligation bonds will be retired by future tax levies accumulated by the debt service fund.

The County's total general obligation bonds payable decreased during the current year by 425,000. 57% of Waseca County's general obligation debt is attributable to capital improvements with a final maturity date of 2023. 17% of the general obligation debt is bonded for state-aid highway use with a final maturity date of 2022. 26% of the general obligation debt is attributable to capital improvements with a final maturity date of 2025.

State statute limits the amount of net debt a governmental entity may issue to 3 percent of the total market value of taxable property in the County. The current debt limitation for the County is approximately $81 million which is significantly in excess of its outstanding general obligation debt of $2,900,000. $2,208,801 is the County's outstanding general obligation debt net of the debt service reserve of $691,199. It should also be noted that the State-Aid highway bonds are not subject to the debt limitation.

Additional information on the County's long-term debt can be found in the footnotes on pages 19-20, and 29-30 of this report.

General obligation debt payable for the County at December 31, 2017, consists of the following:

General Obligation Debt	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance 12-31-2017
State-Aid Highway Bonds	2007	2022	3.75-4.20%	$ 1,240,000	$ 505,000
Capital Improvement Bonds	2013	2023	.8-2.6%	2,145,000	1,655,000
State-Aid Highway Bonds	2015	2025	2.00-2.15%	910,000	740,000
					$ 2,900,000

Economic and Demographic Factors and County Budget Trends

- The estimated County population was 18,787 in 2017, which consists of 24% under the age of 18, 18% 65 or older. The median age was 39 years.
- The median income for a household in the County is $53,199.
- The County unemployment rate is 5.8%. This compares to the state's average unemployment rate of 5.8%.
- Inflationary trends in the region compare favorably to national indices and have trended downward in recent years.
- The County is most noted for agribusiness, printing and electronics industries. Historically, these industries have tended to maintain relative stability in both good and bad economic times.
- The general fund finished the year with an unassigned fund balance of $6,901,978. Based on our informal fund balance policy, this amount is above our working capital requirements of approximately $5.3 million.

These and other factors are considered in the County's annual budget planning for 2019. Historically, Waseca County has been quite conservative concerning property tax increases.

Request For Information

This financial report is designed to provide a general overview of Waseca County, Minnesota's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Waseca County Administrator's Office
307 North State Street
Waseca, Minnesota 56093
Phone: 507-835-0630

WASECA COUNTY

STATEMENT OF NET POSITION
As of December 31, 2017

	Governmental Activities
ASSETS	
Cash and investments	$ 18,520,107
Taxes receivable	171,002
Accounts receivable	44,863
Due from other governments	1,728,106
Interest receivable	21,915
Special assessments receivable	193,967
Notes receivable, net	86,298
Inventories and prepaid items	422,689
Capital Assets	
Land	687,902
Right of way	1,159,599
Construction in progress	143,850
Other capital assets, net of depreciation	58,411,762
Investment in joint ventures	4,099,352
Total Assets	85,691,412
DEFERRED OUTFLOWS OF RESOURCES	
Pension related amounts	3,393,030
Total Deferred Outflows of Resources	3,393,030
LIABILITIES	
Accounts payable	606,452
Accrued liabilities and deposits	180,107
Due to other governments	215,838
Noncurrent liabilities	
Due within one year	858,203
Due in more than one year	9,895,040
Total Liabilities	11,755,640
DEFERRED INFLOWS OF RESOURCES	
Pension related amounts	3,417,040
Unearned revenues	150,172
Total Deferred Inflows of Resources	3,567,212
NET POSITION	
Net investment in capital assets	57,500,083
Restricted for:	
Debt service	665,994
Statutory requirements	748,583
ARMER radio system	86,705
Missing heirs	22,543
Small cities development	101,075
Unrestricted	14,636,607
TOTAL NET POSITION	$ 73,761,590

See accompanying notes to the financial statements.

WASECA COUNTY

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2017

		Program Revenues			Net (Expenses) Revenues and Changes in Net Position
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
General government	$ 5,310,535	$ 476,593	$ 212,588	$ 98,821	$ (4,522,533)
Public safety	4,203,421	260,982	617,549	10,302	(3,314,588)
Public works	6,608,676	309,216	1,362,788	4,549,390	(387,282)
Sanitation	872,055	886,449	69,692	-	84,086
Health and human services	3,983,733	476,695	870,305	-	(2,636,733)
Culture, recreation, and education	376,165	34,382	13,668	-	(328,115)
Conservation and development	1,469,985	401,014	225,013	-	(843,958)
Interest and fiscal charges	83,722	-	-	-	(83,722)
Total Governmental Activities	22,908,292	2,845,331	3,371,603	4,658,513	(12,032,845)
Totals	$ 22,908,292	$ 2,845,331	$ 3,371,603	$ 4,658,513	(12,032,845)
General Revenues					
Taxes					
Property taxes, levied for general purposes					13,745,446
Property taxes, levied for debt service					389,844
Other taxes					234,045
Intergovernmental revenues not restricted to specific programs					1,167,766
Investment income (including unrealized gains/losses)					89,633
Miscellaneous					349,010
Total General Revenues					15,975,744
Change in Net Position					3,942,899
NET POSITION - Beginning of Year					69,818,691
NET POSITION - END OF YEAR					$ 73,761,590

See accompanying notes to the financial statements.

WASECA COUNTY

BALANCE SHEET
GOVERNMENTAL FUNDS
As of December 31, 2017

	General Fund	Special Revenue: Road & Bridge	Special Revenue: Ditch	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS						
Cash and investments	$ 7,280,694	$ 7,643,421	$ 657,787	$ 689,429	$ 2,248,776	$ 18,520,107
Receivables						
Delinquent taxes	124,671	41,022	-	5,309	-	171,002
Accounts	44,863	-	-	-	-	44,863
Due from other governments	234,974	1,462,804	30,328	-	-	1,728,106
Interest	21,915	-	-	-	-	21,915
Special assessments	-	-	185,550	-	8,417	193,967
Notes, net	-	-	-	-	86,298	86,298
Due from other funds	1,114,202	-	-	-	-	1,114,202
Inventories and prepaid items	23,191	392,848	-	-	6,650	422,689
TOTAL ASSETS	$ 8,844,510	$ 9,540,095	$ 873,665	$ 694,738	$ 2,350,141	$ 22,303,149
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Liabilities						
Accounts payable	$ 220,544	$ 137,274	$ 172,829	$ -	$ 75,805	$ 606,452
Accrued liabilities	116,876	21,752	-	-	9,636	148,264
Due to other governments	120,056	16,237	79,413	-	132	215,838
Due to other funds	-	-	1,114,202	-	-	1,114,202
Special deposits	-	-	-	-	3,100	3,100
Total Liabilities	457,476	175,263	1,366,444	-	88,673	2,087,856
Deferred Inflows of Resources						
Unearned revenues	116,307	-	-	-	33,865	150,172
Unavailable revenues	99,851	1,366,675	208,284	3,539	94,705	1,773,054
Total Deferred Inflows of Resources	216,158	1,366,675	208,284	3,539	128,570	1,923,226
Fund Balances						
Nonspendable	23,191	392,848	-	-	6,650	422,689
Restricted	22,543	-	-	691,199	922,641	1,636,383
Committed	-	7,605,309	-	-	884,239	8,489,548
Assigned	1,223,164	-	-	-	319,368	1,542,532
Unassigned (deficit)	6,901,978	-	(701,063)	-	-	6,200,915
Total Fund Balances (Deficit)	8,170,876	7,998,157	(701,063)	691,199	2,132,898	18,292,067
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 8,844,510	$ 9,540,095	$ 873,665	$ 694,738	$ 2,350,141	$ 22,303,149

See accompanying notes to the financial statements.

WASECA COUNTY

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
WITH THE STATEMENT OF NET POSITION
As of December 31, 2017

Total fund balance - governmental funds		$ 18,292,067
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in government activities are not financial resources and, therefore, are not reported in the fund statements. Capital assets at year end consist of:		
Capital assets	$ 95,914,109	
Accumulated depreciation	(35,510,996)	60,403,113
Certain receivables that are not considered available are reported as unavailable revenue in the fund financial statements and are recognized as revenue when earned in the government-wide financial statements These types of unavailable revenues at year end consist of:		
Taxes receivable	115,626	
Special assessments receivable	185,550	
Due from other governments	1,364,209	
Interest receivable	21,381	
Notes receivable	86,288	1,773,054
Investments in joint ventures are not financial resources and, therefore, are not reported in the funds.		4,099,352
Deferred outflows of resources related to pensions do not relate to current financial resources and are not reported in the fund statements.		3,393,030
Deferred inflows of resources related to pensions do not relate to current financial resources and are not reported in the fund statements.		(3,417,040)
Long-term liabilities, including bond and notes payable, are not due in the current period, and therefore, are not reported in the fund statements. Long-term liabilities at year end consist of:		
General obligation debt	(2,900,000)	
Capital lease liability	(58,064)	
Unamortized premium on debt	(64,358)	
Accrued interest on general obligation debt	(28,743)	
Net pension liability	(6,499,625)	
Compensated absences	(872,074)	
Termination and disability benefits	(71,707)	
Other postemployment benefits	(287,415)	(10,781,986)
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES		$ 73,761,590

See accompanying notes to the financial statements.

WASECA COUNTY

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Year Ended December 31, 2017

	General Fund	Special Revenue: Road & Bridge	Special Revenue: Ditch	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES						
Taxes	$ 10,304,387	$ 3,671,925	$ -	$ 389,844	$ -	$ 14,366,156
Special assessments	-	-	617,296	-	250,419	867,715
Intergovernmental	2,243,503	6,349,694	84,234	12,530	716,172	9,406,133
Licenses and permits	243,844	-	-	-	17,710	261,554
Public charges for services	877,693	226,922	-	-	619,580	1,724,195
Investment income (including unrealized gains)	78,619	-	-	-	2,783	81,402
Miscellaneous	248,073	195,199	55,000	-	378,771	877,043
Total Revenues	13,996,119	10,443,740	756,530	402,374	1,985,435	27,584,198
EXPENDITURES						
Current						
General government	4,768,760	-	-	-	76,615	4,845,375
Public safety	2,868,872	-	-	-	636,799	3,505,671
Public works	-	7,020,569	-	-	-	7,020,569
Sanitation	-	-	-	-	859,604	859,604
Health and human services	3,843,471	-	-	-	67,018	3,910,489
Culture, recreation, and education	357,242	-	-	-	13,809	371,051
Conservation and development	541,324	-	857,105	-	32,098	1,430,527
Capital Outlay	573,231	361,312	-	-	50,942	985,485
Debt Service						
Principal retirement	-	-	-	425,000	-	425,000
Interest and fiscal charges	-	-	7,161	90,635	-	97,796
Total Expenditures	12,952,900	7,381,881	864,266	515,635	1,736,885	23,451,567
Excess (deficiency) of revenues over expenditures	1,043,219	3,061,859	(107,736)	(113,261)	248,550	4,132,631
OTHER FINANCING SOURCES (USES)						
Capital leases issued	75,895	-	-	-	-	75,895
Transfers in	2,236	-	-	213,523	189,682	405,441
Transfers out	(189,682)	(213,523)	-	-	(2,236)	(405,441)
Total Other Financing Sources (Uses)	(111,551)	(213,523)	-	213,523	187,446	75,895
Net change in fund balances	931,668	2,848,336	(107,736)	100,262	435,996	4,208,526
FUND BALANCES (DEFICIT) - Beginning of Year	7,239,208	5,125,881	(593,327)	590,937	1,696,902	14,059,601
Increase in inventories	-	23,940	-	-	-	23,940
FUND BALANCES (DEFICIT) - END OF YEAR	$ 8,170,876	$ 7,998,157	(701,063)	$ 691,199	$ 2,132,898	$ 18,292,067

See accompanying notes to the financial statements.

WASECA COUNTY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2017

Net change in fund balances - total governmental funds	$ 4,208,526
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 these assets is allocated over their estimated useful lives and reported as depreciation expense. The following differ in their presentation in the two statements:	
Capital outlay is reported as an expenditure in the fund financial statements but is capitalized in the government-wide financial statements.	985,485
Some items reported as capital outlay were not capitalized.	(389,694)
Some expenditures charged to the functional areas were capitalized.	4,374,851
Depreciation is reported in the government-wide statements.	(2,934,292)
In the statement of activities, only the gain or loss on the disposal of capital assets is reported.	(1,404,065)
Delinquent taxes, special assessments and certain accounts receivable are reported as unavailable revenue in the fund financial statements but are recognized as revenue when earned in the government-wide financial statements. This is the amount recognized as revenue on the fund statement that was recognized in the government-wide statement in prior years.	
Taxes receivable	1,542
Special assessments receivable	(160,109)
Due from other governments	(573,655)
Interest receivable	8,231
Notes receivable	(8,691)
Debt issued provides current financial resources to governmental funds, but issuing debt governmental increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the funds, but the repayment reduces long-term liabilities in the statement of net position.	
Principal repaid	425,000
Capital lease issued	(75,895)
Capital lease repayments	17,831
Some expenses in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. This amount is the change in the following liabilities:	
Compensated absences	(46,961)
Termination and disability benefits	26,252
Other postemployment benefits	(215,322)
Net pension liability (and pension related deferred outflows/inflows of resources)	(341,502)
Governmental funds reported the effect of losses on refunding, premiums, discounts, and similar items when debt was first issued, whereas these amounts were amortized in the statement of activities.	12,660

See accompanying notes to the financial statements.

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Previous Page

Interest on long-term debt in the statement of activities differs from the amount reported in the fund financial statements because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities interest expense is recognized as the interest accrues regardless of when it is due.	$	4,449
The proportionate share of the change in net position related to joint ventures reported in the statement of activities neither provides or uses current financial resources are not reported in the fund statements.		4,318
Change in inventory value		23,940
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	$	3,942,899

See accompanying notes to the financial statements.

WASECA COUNTY

STATEMENT OF NET POSITION
INTERNAL SERVICE FUND
As of December 31, 2017

	Self Insurance
ASSETS	
Cash and investments	$ -
LIABILITIES	
Accounts payable	-
Accrued liabilities	-
Total Liabilities	-
NET POSITION	
Unrestricted	-
TOTAL NET POSITION	$ -

See accompanying notes to the financial statements.

WASECA COUNTY

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
INTERNAL SERVICE FUND
For the Year Ended December 31, 2017

	Self Insurance
OPERATING REVENUES	
Charges for services	$ 1,745,682
OPERATING EXPENSES	
HSA and VEBA contributions	180,811
Premiums	1,564,871
Total Operating Expenses	1,745,682
Change in net position	-
NET POSITION - Beginning of Year	-
NET POSITION - END OF YEAR	$ -

See accompanying notes to the financial statements.

WASECA COUNTY

STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUND
For the Year Ended December 31, 2017

	Self Insurance
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received for interfund services	$ 1,745,682
Cash paid for HSA and VEBA contributions	(180,811)
Cash paid for administrative services	(944)
Cash paid for premiums	(1,883,467)
Net Cash Provided by Operating Activities	(319,540)
Net decrease in cash and cash equivalents	(319,540)
CASH AND CASH EQUIVALENTS - Beginning of Year	319,540
CASH AND CASH EQUIVALENTS - END OF YEAR	$ -
RECONCILIATION OF OPERATING INCOME TO CASH FLOWS FROM OPERATING ACTIVITIES	
Operating income	$ -
Adjustments to reconcile operating income to net cash provided by operating activities:	
Change in assets and liabilities:	
Accounts payable	(944)
Accrued liabilities	(318,596)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ (319,540)

NONCASH CAPITAL, INVESTING, AND FINANCING ACTIVITIES

None

See accompanying notes to the financial statements.

WASECA COUNTY

STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUNDS
As of December 31, 2017

	Agency Funds
ASSETS	
Cash and investments	$ 1,179,020
TOTAL ASSETS	$ 1,179,020
LIABILITIES	
Due to other governments	$ 572,615
Accounts payable	4,567
Deposits	601,838
TOTAL LIABILITIES	$ 1,179,020

See accompanying notes to the financial statements.

WASECA COUNTY

INDEX TO NOTES TO THE FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Waseca County, Minnesota conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The accepted standard-setting body for establishing governmental accounting and financial reporting principles is the Governmental Accounting Standards Board (GASB).

A. Reporting Entity

Waseca County was established February 27, 1857, and is an organized County having the powers, duties, and privileges granted counties by Minn. Statute ch. 373. 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 auditor-treasurer serves as the clerk of the board of commissioners but has no vote.

This report includes all of the funds of the county. The reporting entity for the county consists of the primary government and its component units. Component units are legally separate organizations for which the primary government is financially accountable or other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading. The county has not identified any organizations that meet this criteria.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The statement of net position and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. All of Waseca County's activities are considered governmental activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Waseca County does not allocate indirect expenses to functions in the statement of activities. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not included among program revenues are reported as general revenues. Internally dedicated resources are reported as general revenues rather than as program revenues.

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (cont.)

Fund Financial Statements

Financial statements of the county are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position/fund equity, revenues, and expenditures/expenses.

Funds are organized as major funds or non-major funds within the governmental fund statements. An emphasis is placed on major funds within the governmental categories. A fund is considered major if it is the primary operating fund of Waseca County or meets the following criteria:

a. Total assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, or expenditures of that individual governmental fund are at least 10 percent of the corresponding total for all governmental funds.

b. In addition, any other governmental fund that Waseca County believes is particularly important to financial statement users may be reported as a major fund.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Waseca County reports the following major governmental funds:

General Fund – accounts for Waseca County's primary operating activities. It is used to account for and report all financial resources except those required to be accounted for in another fund.

Road and Bridge Special Revenue Fund – used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures relating to public works for the establishment, location, vacation, construction, reconstruction, improvement, and maintenance of County state-aid highways, County highways, and County bridges.

Ditch Special Revenue Fund – used to account for and report resources restricted or committed for the financing of construction and maintenance of the county's ditches.

Debt Service Fund – used to account for and report financial resources that are restricted, committed, or assigned to expenditure for the payment of general long-term debt principal, interest, and related costs.

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (cont.)

Fund Financial Statements (cont.)

Waseca County reports the following non-major governmental funds:

Special Revenue Funds – used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes (other than debt service or capital projects).

Waste Management
Library
Special Revenue
Small Cities Development
Economic Development

Capital Projects Fund – used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

In addition, Waseca County reports the following fund types:

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the county, or to other governmental units, on a cost-reimbursement basis.

Self-Insurance

Agency funds are used to account for assets held by Waseca County as an agent for individuals, private organizations, and/or other governmental units.

Taxes and Penalties
Insurance
State Revenue
Social Welfare Trust Account

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

Government-Wide Financial Statements

The government-wide statement of net position and statement of activities are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met. Special assessments are recorded as revenue when earned. Unbilled receivables are recorded as revenues when services are provided.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (cont.)

Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, Waseca County considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt, claims, judgments, compensated absences, and pension expenditures, which are recorded as a fund liability when expected to be paid with expendable available financial resources.

Property taxes are recorded as receivables in the year levied. They are recognized as revenues when collected in the current year and in the first 60 days of the succeeding year.

Intergovernmental aids and grants are recognized as revenues in the period Waseca County is entitled to the resources and the amounts are available. Amounts owed to the county which are not available are recorded as receivables and unavailable revenues. Amounts received before eligibility requirements (excluding time requirements) are met are recorded as liabilities. Amounts received in advance of meeting time requirements are recorded as deferred inflows.

Special assessments are recorded as revenues when they become measurable and available as current assets. Annual installments due in future years are reflected as receivables and unavailable revenues.

Revenues susceptible to accrual include property taxes, miscellaneous taxes, public charges for services, special assessments and interest. Other general revenues such as fines and forfeitures, inspection fees, recreation fees, and miscellaneous revenues are recognized when received in cash or when measurable and available under the criteria described above.

Proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as described previously in this note. Agency funds follow the accrual basis of accounting and do not have a measurement focus.

The proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. Operating expenses for proprietary funds include the cost of sales and services and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

All Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported 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 expenditures/expenses during the reporting period. Actual results could differ from those estimates.

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY

1. Deposits and Investments

For purposes of the statement of cash flows, the county considers all highly liquid investments with an initial maturity of three months or less when acquired to be cash equivalents.

Minnesota statutes authorize the county board to designate a depository for public funds and to invest in certificates of deposit. Minnesota statutes require that all deposits be covered by insurance, surety bond, or collateral.

Investments are limited to:

- Bonds, notes, bills, mortgages, and other securities, which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by Congress, except mortgage-backed securities defined as “high risk” by Minnesota statutes.

- State and local securities that meet specified bond ratings by a national rating service.

- Commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by at least two nationally recognized rating agencies and matures in 270 days or less.

- Mutual fund through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments.

- Banker’s acceptances of United States banks.

- Repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts, with certain restrictions.

The county has adopted an investment policy. This policy follows the state statutes for allowable investments.

Custodial Credit Risk

The county’s investment policy requires that documentation be obtained (e.g. broker certification forms and documentation of perfected security interests in pledged collateral) from institutions with which the county will do business.

Credit Risk

Credit risk is addressed through the investment restrictions detailed above.

Concentration of Credit Risk

The policy requires diversification of the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

1. Deposits and Investments (cont.)

Interest Rate Risk

The investment portfolio will be structured so that securities mature as needed for ongoing operations, thereby avoiding the need to sell securities in the open market. The average maturity shall not exceed seven years from the date of purchase.

Investments are generally stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on methods and inputs as outlined in Note III.A. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income. Investment income on commingled investments of municipal accounting funds is allocated to the General Fund. The difference between the bank balance and carrying value is due to outstanding checks and/or deposits in transit.

Waseca County invests in an external investment pool, the Minnesota Association of Governments Investing for Counties (MAGIC) Fund, which is created under a joint powers agreement pursuant to Minn. Statute 471.59. The county's MAGIC portfolio investment is reported at amortized cost. Shares of the county's MAGIC term series investment are purchased to mature upon pre-determined dates and are reported at a net asset value. Financial information for the MAGIC Fund can be obtained online at https://www.magicfund.org/forms-and-documents/.

See Note III.A. for further information.

2. Receivables

The county levies and collects property taxes and special assessments for all governmental units within the county. Property tax collections and payments to other governmental units are accounted for in agency funds.

The county is required to distribute the collections to the various governmental units three times each year on a schedule prescribed in Minn. Statute 276.

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 second half payment due October 15. Unpaid taxes at December 31 become liens on the respective property and are classified in the financial statements as delinquent taxes receivable.

Notes receivable have been shown net of an allowance for uncollectible accounts. No allowance for uncollectible delinquent taxes has been provided because of the county's demonstrated ability to recover any losses through the sale of the applicable property.

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. Short-term interfund loans are reported as "due to and from other funds." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the statement of net position.

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

2. Receivables (cont.)

It is the county's policy to record unavailable revenue for the net amount of the notes receivable balances. As loans are repaid, revenue is recognized. When new loans are made from the repayments, expenditures are recorded. Interest received from loan repayments is recognized as revenue when received in cash. Any unspent loan repayments at year end are presented as restricted or committed fund balance in the fund financial statements.

3. Inventories and Prepaid Items

Inventory, if material, is valued at cost based on average costs using the purchases method and consists of supplies held for consumption.

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

Government –Wide Statements

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an estimated useful life in excess of one year and an initial cost of $5,000 or more. All capital assets are valued at historical cost, or estimated historical cost if actual amounts are unavailable. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Machinery and Equipment	5-25 Years
Improvements	20 Years
Buildings	50-150 Years
Roads	25-50 Years
Bridges	75 Years

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

5. Deferred Outflows of Resources

A deferred outflow of resources represents a consumption of net position/fund balance that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until that future time.

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

6. Compensated Absences

Under terms of employment, employees are granted sick leave and vacations in varying amounts. Only benefits considered to be vested are disclosed in these statements.

All vested vacation and sick leave pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements, and are payable with expendable available resources.

Payments for vacation and sick leave will be made at rates in effect when the benefits are used. Accumulated vacation and sick leave liabilities at December 31, 2017 are determined on the basis of current salary rates and include salary related payments.

7. Long-Term Obligations

All long-term obligations to be repaid from governmental resources are reported as liabilities in the government-wide statements. The long-term obligations consist primarily of bonds payable, termination benefits, accrued compensated absences and the net pension liability.

Long-term obligations for governmental funds are not reported as liabilities in the fund financial statements. The face value of debts (plus any premiums) are reported as other financing sources and payments of principal and interest are reported as expenditures.

For the government-wide statements, bond premiums and discounts are amortized over the life of the issue using the straight-line method. The balance at year end is shown as an increase or decrease in the liability section of the statement of net position.

8. Deferred Inflows of Resources

A deferred inflow of resources represents an acquisition of net position that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until that future time.

9. Equity Classifications

Government–Wide Statements

Equity is classified as net position and displayed in three components:

a. Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances (excluding unspent bond proceeds) of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

b. Restricted net position – Consists of net position with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or, 2) law through constitutional provisions or enabling legislation.

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

9. Equity Classifications (cont.)

Government–Wide Statements (cont.)

c. Unrestricted net position – All other net position that does not meet the definition of "restricted" or "net investment in capital assets."

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

Fund Statements

Governmental fund equity is classified as fund balance and displayed as follows:

a. Nonspendable - Includes fund balance amounts that cannot be spent either because they are not in spendable form or because legal or contractual requirements require them to be maintained intact.

b. Restricted - Consists of fund balances with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or 2) law through constitutional provisions or enabling legislation.

c. Committed - Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority. Fund balance amounts are committed through a formal action (resolution) of the county board. This formal action must occur prior to the end of the reporting period, but the amount of the commitment, which will be subject to the constraints, may be determined in the subsequent period. Any changes to the constraints imposed required the same formal action of the county board that originally created the commitment.

d. Assigned - Includes spendable fund balance amounts that are intended to be used for specific purposes that are not considered restricted or committed. The county board can assign amounts for a specific purpose. Assignments may take place after the end of the reporting period.

e. Unassigned - Includes residual positive fund balance within the general fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those purposes.

Proprietary fund equity is classified the same as in the government-wide statements.

The county considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents / contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the county would first use committed, then assigned and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

9. Equity Classifications (cont.)

Fund Statements (cont.)

The county board has approved maintaining approximately six months' worth of expenditures in fund balance for cash flow purposes. Approximate amounts available for such cash flow coverage at December 31, 2017 were as follows: $6.9 million for the general fund and $7.6 million for roads and bridges.

10. Pension

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. Investments are reported at fair value.

NOTE II – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

A budget has been adopted for the general fund, certain special revenue funds and the debt service fund. A budget has not been formally adopted for the Library, Small Cities Development, Economic Development or Capital Projects fund.

B. EXCESS EXPENDITURES OVER APPROPRIATIONS

Budgeted expenditures in the Ditch fund were $500,000. Total expenditures were $864,266. This results in excess expenditures of $364,266.

Budgeted expenditures in the Debt Service fund were $515,136. Total expenditures were $515,635. This results in excess expenditures of $499.

Budgeted expenditures in the Waste Management fund were $757,349. Total expenditures were $865,767. This results in excess expenditures of $108,418.

Budgeted expenditures and other financing uses in the Special Revenue fund were $577,534. Total expenditures and other financing uses were $814,115. This results in excess expenditures of $236,581.

The county controls expenditures at the department level. Some individual departments experienced expenditures which exceeded appropriations. The detail of those items can be found in the county's year-end budget to actual report.

NOTE II – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (cont.)

C. DEFICIT BALANCES

Generally accepted accounting principles require disclosure of individual funds that have deficit balances at year end.

As of December 31, 2017, the Ditch fund held a deficit balance of $701,063 due to expenditures in excess of revenues. The deficit is anticipated to be funded with future special assessments.

NOTE III – DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

The county maintains a cash and investment pool that is available for use by all funds. Each fund's portion in this pool is displayed on statement of net position and balance sheet as cash and investments. In addition, investments are separately held by several of the county's funds. The county's cash and investments at year end were comprised of the following:

	Carrying Value	Bank Balance	Associated Risks
Deposits	$ 14,606,513	$ 14,699,716	Custodial credit
Negotiable CD's	1,730,217	1,730,217	Custodial credit, credit, concentration of credit, interest rate
MAGIC portfolio	1,859,899	1,859,899	Credit, interest rate
MAGIC term series	1,000,000	1,000,000	Credit, interest rate
U.S. agencies – implicitly guaranteed	448,761	448,761	Custodial credit, credit, concentration of credit, interest rate
U.S. treasuries	26,787	37,882	Custodial credit, interest rate
Petty cash	26,950	-	N/A
Total Cash and Investments	$ 19,699,127	$ 19,776,475	

Reconciliation to financial statements	
Per statement of net position	
Unrestricted cash and investments	$ 18,520,107
Per statement of assets and liabilities – Agency Funds	1,179,020
Total Cash and Investments	$ 19,699,127

NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)

A. DEPOSITS AND INVESTMENTS (cont.)

Deposits in each local and area bank are insured by the FDIC in the amount of $250,000 for time and savings accounts (including NOW accounts) and $250,000 for demand deposit amounts (interest-bearing and noninterest bearing). In addition, if deposits are held in an institution outside of the state in which the government is located, insured amounts are further limited to a total of $250,000 for the combined amount of all deposits.

The Securities Investor Protection Corporation (SIPC), created by the Securities Investor Protection Act of 1970, is an independent government-sponsored corporation (not an agency of the U.S. government). SIPC membership provides account protection up to a maximum of $500,000 per customer, of which $250,000 may be in cash. Additionally, through Lexington Insurance Company, accounts have additional securities coverage of up to a firm aggregate of $1 billion, including $1.9 million for cash per client.

The county maintains collateral agreements with its banks. At December 31, 2017, the banks had pledged various government securities totaling $18,550,154 to secure the county's deposits.

The county categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The valuation methods for recurring fair value measurements are as follows:

> Quoted market prices
> Matrix pricing models

	December 31, 2017			
Investment Type	Level 1	Level 2	Level 3	Total
Negotiable CD's	$ -	$ 1,730,217	$ -	$ 1,730,217
U.S. agencies – implicitly guaranteed	-	448,761	-	448,761
U.S. treasuries	-	37,882	-	37,882
Totals	$ -	$ 2,216,860	$ -	$ 2,216,860

Custodial Credit Risk

Deposits – Custodial credit risk is the risk that in the event of a financial institution failure, the county's deposits may not be returned to the county. The county does not have any deposits exposed to custodial credit risk.

Investments – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the county will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The county does not have any investments exposed to custodial credit risk.

NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)

A. DEPOSITS AND INVESTMENTS (cont.)

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

As of December 31, 2017, the county's investments were rated as follows:

Investment Type	Standard & Poor's	Moody's Investor Service
U.S. agencies – implicitly guaranteed	AA+	AAA

The county also held investments in Minnesota Association of Governments Investing for Counties (MAGIC), which is an unrated external investment pool. In addition the county's Negotiable CD's are not rated.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer.

At December 31, 2017, the investment portfolio was concentrated as follows:

Issuer	Investment Type	Percentage of Portfolio
Federal Home Loan Mortgage Corporation	U.S. agencies	8.84%

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the value of an investment.

As of December 31, 2017, the county's investments were as follows:

		Maturity (in years)		
Investment Type	Bank Balance	Less than 1 year	1 - 5 years	More than 5 years
Negotiable CD's	$ 1,730,217	$ 446,844	$ 1,283,373	$ -
U.S. agencies – implicitly guaranteed	448,761	299,517	149,244	-
MAGIC	2,859,899	2,859,899	-	-
U.S. treasuries	37,882	-	37,882	-
Totals	$ 5,076,759	$ 3,606,260	$ 1,470,499	$ -

See Note I.D.1. for further information on deposit and investment policies.

NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)

B. RECEIVABLES

Receivables as of year end for the county's individual major funds and nonmajor funds in the aggregate are as follows:

Fund	Receivables	Amounts Not Expected to Be Collected Within One Year
General Fund	$ 426,423	$ 15,192
Road & Bridge	1,503,826	5,161
Ditch	215,878	251
Debt Service	5,309	526
Nonmajor Funds	94,715	86,256

Governmental funds report *unavailable* or *unearned revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *unavailable revenue* and *unearned revenue* reported in the governmental funds were as follows:

	Unearned	Unavailable
Property taxes receivable	$ -	$ 115,626
Special assessments receivable	-	185,550
Due from other governments	-	1,364,209
Interest receivable	-	21,381
Notes receivable	-	86,288
Grants received in advance of time requirements	150,172	-
Total Unavailable/Unearned Revenue for Governmental Funds	$ 150,172	$ 1,773,054

Loans were given out by the county in 1992 and accounted for in the Small Cities Development fund. These loans are due and payable upon the sale of real estate and are offset by unavailable revenues. At December 31, 2017, there were 10 such loans outstanding with a balance of $75,050.

Economic development loans made by the county are accounted for in the Economic Development fund. Two loans were given out by the county during 2005 and were accounted for in this fund. The first loan, a twenty-year loan with an interest rate of 7.25%, has an outstanding balance of $11,238 as of December 31, 2017. The second loan, an eight-year loan with an interest rate of 5.9%, has an outstanding balance of $17,587 as of December 31, 2017, which is offset by an allowance for doubtful accounts to cover the full amount.

NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)

C. CAPITAL ASSETS

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

	Beginning Balance	Adjustments*	Additions	Deletions	Ending Balance
Capital Assets Not Being Depreciated					
Land	$ 524,107	$ -	$ 163,795	$ -	$ 687,902
Right of way	1,159,599	-	-	-	1,159,599
Construction in progress	136,845	-	143,850	(136,845)	143,850
Total Capital Assets Not Being Depreciated	$ 1,820,551	$ -	$ 307,645	$ (136,845)	$ 1,991,351
Capital Assets Being Depreciated					
Buildings	$ 6,534,588	$ -	$ -	$ -	$ 6,534,588
Improvements	30,311	-	-	-	30,311
Machinery and equipment	9,662,598	-	438,427	(741,390)	9,359,635
Roads	73,280,226	163,079	3,930,720	(5,423,882)	71,950,143
Bridges	5,780,465	(163,079)	430,695	-	6,048,081
Total Capital Assets Being Depreciated	95,288,188	-	4,799,842	(6,165,272)	93,922,758
Less: Accumulated Depreciation for					
Buildings	(2,446,270)	-	(77,585)	-	(2,523,855)
Improvements	(16,983)	-	(1,312)	-	(18,295)
Machinery and equipment	(5,459,825)	-	(599,755)	741,390	(5,318,190)
Roads	(28,596,747)	(3,998)	(2,180,742)	4,019,817	(26,761,670)
Bridges	(818,086)	3,998	(74,898)	-	(888,986)
Total Accumulated Depreciation	(37,337,911)	-	(2,934,292)	4,761,207	(35,510,996)
Capital Assets Being Depreciated, Net of Depreciation	$ 57,950,277	$ -	$ 1,865,550	$ (1,404,065)	$ 58,411,762

*Adjustments are to reclassify certain capital assets and related accumulated depreciation between categories.

Depreciation expense was charged to functions as follows:

Governmental Activities	
General government	$ 132,575
Public safety	342,251
Public works, which includes the depreciation of roads and bridges	2,411,345
Health and human services	1,075
Conservation and development	47,046
Total Governmental Activities Depreciation Expense	$ 2,934,292

NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)

D. INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS

Interfund Receivables/Payables

The following is a schedule of interfund receivables and payables including any overdrafts on pooled cash and investment accounts:

Receivable Fund	Payable Fund	Amount
General Fund	Ditch	$ 1,114,202
Subtotal - Fund financial statements		1,114,202
Less: Fund eliminations		(1,114,202)
Total - Government-Wide Statement of Net Position		$ -

All amounts are expected to be repaid within one year.

These interfunds resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Transfers

The following is a schedule of interfund transfers:

Fund Transferred To	Fund Transferred From	Amount	Principal Purpose
Special Revenue	General Fund	$ 30,000	HRIS software package
Special Revenue	General Fund	100,000	Payroll software
Special Revenue	General Fund	30,000	Election equipment
Special Revenue	General Fund	14,682	SHIP funds
General Fund	Special Revenue	1,143	Remaining SSTS grant
General Fund	Special Revenue	1,093	Record GIS revenue
Debt Service	Road and Bridge	213,523	Payment of debt
Economic Development	General Fund	15,000	Land purchase
Subtotal - Fund Financial Statements		405,441	
Less: Fund eliminations		(405,441)	
Total - Government-Wide Statement of Activities		$ -	

Generally, transfers are used to (1) move revenues from the fund that collects them to the fund that the budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)

E. LONG-TERM OBLIGATIONS

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

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Bonds Payable:					
General obligation debt	$ 3,325,000	$ -	$ 425,000	$ 2,900,000	$ 435,000
Premiums/(discounts)	77,018	-	12,660	64,358	-
Total Bonds Payable	3,402,018	-	437,660	2,964,358	435,000
Other Liabilities:					
Termination benefits	54,236	-	21,944	32,292	-
Other postemployment benefits	72,093	215,322	-	287,415	-
Disability benefits	43,723	-	4,308	39,415	-
Compensated absences	825,113	429,958	382,997	872,074	404,796
Capital lease liability	-	75,895	17,831	58,064	18,407
Net pension liability	9,639,674	934,883	4,074,932	6,499,625	-
Total Other Liabilities	10,634,839	1,656,058	4,502,012	7,788,885	423,203
Total Long-Term Liabilities	$ 14,036,857	$ 1,665,058	$ 4,939,672	$ 10,753,243	$ 858,203

General Obligation Debt

All general obligation bonds payable are backed by the full faith and credit of the county. General obligation bonds will be retired by future property tax levies accumulated by the debt service fund.

In accordance with Minnesota Statutes, net indebtedness of the county may not exceed 3% of the market value of taxable property within the county's jurisdiction. The debt limit as of December 31, 2017 was approximately $81 million. General obligation debt outstanding at year end subject to the debt limit was $1,655,000.

General obligation debt payable for the county at December 31, 2017, consists of the following:

General Obligation Debt	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance December 31, 2017
State-Aid Highway Bonds	2007	2022	3.75-4.20%	$ 1,240,000	$ 505,000
Capital Improvement Bonds	2013	2023	0.80-2.60%	2,145,000	1,655,000
State-Aid Highway Bonds	2015	2025	2.00-2.15%	910,000	740,000
					$ 2,900,000

NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)

E. LONG-TERM OBLIGATIONS (cont.)

General Obligation Debt (cont.)

Debt service requirements to maturity are as follows:

Years	General Obligation Debt Principal	General Obligation Debt Interest
2018	$ 435,000	$ 76,737
2019	450,000	63,316
2020	460,000	49,468
2021	475,000	35,138
2022	495,000	20,948
2023 – 2025	585,000	13,231
Totals	$ 2,900,000	$ 258,838

Other Debt Information

Estimated payments of compensated absences, other postemployment benefits, termination and disability benefits, capital lease liability and net pension liability are not included in the debt service requirement schedules. These liabilities attributable to governmental activities will be liquidated primarily by the general fund and road & bridge fund.

F. NET POSITION / FUND BALANCES

Net position reported on the government wide statement of net position at December 31, 2017 includes the following:

Net Investment in Capital Assets	
Land	$ 687,902
Right of way	1,159,599
Construction in progress	143,850
Other capital assets, net of accumulated depreciation	58,411,762
Less: related long-term debt outstanding (excluding unspent capital related debt proceeds, if applicable)	(2,838,672)
Less: Unamortized premium	(64,358)
Total Net Investment in Capital Assets	$ 57,500,083

NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)

F. NET POSITION / FUND BALANCES (cont.)

Governmental fund balances reported on the fund financial statements at December 31, 2017, include the following:

	General Fund	Road and Bridge	Ditch	Debt Service	Nonmajor Funds	Totals
Nonspendable:						
Inventories and prepaids	$ 23,191	$ 392,848	$ -	$ -	$ 6,650	$ 422,689
Restricted for:						
Missing heirs	22,543	-	-	-	-	22,543
Debt service	-	-	-	691,199	-	691,199
ARMER radio system	-	-	-	-	86,705	86,705
Other capital projects	-	-	-	-	61,328	61,328
Small cities development	-	-	-	-	26,025	26,025
Statutory requirements	-	-	-	-	748,583	748,583
Committed to:						
Waste management	-	-	-	-	752,301	752,301
Economic development	-	-	-	-	111,279	111,279
Capital projects	-	-	-	-	20,659	20,659
Road and bridge	-	7,605,309	-	-	-	7,605,309
Assigned to:						
Compensated absences	559,366	-	-	-	-	559,366
Squad car purchases	464,399	-	-	-	-	464,399
Regional radio upgrade	120,000	-	-	-	-	120,000
Fleet car purchase	4,899	-	-	-	-	4,899
Veterans van purchase	2,500	-	-	-	-	2,500
Land acquisition	35,000	-	-	-	-	35,000
Jail monitoring system	37,000	-	-	-	-	37,000
Other minor items	-	-	-	-	319,368	319,368
Unassigned (deficit):	6,901,978	-	(701,063)	-	-	6,200,915
Total Fund Balances (Deficit)	$ 8,170,876	$ 7,998,157	$ (701,063)	$ 691,199	$ 2,132,898	$ 18,292,067

NOTE IV – OTHER INFORMATION

A. EMPLOYEES' RETIREMENT SYSTEM

Public Employees Retirement Association (PERA)

General Information About the Pension Plan

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

1. General Employees Retirement Plan (General Employees Plan)

All full-time and certain part-time employees of the county are covered by the General Employees Plan. General Employees Plan members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan.

2. Public Employees Police and Fire Fund (Police and Fire Plan)

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

3. Local Government Correctional Plan (Correctional Plan)

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

Benefits Provided. PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state legislature.

Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Members in plans that are at least 90 percent funded for two consecutive years are given 2.5 percent increases. Members in plans that have not exceeded 90 percent funded, or have fallen below 80 percent, are given one percent increases.

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

NOTE IV – OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Public Employees Retirement Association (PERA) (cont.)

General Information About the Pension Plan (cont.)

1. General Employees Plan Benefits

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives 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 Basic Plan member is 2.2 percent of average salary for each of the first ten years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first ten years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For members hired prior to July 1, 1989 a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989 normal retirement age is the age for unreduced Social Security benefits capped at 66.

2. Police and Fire Plan Benefits

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

3. Correctional Plan Benefits

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

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

1. General Employees Fund Contributions

Basic Plan members and Coordinated Plan members were required to contribute 9.1 percent and 6.50 percent, respectively, of their annual covered salary in calendar year 2017. The county was required to contribute 11.78 percent of pay for Basic Plan members and 7.50 percent for Coordinated Plan members in calendar year 2017. The county's contributions to the General Employees Fund for the year ended December 31, 2017 were $360,361. The county's contributions were equal to the required contributions as set by state statute.

NOTE IV – OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Public Employees Retirement Association (PERA) (cont.)

General Information About the Pension Plan (cont.)

2. Police and Fire Fund Contributions

Plan members were required to contribute 10.8 percent of their annual covered salary in calendar year 2017. The county was required to contribute 16.20 percent of pay for members in calendar year 2017. The county's contributions to the Police and Fire Fund for the year ended December 31, 2017 were $132,889. The county's contributions were equal to the required contributions as set by state statute.

3. Correctional Fund Contributions

In calendar year 2017 plan members were required to contribute 5.83 percent of their annual covered salary. The county was required to contribute 8.75 percent of pay for plan members in calendar year 2017. The county's contributions to the Correctional Fund for the year ended December 31, 2017 were $31,425. The county's contributions were equal to the required contributions as set by state statute.

Pension Costs

1. General Employees Fund Pension Costs

At December 31, 2017, the county reported a liability of $4,839,022 for its proportionate share of the General Employees Fund's net pension liability. The county's net pension liability reflected a reduction due to the State of Minnesota's contribution of $6 million to the fund in 2017. The State of Minnesota is considered a non-employer 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 $60,838. The net pension liability was measured as of June 30, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The county's proportion of the net pension liability was based on the county's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2016 through June 30, 2017 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the county's proportion share was .0758 percent, which was an increase of .0062 percent from its proportion measured as of June 30, 2016.

For the year ended December 31, 2017, the county recognized pension expense of $394,789 for its proportionate share of the General Employees Plan's pension expense. In addition, the county recognized an additional $1,757 as pension expense (and grant revenue) for it proportionate share of the State of Minnesota's contribution of $6 million to the General Employees Fund.

NOTE IV – OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Public Employees Retirement Association (PERA) (cont.)

Pension Costs (cont.)

1. General Employees Fund Pension Costs (cont.)

At December 31, 2017, the county reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 159,479	$ 298,995
Changes in actuarial assumptions	737,669	485,112
Differences between projected and actual investment earnings	-	1,468
Changes in proportion	377,557	601,493
Contributions paid to PERA subsequent to the measurement date	179,732	-
Totals	$ 1,454,437	$ 1,387,068

$179,732 reported as deferred outflows related to pension resulting from county contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ended December 31:	Deferred Outflows of Resources	Deferred Inflows of Resources
2018	$ 547,847	$ 651,330
2019	547,847	367,349
2020	179,011	162,982
2021	-	205,407

NOTE IV – OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Public Employees Retirement Association (PERA) (cont.)

Pension Costs (cont.)

2. Police and Fire Fund Pension Costs

At December 31, 2017, the county reported a liability of $1,147,601 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The county's proportion of the net pension liability was based on the county's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2016 through June 30, 2017 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the county's proportion was .0850 percent, which was an increase of .0020 percent from its proportion measured as of June 30, 2016. The county also recognized $7,650 for the year ended December 31, 2017 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Fund. Legislation passed in 2013 required the State of Minnesota to begin contributing $9 million to the Police and Fire Fund each year, starting in fiscal year 2014.

For the year ended December 31, 2017 the county recognized pension expense of $278,421 for its proportionate share of the Police and Fire Plan's pension expense.

At December 31, 2017, the county reported its proportionate share of the Police and Fire Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 26,415	$ 299,580
Changes in actuarial assumptions	1,466,527	1,629,309
Differences between projected and actual investment earnings	6,822	-
Changes in proportion	77,687	-
Contributions paid to PERA subsequent to the measurement date	65,685	-
Totals	$ 1,643,136	$ 1,928,889

NOTE IV – OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Public Employees Retirement Association (PERA) (cont.)

Pension Costs (cont.)

2. Police and Fire Fund Pension Costs (cont.)

$65,685 reported as deferred outflows of resources related to pensions resulting from county contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31:	Deferred Outflows of Resources	Deferred Inflows of Resources
2018	$ 435,205	$ 408,404
2019	435,205	408,404
2020	394,126	408,404
2021	294,255	377,816
2022	18,660	325,861

3. Correctional Plan Pension Costs

At December 31, 2017 the county reported a liability of $513,002 for its proportionate share of the Correctional Plan's net pension liability. The net pension liability was measured as of June 30, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The county's proportion of the net pension liability was based on the county's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2016 through June 30, 2017 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the county's proportion was .1800 percent, which is unchanged from its proportion measured as of June 30, 2016.

For the year ended December 31, 2017, the county recognized pension expense of $192,967 for its proportionate share of the Correctional Plan's pension expense.

NOTE IV – OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Public Employees Retirement Association (PERA) (cont.)

Pension Costs (cont.)

3. Correctional Plan Pension Costs (cont.)

At December 31, 2017, the county reported its proportionate share of the Correctional Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 343	$ 8,495
Changes in actuarial assumptions	279,299	89,298
Net differences between projected and actual earnings	-	2,517
Changes in proportion	-	773
Contributions paid to PERA subsequent to the measurement date	15,815	-
Totals	$ 295,457	$ 101,083

$15,815 reported as deferred outflows of resources related to pensions resulting from county contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31:	Deferred Outflows of Resources	Deferred Inflows of Resources
2018	$ 139,821	$ 29,521
2019	139,821	25,772
2020	-	31,508
2021	-	14,282

NOTE IV – OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Public Employees Retirement Association (PERA) (cont.)

Actuarial Assumptions

The total pension liability in the June 30, 2017, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Active Member Payroll Growth	3.25% per year
Investment Rate of Return	7.50%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP 2014 tables for all plans for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases for retirees are assumed to be one percent per year for the General Employees Plan through 2044 and Police and Fire Plan through 2064 and then 2.5 percent thereafter for both plans, and 2.5 percent for all years for the Correctional Plan.

Actuarial assumptions used in the June 30, 2017 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2015. The most recent five-year experience study for Police and Fire Plan was completed in 2016. Experience studies have not been prepared for the Correctional Plan, but assumptions are reviewed annually.

The following changes in actuarial assumptions occurred in 2017:

General Employees Fund

> The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA loads are now 0.0 percent for active member liability, 15.0 percent for vested deferred member liability and 3.0 percent for non-vested deferred member liability.

> The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 per year thereafter

Police and Fire Fund

> Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates.

> Assumed rates of retirement were changed, resulting in fewer retirements.

> The Combined Service Annuity (CSA) load was 30 percent for vested and non-vested deferred members. The CSA has been changed to 33 percent for vested members and 2 percent for non-vested 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.

NOTE IV – OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Public Employees Retirement Association (PERA) (cont.)

Actuarial Assumptions (cont.)

Police and Fire Fund (cont.)

> Assumed termination rates were decreased to 3.0 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.

> Assumed percentage of married female members was decreased from 65 percent to 60 percent.

> Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.

> The assumed percentage of female members electing Joint and Survivor annuities was increased.

> The assumed post-retirement benefit increase rate was changed from 1.00 percent for all years to 1.00 percent per year through 2064 and 2.50 percent thereafter.

Correctional Fund

> 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 percent for vested and non-vested, deferred members. The CSA has been changed to 35 percent for vested members and 1 percent for non-vested members.

> The Single Discount Rate was changed from 5.31 percent per annum to 5.96 percent per annum.

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. 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 Real Rate of Return
Domestic Stocks	39%	5.10%
International Stocks	19%	5.30%
Bonds	20%	0.75%
Alternative Assets	20%	5.90%
Cash	2%	0.00%

NOTE IV – OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Public Employees Retirement Association (PERA) (cont.)

Discount rate. The discount rate used to measure the total pension liability in 2017 was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net positions of the General Employees Fund and the Police and Fire Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

In the Correctional Fund, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members through June 30, 2061. Beginning in fiscal year ended June 30, 2062, when projected benefit payments exceed the fund's projected fiduciary net position, benefit payments were discounted at the municipal bond rate of 3.56% based on an index of 20-year general obligation bonds with an average AA credit rating at the measurement date. An equivalent single discount rate of 5.96% for the Correctional Fund was determined that produced approximately the same present value of projected benefits when applied to all years of projected benefits as the present value of projected benefits using 7.50% applied to all years of projected benefits through the point of asset depletion and 3.56% after.

Pension Liability Sensitivity. The following presents the county's proportionate share of the net pension liability for all plans it participates in, 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 percentage point lower or 1 percentage point higher than the current discount rate:

	1% Decrease to Discount Rate	Current Discount Rate	1% Increase to Discount Rate
General Employees Fund			
County's proportionate share of net pension liability	$7,505,683	$4,839,022	$2,655,876
Discount rate	6.50%	7.50%	8.50%
Police and Fire Fund			
County's proportionate share of net pension liability	$2,161,268	$1,147,601	$310,763
Discount rate	6.50%	7.50%	8.50%
Correctional Fund			
County's proportionate share of net pension liability	$845,363	$513,002	$253,589
Discount rate	4.96%	5.96%	6.96%

Pension Plan Fiduciary Net Position. Detailed information about each pension plan's fiduciary net position is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the Internet at www.mnpera.org.

NOTE IV – OTHER INFORMATION (cont.)

B. OTHER POSTEMPLOYMENT BENEFITS

The county provides health insurance benefits for certain retired employees under a single-employer fully insured plan. The county provides benefits for retirees as required by Minnesota Statute 471.61 subdivision 2b. Active employees who retire from the county when eligible to receive a retirement benefit from the Public Employees Retirement Association (PERA) of Minnesota (or similar plan) and do not participate in any other health benefits program providing coverage similar to that herein described, will be eligible to continue coverage with respect to both themselves and their eligible dependent(s) under the county's health benefits program. Pursuant to the provisions of the plan, retirees are required to pay varying percentages of the total premium cost. As of January 1, 2017, there were 19 retirees receiving health benefits from the county's plan health plan.

The county's annual other post employment benefit (OPEB) cost is based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the county's annual OPEB cost for 2017, the amount actually contributed to the plan, and changes in the county's net OPEB obligation:

Annual required contribution (ARC)	$ 336,329
Interest on net OPEB obligation	2,884
Adjustment to annual required contribution	(8,889)
Annual OPEB cost	330,324
Contributions during the year	(115,002)
Increase in net OPEB obligation	215,322
Net OPEB - Beginning of Year	72,093
Net OPEB - End of Year	$ 287,415

The county's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation were as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Contribution	Percentage Contributed	Net OPEB Obligation
December 31, 2017	$ 330,324	$ 115,002	35%	$ 287,415
December 31, 2016	373,664	328,840	88%	72,093
December 31, 2015	369,842	393,285	106%	27,269

The county currently has no assets that have been irrevocably deposited in a trust for future health benefits. Therefore, the actuarial value of assets is zero.

NOTE IV – OTHER INFORMATION (cont.)

B. OTHER POSTEMPLOYMENT BENEFITS (cont.)

The county has evaluated its options in funding its OPEB liabilities. It has preliminarily determined that it will use a combination of small incremental property tax levy and non-levy increases. Under these scenarios the county has determined that it will be able to meet its OPEB obligations and fund the necessary reserves using a 10 year amortization assumption.

Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/2017	$ -	$ 1,734,103	$ 1,734,103	0.00%	$ 6,254,708	28%

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

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

In the January 1, 2017 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4% discount rate, which is based on the estimated long-term investment yield on the general assets of the county using an underlying long-term inflation assumption of 3%. The annual healthcare cost trend rate is 8% initially, reduced incrementally to an ultimate rate of 4.5% after seven years. The unfunded actuarial accrued liability is being amortized as a level dollar amount over an open 10-year period.

C. TERMINATION BENEFITS

As part of early retirement incentive plans, Waseca County provides post-retirement health insurance for any eligible employees who accepted the offer during the middle of 2009, for those who accepted/retired during the first part of 2011, and for those who accepted between March 1 and May 1 of 2012 and retired by October 31, 2012. The county is providing a cash payment or continued insurance coverage in amount equal to 100% of the county's monthly contribution for individual coverage, at the rate on the date of retirement, for various periods depending on the length of service provided to the county. The plan is financed on a pay-as-you-go basis.

NOTE IV – OTHER INFORMATION (cont.)

D. RISK MANAGEMENT

The county is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; workers compensation; and health care of its employees. The county has entered into a joint powers agreement with other Minnesota counties to form the Minnesota Counties Intergovernmental Trust (MCIT) to protect against liabilities from workers compensation and property and casualty. The county purchases commercial insurance to cover all other risks. Settled claims have not exceeded coverage in any of the past three years. There were no significant reductions in coverage compared to the prior year.

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 claim liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at $500,000 per claim in 2017. Should workers compensation liabilities of the MCIT workers compensation division exceed its assets, MCIT may assess the county in a method and amount to be determined by MCIT.

The property and casualty division of MCIT is self-sustaining, and the county pays an annual premium to cover current and future losses. MCIT carries reinsurance for its property lines to protect against catastrophic losses. Should the liabilities of the property and casualty division exceed its assets, MCIT may assess the county in a method and amount to be determined by MCIT.

E. COMMITMENTS AND CONTINGENCIES

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. The liability and expenditure for claims and judgments are only reported in governmental funds if it has matured. Claims and judgments are recorded in the government-wide statements and proprietary funds as expenses when the related liabilities are incurred.

From time to time, the county is party to various other pending claims and legal proceedings. At the present time, there are four tax appeals pending (or pending appeal at a higher court) that could result in a significant refund to the taxpayer. The potential dollar value of the refund has not been calculated.

The county has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grants. Management believes such disallowances, if any, would be immaterial.

In 1993, the South Central Minnesota Multi-County Housing Authority issued $20,315,000 of revenue bonds to construct housing units in Waseca County and four surrounding counties. The Authority has since defaulted on these bonds. In 2000, the counties entered into a settlement agreement where each of the counties will approve a special benefit tax levy on behalf of the Authority from 2001 through 2024 to cover the operating deficits based on each county's proportionate share of housing units constructed. The proportionate shares of the counties may change for years through 2024 if there are changes in the taxable market value over the 2001 taxable market value.

NOTE IV – OTHER INFORMATION (cont.)

E. COMMITMENTS AND CONTINGENCIES (cont.)

The county has entered into an agreement with the Minnesota Department of Agriculture and a local lending institution to jointly administer a loan program to individuals to implement projects that prevent or mitigate non-point source water pollution. While the county is not liable for repayment of the loans in any manner, it does have certain responsibilities under the agreement.

The county entered into a lease agreement with Waseca Properties LLC to provide working space for the human services department. The current lease term extends to November 30, 2018 with monthly rates ranging from $16,555 to $16,803 over the period of the lease term.

F. JOINTLY-GOVERNED ORGANIZATIONS

Jointly governed organizations are a regional government or multi-governmental arrangement governed by representatives of each creating government. Participants do not retain an ongoing financial interest or responsibility.

Waseca County, in conjunction with other local governments, has formed joint powers boards to provide a variety of services. The county appoints at least one member to the following organizations:

- South Central Minnesota Region Nine Emergency Medical Services
- Minnesota River Board (formerly Minnesota River Basin Joint Powers Board)
- South Central Regional IMMTRACK Joint Powers Board
- Waseca County Collaborative for Families
- Waseca-LeSueur Regional Library
- Southeastern Minnesota Private Industry Council
- Minnesota Counties Computer Cooperative
- Greater Blue Earth River Basin Alliance
- HSEM Emergency Managers Region 1
- Sentence to Service Program
- South Central Minnesota County Comprehensive Water Planning Project
- South Central Service Cooperative
- Southeast Minnesota Recyclers’ Exchange
- Three Rivers Resource Conservation & Development

The county made payments of approximately $143,000 to the Minnesota Counties Computer Cooperative and $409,000 to the Waseca-LeSueur Regional Library during 2017. All other payments to the other jointly-governed organizations were minimal.

NOTE IV – OTHER INFORMATION (cont.)

G. JOINT VENTURES

Minnesota Prairie County Alliance

Effective January 1, 2015, Waseca County is a participant with Dodge and Steele Counties in a joint venture to form a separate joint powers entity known as the Minnesota Prairie County Alliance (MNPrairie) under Minnesota Statutes §471.59 and §402A.35. The purpose of the entity is to administer essential human services programs and services mandated by Minnesota Statutes §402A.10. No county may withdraw from the agreement for five years from the original agreement date. A withdrawing member is allowed to recover their original equity contribution; however, the amount returned will not exceed its proportional share of MNPrairie's fund balance.

MNPrairie is governed by a joint powers board, which consists of two representatives of each member county.

During the year, Waseca County made payments of approximately $2.4 million to MNPrairie. Each county is required to make an annual operating contribution. The operating contribution is based fifty percent on the proportion of each member county's population and fifty percent on each member county's estimated market value. The equity interest at December 31, 2017 is $1,753,672, down from $2,157,847 at December 31, 2016. No additional equity was required to be paid in for 2017.

Dodge County is acting as fiscal agent. Complete financial statements for MNPrairie can be obtained from its fiscal agent at 22 6th Street East, Mantorville, Minnesota 55955.

South Country Health Alliance

South Country Health Alliance (SCHA) was created by a Joint Powers Agreement between Brown, Cass, Crow Wing, Dodge, Freeborn, Goodhue, Kanabec, Morrison, Mower, Sibley, Steele, Todd, Wabasha, Wadena, and Waseca counties on July 24, 1998, under Minnesota Statute §471.59. Mower, Freeborn, Cass, and Crow Wing counties have since withdrawn. The agreement was in accordance with Section 256B.692, which allows the formation of a board of directors to operate, control, and manage all matters concerning the eleven participating member counties health care functions, referred to as County Based Purchasing.

SCHA is authorized to provide prepaid comprehensive health maintenance services to persons enrolled under Medicaid and General Assistance Medical Care in each of the above listed member counties.

While SCHA was created on July 2, 1998, it did not begin providing health maintenance services until November 1, 2001. At that time, SCHA began coverage of the beneficiaries enrolled under Medicaid and General Assistance Medical Care in the specified counties. Funding is provided from the State of Minnesota based on eligible participants within the member counties. In the event SCHA incurs operating deficits, the member counties would maintain SCHA's reserves to meet statutory and regulatory reserves requirements. Minnesota Statutes require SCHA to maintain capital surplus equal to or greater than one month's expenditures, but less than three months' expenditures. The county has an equity interest in the organization equal to its share of participation. The equity interest at December 31, 2017 is $2,345,680, up from $1,937,187 at December 31, 2016. No additional equity was required to be paid in for 2017.

Complete financial statements for SCHA can be obtained from its fiscal agent at 630 Florence Avenue, P.O. Box 890, Owatonna, Minnesota 55060-0890.

NOTE IV – OTHER INFORMATION (cont.)

G. JOINT VENTURES (cont.)

South Central Human Relations Center

Waseca County is a participant with Dodge and Steele Counties in a joint venture to contract with the South Central Human Relations Center (SCHRC) (a nonprofit corporation) for mental health services and in-home family services. On dissolution of the corporation, net position shall be divided in proportion to the contributions made by all participants. The counties are obligated by contract to provide financial support annually based on population and usage factors.

During 2017, Waseca County's contribution to the SCHRC was minimal. In 2017, the corporation experienced a positive change in unrestricted net assets of $111,233. Complete financial statements for the SCHRC can be obtained from its administrative office at 610 Florence Avenue, Owatonna, Minnesota 55060.

South Central Minnesota Regional Radio Board

The South Central Minnesota Regional Radio Board (Radio Board) was established pursuant to Minn. Stat. §§ 471.59 and 403.39 and a joint powers agreement effective May 27, 2008. It is comprised of Blue Earth, Brown, Faribault, Le Sueur, Martin, McLeod, Nicollet, Sibley, Waseca, and Watonwan Counties, and the Cities of Hutchinson and Mankato. The primary function of the joint venture is to provide regional administration of enhancements to the Statewide Public Safety Radio and Communication System for the Allied Radio Matrix for Emergency Response (ARMER) owned and operated by the State of Minnesota and to enhance and improve interoperable public safety communications.

South Central Minnesota Regional Radio Board

The Radio Board consists of one County Commissioner from each county included in the agreement, one City Council member from each city included in the agreement, a member of the South Central Minnesota Regional Advisory Committee, a member of the South Central Minnesota Regional Radio System User Committee, and a member of the Owners and Operators Committee.

During 2017, Waseca County's contribution to the Radio Board was minimal. Blue Earth County acts as the fiscal agent for the Radio Board.

South Central Workforce Service Area Joint Powers Board

In June 2012, the Waseca County entered into a joint powers agreement with Blue Earth, Brown, Faribault, LeSueur, Martin, Nicollet, Sibley, and Watonwan Counties, creating the South Central Workforce Services Area Joint Powers Board. The agreement is authorized by Minn. Stat. §471.59. The Board is comprised of one voting member and one alternate member for each participating county. The goal of the Board is to develop and maintain a quality workforce for South Central Minnesota.

During 2017, Waseca County's contribution to the Board was minimal. Separate financial information can be obtained from the South Central Workforce Council, 706 North Victory Drive, Mankato, Minnesota 56001.

NOTE IV – OTHER INFORMATION (cont.)

G. JOINT VENTURES (cont.)

South Central Drug Investigation Unit (Drug Task Force)

The South Central Drug Investigation Unit (Drug Task Force) was established to coordinate efforts among participating local governments to apprehend and prosecute drug offenders. During 2017, Waseca County's contribution to the Drug Task Force was minimal. The City of Owatonna acts as fiscal agent.

H. TAX ABATEMENTS

Tax abatements are a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

The county is disclosing individual abatement agreements over $100,000. For 2017, none of the county's agreements were above this threshold.

I. EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT PERIOD FINANCIAL STATEMENTS

The Governmental Accounting Standards Board (GASB) has approved the following:

- Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*
- Statement No. 83, *Certain Asset Retirement Obligations*
- Statement No. 84, *Fiduciary Activities*
- Statement No. 85, *Omnibus 2017*
- Statement No. 86, *Certain Debt Extinguishment Issues*
- Statement No. 87, *Leases*
- Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*

When they become effective, application of these standards may restate portions of these financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

WASECA COUNTY

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended December 31, 2017

	Budget Original / Final	Actual	Variance with Budget
REVENUES			
Taxes	$ 10,288,205	$ 10,304,387	$ 16,182
Intergovernmental	2,046,996	2,243,503	196,507
Licenses and permits	237,700	243,844	6,144
Charges for services	833,732	877,693	43,961
Investment income (including unrealized gains)	50,000	78,619	28,619
Miscellaneous	103,200	248,073	144,873
Total Revenues	13,559,833	13,996,119	436,286
EXPENDITURES			
Current			
General government	5,104,640	4,768,760	335,880
Public safety	3,348,803	2,868,872	479,931
Health and human services	3,865,648	3,843,471	22,177
Culture, recreation, and education	402,195	357,242	44,953
Conservation and development	591,545	541,324	50,221
Capital Outlay			
General government	271,500	369,853	(98,353)
Public safety	-	203,378	(203,378)
Total Expenditures	13,584,331	12,952,900	631,431
Excess (deficiency) of revenues over expenditures	(24,498)	1,043,219	1,067,717
OTHER FINANCING SOURCES (USES)			
Capital leases issued	-	75,895	75,895
Transfers in	32,155	2,236	(29,919)
Transfers out	(7,657)	(189,682)	(182,025)
Total Other Financing Sources (Uses)	24,498	(111,551)	(136,049)
Net change in fund balances	-	931,668	931,668
FUND BALANCES - Beginning of Year	7,239,208	7,239,208	-
FUND BALANCES - END OF YEAR	$ 7,239,208	$ 8,170,876	$ 931,668

See auditors' report and accompanying notes to required supplementary information.

WASECA COUNTY

BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE FUND
For the Year Ended December 31, 2017

	Budget Original / Final	Actual	Variance with Budget
REVENUES			
Taxes	$ 3,679,260	$ 3,671,925	$ (7,335)
Intergovernmental	5,011,815	6,349,694	1,337,879
Public charges for services	225,000	226,922	1,922
Miscellaneous	-	195,199	195,199
Total Revenues	8,916,075	10,443,740	1,527,665
EXPENDITURES			
Current			
Public works			
Administration	276,587	290,517	(13,930)
Operation and maintenance	2,937,403	2,509,181	428,222
Street construction	4,893,564	4,220,421	673,143
Other	-	450	(450)
Capital Outlay			
Public works	595,000	361,312	233,688
Total Expenditures	8,702,554	7,381,881	1,320,673
Excess of revenues over expenditures	213,521	3,061,859	2,848,338
OTHER FINANCING USES			
Transfers out	(213,521)	(213,523)	(2)
Net change in fund balances	-	2,848,336	2,848,336
FUND BALANCES - Beginning of Year	5,125,881	5,125,881	-
Increase in inventories	-	23,940	23,940
FUND BALANCES - END OF YEAR	$ 5,125,881	$ 7,998,157	$ 2,872,276

See auditors' report and accompanying notes to required supplementary information.

WASECA COUNTY

BUDGETARY COMPARISON SCHEDULE
DITCH FUND
For the Year Ended December 31, 2017

	Budget Original / Final	Actual	Variance with Budget
REVENUES			
Special assessments	$ 500,000	$ 617,296	$ 117,296
Intergovernmental	-	84,234	84,234
Miscellaneous	-	55,000	55,000
Total Revenues	500,000	756,530	256,530
EXPENDITURES			
Current			
Conservation and development	500,000	857,105	(357,105)
Debt Service			
Interest and fiscal charges	-	7,161	(7,161)
Total Expenditures	500,000	864,266	(364,266)
Net change in fund balances	-	(107,736)	(107,736)
FUND BALANCES (DEFICIT) - Beginning of Year	(593,327)	(593,327)	-
FUND BALANCES (DEFICIT) - END OF YEAR	$ (593,327)	$ (701,063)	$ (107,736)

See auditors' report and accompanying notes to required supplementary information.

WASECA COUNTY

OTHER POSTEMPLOYMENT BENEFITS PLAN
SCHEDULE OF FUNDING PROGRESS
For the Year Ended December 31, 2017

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
1/1/2017	$ -	$ 1,734,103	$ 1,734,103	0.0%	$ 6,254,708	28%
1/1/2014	-	2,345,391	2,345,391	0.0%	N/A	N/A
1/1/2011	-	1,769,528	1,769,528	0.0%	N/A	N/A

Data in the schedule of funding progress was taken from the reports issued by the actuary.

See accompanying notes to required supplementary information and independent auditors' report.

WASECA COUNTY

SCHEDULE OF COUNTY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY -
PERA GENERAL EMPLOYEES' RETIREMENT FUND
For the Year Ended December 31, 2017

County Fiscal Year End Date	PERA Fiscal Year End Date (Measurement Date)	County's Proportion of the Net Pension Liability	County's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with County (b)	County's and State's Proportionate Share of the Net Pension Liability Associated with County (a+b)	County's Covered Payroll (c)	County's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
12/31/17	6/30/17	0.0758%	$ 4,839,022	$ 60,838	$ 4,899,860	$ 4,882,464	99.11%	75.90%
12/31/16	6/30/16	0.0696%	5,651,175	73,797	5,724,972	4,308,908	131.15%	68.90%
12/31/15	6/30/15	0.0847%	4,389,594	n/a	4,389,594	4,937,614	88.90%	78.20%

SCHEDULE OF EMPLOYER CONTRIBUTIONS -
PERA GENERAL EMPLOYEES' RETIREMENT FUND
For the Year Ended December 31, 2017

County Fiscal Year End Date	Statutorily Required Contributions (a)	Contributions in Relation to the Statutorily Required Contributions (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (d)	Contributions as a Percentage of Covered Payroll (b/d)
12/31/17	$ 360,361	$ 360,361	$ -	$ 4,804,810	7.50%
12/31/16	335,582	335,582	-	4,474,435	7.50%
12/31/15	322,696	322,696	-	4,302,976	7.50%

See accompanying notes to required supplementary information and independent auditors' report.

WASECA COUNTY

SCHEDULE OF COUNTY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY -
PERA POLICE AND FIRE FUND
For the Year Ended December 31, 2017

County Fiscal Year End Date	PERA Fiscal Year End Date (Measurement Date)	County's Proportion of the Net Pension Liability	County's Proportionate Share of the Net Pension Liability (a)	County's Covered Payroll (b)	County's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
12/31/17	6/30/17	0.0850%	$ 1,147,601	$ 874,585	131.22%	85.40%
12/31/16	6/30/16	0.0830%	3,330,934	800,833	415.93%	63.90%
12/31/15	6/30/15	0.0830%	943,074	757,517	124.50%	86.60%

SCHEDULE OF EMPLOYER CONTRIBUTIONS -
PERA POLICE AND FIRE FUND
For the Year Ended December 31, 2017

County Fiscal Year End Date	Statutorily Required Contributions (a)	Contributions in Relation to the Statutorily Required Contributions (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (d)	Contributions as a Percentage of Covered Payroll (b/d)
12/31/17	$ 132,889	$ 132,889	$ -	$ 820,301	16.20%
12/31/16	134,482	134,482	-	830,133	16.20%
12/31/15	127,622	127,622	-	787,790	16.20%

See accompanying notes to required supplementary information and independent auditors' report.

WASECA COUNTY

SCHEDULE OF COUNTY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY -
PERA CORRECTIONAL FUND
For the Year Ended December 31, 2017

County Fiscal Year End Date	PERA Fiscal Year End Date (Measurement Date)	County's Proportion of the Net Pension Liability	County's Proportionate Share of the Net Pension Liability (a)	County's Covered Payroll (b)	County's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
12/31/17	6/30/17	0.1800%	$ 513,002	$ 359,065	142.87%	67.90%
12/31/16	6/30/16	0.1800%	657,565	338,762	194.11%	58.20%
12/31/15	6/30/15	0.1900%	29,374	333,023	8.82%	96.90%

SCHEDULE OF EMPLOYER CONTRIBUTIONS -
PERA CORRECTIONAL FUND
For the Year Ended December 31, 2017

County Fiscal Year End Date	Statutorily Required Contributions (a)	Contributions in Relation to the Statutorily Required Contributions (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (d)	Contributions as a Percentage of Covered Payroll (b/d)
12/31/17	$ 31,425	$ 31,425	$ -	$ 359,144	8.75%
12/31/16	29,486	29,486	-	336,983	8.75%
12/31/15	29,470	29,470	-	336,803	8.75%

See accompanying notes to required supplementary information and independent auditors' report.

WASECA COUNTY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
As of and for the Year Ended December 31, 2017

BUDGETARY INFORMATION

Budgetary information is derived from the annual operating budget and is presented using the same basis of accounting for each fund as described in Note I.C.

The budgeted amounts presented include any amendments made. Changes to the overall budget must be approved by board action.

Appropriations lapse at year end unless specifically carried over. There were no carryovers to the following year. Budgets are adopted at the department level of expenditure.

The major special revenue fund that experienced an overall excess of expenditures over appropriations during 2017 was the Ditch fund. See Note II.B. for information on all funds with excess expenditures over appropriations.

PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA)

The amounts determined for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

The county is required to present the last ten fiscal years of data; however, accounting standards allow the presentation of as many years as are available until ten fiscal years are presented. For purposes of these schedules, covered payroll is defined as “pensionable wages.”

Changes in Benefit Terms. There were no changes of benefit terms for any participating employer in the PERA.

Changes in Assumptions.

General Employees Fund

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

Police and Fire Fund

- Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements.
- The Combined Service Annuity (CSA) load was 30 percent for vested and non-vested deferred members. The CSA has been changed to 33 percent for vested members and 2 percent for non-vested members.

PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) (cont.)

Police and Fire Fund (cont.)

- 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 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- Assumed percentage of married female members was decreased from 65 percent to 60 percent.
- Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.
- The assumed percentage of female members electing Joint and Survivor annuities was increased.
- The assumed post-retirement benefit increase rate was changed from 1.00 percent for all years to 1.00 percent per year through 2064 and 2.50 percent thereafter.

Correctional Fund

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

SUPPLEMENTARY INFORMATION

WASECA COUNTY

DETAILED BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended December 31, 2017

	Budget Original / Final	Actual	Variance with Budget
REVENUES			
Taxes	$ 10,288,205	$ 10,304,387	$ 16,182
Intergovernmental	2,046,996	2,243,503	196,507
Licenses and permits	237,700	243,844	6,144
Charges for services	833,732	877,693	43,961
Investment income (including unrealized losses)	50,000	78,619	28,619
Miscellaneous	103,200	248,073	144,873
TOTAL REVENUES	$ 13,559,833	$ 13,996,119	$ 436,286
EXPENDITURES			
General Government			
Commissioners	$ 305,265	$ 284,862	$ 20,403
Court administration	86,300	97,279	(10,979)
Court services	537,107	527,845	9,262
County administration	233,637	152,531	81,106
County auditor / treasurer	501,475	477,123	24,352
Human resources	141,611	144,495	(2,884)
Motor vehicle	223,609	224,998	(1,389)
County assessor	425,943	343,476	82,467
Elections	44,300	13,821	30,479
Data processing	695,290	581,072	114,218
Attorney	640,980	674,324	(33,344)
Recorder	206,415	221,082	(14,667)
Buildings and plant	499,006	465,546	33,460
Veterans services	217,015	134,320	82,695
Central services	258,877	338,176	(79,299)
Other	87,810	87,810	-
Total General Government	5,104,640	4,768,760	335,880
Public Safety			
Sheriff	3,157,298	2,710,295	447,003
Electronic monitoring	30,000	22,942	7,058
Coroner	20,000	47,104	(27,104)
Ambulance	5,000	5,000	-
Emergency government	136,505	83,531	52,974
Total Public Safety	3,348,803	2,868,872	479,931
Health and Human Services			
Nursing service	1,042,555	961,745	80,810
Community health services	430,910	489,543	(58,633)
Contributions to local organizations	2,392,183	2,392,183	-
Total Health and Human Services	3,865,648	3,843,471	22,177

WASECA COUNTY

DETAILED BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended December 31, 2017

	Budget Original / Final	Actual	Variance with Budget
EXPENDITURES (cont.)			
Culture, Recreation, and Education			
County extension	$ 151,022	$ 147,279	$ 3,743
Parks	119,716	93,111	26,605
Snowmobile	32,000	16,104	15,896
Historical society	60,000	60,000	-
Arts	10,500	10,500	-
Other	28,957	30,248	(1,291)
Total Culture, Recreation, and Education	402,195	357,242	44,953
Conservation and Development			
Soil and water conservation	96,794	93,907	2,887
Agricultural society	47,775	47,775	-
Planning and zoning	399,397	353,973	45,424
Community development	35,119	35,119	-
Economic development	11,960	9,800	2,160
Other	500	750	(250)
Total Conservation and Development	591,545	541,324	50,221
Capital Outlay			
General government	271,500	369,853	(98,353)
Public safety	-	203,378	(203,378)
Total Capital Outlay	271,500	573,231	(301,731)
TOTAL EXPENDITURES	$ 13,584,331	$ 12,952,900	$ 631,431

WASECA COUNTY

BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
For the Year Ended December 31, 2017

	Budget Original / Final	Actual	Variance with Budget
REVENUES			
Taxes	$ 389,883	$ 389,844	$ (39)
Intergovernmental	12,530	12,530	-
Total Revenues	402,413	402,374	(39)
EXPENDITURES			
Debt Service			
Principal	425,000	425,000	-
Interest and fiscal charges	90,136	90,635	(499)
Total Expenditures	515,136	515,635	(499)
Excess (deficiency) of revenues over expenditures	(112,723)	(113,261)	(538)
OTHER FINANCING SOURCES			
Transfers in	112,723	213,523	100,800
Net change in fund balances	-	100,262	100,262
FUND BALANCES - Beginning of Year	590,937	590,937	-
FUND BALANCES - END OF YEAR	$ 590,937	$ 691,199	$ 100,262

WASECA COUNTY

NONMAJOR GOVERNMENTAL FUNDS
December 31, 2017

Special Revenue Funds

Waste Management Fund – Used to account for the solid waste and recycling activities of the county.

Library Fund – Used to account for money collected for the library.

Special Revenue Fund – Used for various purposes (technology equipment, etc).

Small Cities Development Fund – Used for development activities.

Economic Development Fund – Used for economic development activities.

Capital Projects Fund – Used to account for financial resources to be used for the acquisition or construction of major capital facilities and other capital assets.

WASECA COUNTY

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
As of December 31, 2017

	Special Revenue						
	Waste Management	Library	Special Revenue	Small Cities Development	Economic Development	Capital Projects	Total Nonmajor Funds
ASSETS							
Cash	$ 818,048	$ 26,431	$ 1,098,311	$ 26,025	$ 111,269	$ 168,692	$ 2,248,776
Special assessment receivable	8,417	-	-	-	-	-	8,417
Notes receivable, net	-	-	-	75,050	11,248	-	86,298
Inventories and prepaid items	160	-	6,490	-	-	-	6,650
TOTAL ASSETS	$ 826,625	$ 26,431	$ 1,104,801	$ 101,075	$ 122,517	$ 168,692	$ 2,350,141
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES							
Liabilities							
Accounts payable	$ 22,556	$ 26,431	$ 26,818	$ -	$ -	$ -	$ 75,805
Accrued liabilities	6,125	-	3,511	-	-	-	9,636
Due to other governments	101	-	31	-	-	-	132
Special deposits	3,100	-	-	-	-	-	3,100
Total Liabilities	31,882	26,431	30,360	-	-	-	88,673
Deferred Inflows of Resources							
Unearned revenues	33,865	-	-	-	-	-	33,865
Unavailable revenues	8,417	-	-	75,050	11,238	-	94,705
Total Deferred Inflows of Resources	42,282	-	-	75,050	11,238	-	128,570
Fund Balances							
Nonspendable	160	-	6,490	-	-	-	6,650
Restricted	-	-	748,583	26,025	-	148,033	922,641
Committed	752,301	-	-	-	111,279	20,659	884,239
Assigned	-	-	319,368	-	-	-	319,368
Total Fund Balances	752,461	-	1,074,441	26,025	111,279	168,692	2,132,898
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 826,625	$ 26,431	$ 1,104,801	$ 101,075	$ 122,517	$ 168,692	$ 2,350,141

WASECA COUNTY

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2017

	Special Revenue					
	Waste Management	Special Revenue	Small Cities Development	Economic Development	Capital Projects	Total Nonmajor Funds
REVENUES						
Special assessments	$ 250,419	$ -	$ -	$ -	$ -	$ 250,419
Intergovernmental	69,692	636,178	-	-	10,302	716,172
Licenses and permits	-	17,710	-	-	-	17,710
Public charges for services	371,374	248,206	-	-	-	619,580
Investment income	1,732	-	-	1,051	-	2,783
Miscellaneous	307,060	63,020	7,637	1,054	-	378,771
Total Revenues	1,000,277	965,114	7,637	2,105	10,302	1,985,435
EXPENDITURES						
Current						
General government	-	76,615	-	-	-	76,615
Public safety	-	636,799	-	-	-	636,799
Sanitation	859,604	-	-	-	-	859,604
Health and human services	-	67,018	-	-	-	67,018
Culture, recreation, and education	-	13,809	-	-	-	13,809
Conservation and development	-	17,098	-	15,000	-	32,098
Capital Outlay	6,163	540	-	-	44,239	50,942
Total Expenditures	865,767	811,879	-	15,000	44,239	1,736,885
Excess (deficiency) of revenues over expenditures	134,510	153,235	7,637	(12,895)	(33,937)	248,550
OTHER FINANCING SOURCES (USES)						
Transfers in	-	174,682	-	15,000	-	189,682
Transfers out	-	(2,236)	-	-	-	(2,236)
Total Other Financing Sources (Uses)	-	172,446	-	15,000	-	187,446
Net change in fund balances	134,510	325,681	7,637	2,105	(33,937)	435,996
FUND BALANCES - Beginning of Year	617,951	748,760	18,388	109,174	202,629	1,696,902
FUND BALANCES - END OF YEAR	$ 752,461	$ 1,074,441	$ 26,025	$ 111,279	$ 168,692	$ 2,132,898

WASECA COUNTY

BUDGETARY COMPARISON SCHEDULE
WASTE MANAGEMENT FUND
For the Year Ended December 31, 2017

	Budget Original / Final	Actual	Variance with Budget
REVENUES			
Special assessments	$ 230,000	$ 250,419	$ 20,419
Intergovernmental	60,956	69,692	8,736
Public charges for services	230,300	371,374	141,074
Investment income	2,000	1,732	(268)
Miscellaneous	190,490	307,060	116,570
Total Revenues	713,746	1,000,277	286,531
EXPENDITURES			
Current			
Sanitation			
Transfer station	445,140	477,226	(32,086)
Special waste management	24,460	26,434	(1,974)
Recycling	188,486	260,030	(71,544)
Yardwaste management and education	7,998	-	7,998
Solid waste administration	75,265	95,914	(20,649)
Capital Outlay	16,000	6,163	9,837
Total Expenditures	757,349	865,767	(108,418)
Excess (deficiency) of revenues over expenditures	(43,603)	134,510	178,113
OTHER FINANCING SOURCES			
Transfers in	43,603	-	(43,603)
Net change in fund balances	-	134,510	134,510
FUND BALANCES - Beginning of Year	617,951	617,951	-
FUND BALANCES - END OF YEAR	$ 617,951	$ 752,461	$ 134,510

WASECA COUNTY

BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND
For the Year Ended December 31, 2017

	Budget Original / Final	Actual	Variance with Budget
REVENUES			
Intergovernmental	$ 447,377	$ 636,178	$ 188,801
Licenses and permits	5,000	17,710	12,710
Public charges for services	94,100	248,206	154,106
Miscellaneous	23,400	63,020	39,620
Total Revenues	569,877	965,114	395,237
EXPENDITURES			
Current			
General government	69,600	76,615	(7,015)
Public safety	417,821	636,799	(218,978)
Health and human services	45,313	67,018	(21,705)
Culture, recreation, and education	-	13,809	(13,809)
Conservation and development	9,345	17,098	(7,753)
Capital Outlay	3,900	540	3,360
Total Expenditures	545,979	811,879	(265,900)
Excess of revenues over expenditures	23,898	153,235	129,337
OTHER FINANCING SOURCES (USES)			
Transfers in	7,657	174,682	167,025
Transfers out	(31,555)	(2,236)	29,319
Total Other Financing Sources (Uses)	(23,898)	172,446	196,344
Net change in fund balances	-	325,681	325,681
FUND BALANCES - Beginning of Year	748,760	748,760	-
FUND BALANCES - END OF YEAR	$ 748,760	$ 1,074,441	$ 325,681

Taxes and Penalties – To account for property taxes and penalties collected and distributed to other governmental units and county funds.

Insurance – Used to account for insurance premiums held by the county before remitting to insurance carrier.

State Revenue – Used to account for funds collected on behalf of the State of Minnesota.

Social Welfare Trust Account – Used to account for funds held by the county for clients in a representative payee capacity.

WASECA COUNTY

COMBINING STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUNDS
As of December 31, 2017

	Taxes and Penalties	Insurance	State Revenue	Social Welfare Trust Account	Total
ASSETS					
Cash and Investments	$ 1,091,801	$ 4,567	$ 77,923	$ 4,729	$ 1,179,020
TOTAL ASSETS	$ 1,091,801	$ 4,567	$ 77,923	$ 4,729	$ 1,179,020
LIABILITIES					
Due to other governments	$ 494,692	$ -	$ 77,923	$ -	$ 572,615
Accounts payable	-	4,567	-	-	4,567
Deposits	597,109	-	-	4,729	601,838
TOTAL LIABILITIES	$ 1,091,801	$ 4,567	$ 77,923	$ 4,729	$ 1,179,020

WASECA COUNTY

COMBINING STATEMENT OF CHANGES IN
ASSETS AND LIABILITIES
AGENCY FUNDS
For the Year Ended December 31, 2017

	Balance Jan. 1, 2017	Additions	Deletions	Balance Dec. 31, 2017
Taxes and Penalties				
Assets:				
Cash and investments	$ 714,922	$ 32,865,408	$ 32,488,529	$ 1,091,801
Liabilities:				
Unapportioned taxes and assessments	$ -	$ 14,136,560	$ 14,136,560	$ -
Due to other governments	511,384	18,131,739	18,148,431	494,692
Deposits	203,538	597,109	203,538	597,109
Total Liabilities	$ 714,922	$ 32,865,408	$ 32,488,529	$ 1,091,801
Insurance				
Assets:				
Cash and investments	$ 4,198	$ 56,902	$ 56,533	$ 4,567
Liabilities:				
Accounts payable	$ 4,198	$ 56,902	$ 56,533	$ 4,567
State Revenue				
Assets:				
Cash and investments	$ 43,350	$ 728,363	$ 693,790	$ 77,923
Liabilities:				
Due to other governments	$ 43,350	$ 728,363	$ 693,790	$ 77,923
Social Welfare Trust Account				
Assets:				
Cash and investments	$ 4,729	$ 17,785	$ 17,785	$ 4,729
Liabilities:				
Deposits	$ 4,729	$ 17,785	$ 17,785	$ 4,729

WASECA COUNTY

COMBINING STATEMENT OF CHANGES IN
ASSETS AND LIABILITIES
AGENCY FUNDS
For the Year Ended December 31, 2017

	Balance Jan. 1, 2017	Additions	Deletions	Balance Dec. 31, 2017
Total All Agency Funds				
Assets:				
Cash and investments	$ 767,199	$ 33,668,458	$ 33,256,637	$ 1,179,020
Liabilities:				
Unapportioned taxes and assessments	$ -	$ 14,136,560	$ 14,136,560	$ -
Due to other governments	554,734	18,860,102	18,842,221	572,615
Accounts payable	4,198	56,902	56,533	4,567
Deposits	208,267	614,894	221,323	601,838
Total Liabilities	$ 767,199	$ 33,668,458	$ 33,256,637	$ 1,179,020

WASECA COUNTY

SCHEDULE OF INTERGOVERNMENTAL REVENUES
For the Year Ended December 31, 2017

	General Fund	Special Revenue: Road and Bridge	Special Revenue: Ditch	Special Revenue: Waste Management	Special Revenue: Special Revenue	Special Revenue: Total	Debt Service	Capital Projects	Total All Funds
Shared Revenue									
State									
Highway users tax	$ -	$ 4,370,657	$ -	$ -	$ -	$ 4,370,657	$ -	$ -	$ 4,370,657
State aid bond	-	213,523	-	-	-	213,523	-	-	213,523
County program aid	788,063	-	-	-	124,675	124,675	-	-	912,738
Conservation credit	52,315	23,090	-	-	-	23,090	2,572	-	77,977
PERA aid	24,566	-	-	-	-	-	-	-	24,566
State police aid	102,167	-	-	-	-	-	-	-	102,167
Agricultural preservation	183,856	81,145	-	-	-	81,145	9,045	-	274,046
Disaster credit	9,598	4,236	-	-	-	4,236	472	-	14,306
Disparity aid	8,974	3,960	-	-	-	3,960	441	-	13,375
Total Shared Revenue	1,169,539	4,696,611	-	-	124,675	4,821,286	12,530	-	6,003,355
Reimbursement for Services									
Other counties, cities or townships	-	-	-	-	17,001	17,001	-	10,302	27,303
Total Reimbursement for Services	-	-	-	-	17,001	17,001	-	10,302	27,303
Grants									
State									
Minnesota Department of									
Health	289,636	-	-	-	27,539	27,539	-	-	317,175
Public Safety	14,743	74,316	21,058	-	140,434	235,808	-	-	250,551
Natural Resources	16,104	-	-	-	-	-	-	-	16,104
Corrections	131,566	-	-	-	-	-	-	-	131,566
Veterans Affairs	-	-	-	-	5,067	5,067	-	-	5,067
Pollution Control Agency	27,793	-	-	69,692	-	69,692	-	-	97,485
Board of Water and Soil Resources	71,028	-	-	-	20,514	20,514	-	-	91,542
Trial Court	-	-	-	-	67,399	67,399	-	-	67,399
Total State	550,870	74,316	21,058	69,692	260,953	426,019	-	-	976,889
Federal									
U.S. Department of									
Agriculture	252,023	-	-	-	-	-	-	-	252,023
Transportation	13,668	1,344,750	-	-	-	1,344,750	-	-	1,358,418
Education	3,866	-	-	-	-	-	-	-	3,866
Homeland Security	35,249	234,017	63,176	-	-	297,193	-	-	332,442
Justice	-	-	-	-	233,549	233,549	-	-	233,549
Health and Human Services	218,288	-	-	-	-	-	-	-	218,288
Total Federal	523,094	1,578,767	63,176	-	233,549	1,875,492	-	-	2,398,586
Total Grants	1,073,964	1,653,083	84,234	69,692	494,502	2,301,511	-	-	3,375,475
TOTAL INTERGOVERNMENTAL REVENUE	$ 2,243,503	$ 6,349,694	$ 84,234	$ 69,692	$ 636,178	$ 7,139,798	$ 12,530	$ 10,302	$ 9,406,133