

LE SUEUR COUNTY

Le Center, Minnesota

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Year Ended December 31, 2017

LE SUEUR COUNTY

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INDEPENDENT AUDITORS' REPORT

To the County Board of Commissioners
Le Sueur County
Le Center, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Le Sueur County, Minnesota, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise Le Sueur 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 Housing and Redevelopment Authority of Le Sueur County. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Housing and Redevelopment Authority of Le Sueur County, 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.

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 Le Sueur 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 Le Sueur 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Le Sueur County, Minnesota, as of December 31, 2017 and the respective changes in financial position 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 Le Sueur 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 21, 2018 on our consideration of Le Sueur 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 Le Sueur County's internal control over financial reporting and compliance.

Baker Tilly Virchow Krause, LLP

Minneapolis, Minnesota
September 21, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Unaudited)

As of and for the Year Ended December 31, 2017

As management of Le Sueur County, we offer readers of the Le Sueur County Financial Statements this narrative overview and analysis of the financial activities of Le Sueur County for the fiscal year ended December 31, 2017. We encourage readers to consider the information presented here in conjunction with the County's basic financial statements following this section. All amounts, unless otherwise indicated, are expressed in whole dollars.

Financial Highlights

The assets and deferred outflows of resources of Le Sueur County exceeded its liabilities and deferred inflows of resources at the close of 2017 by \$88,137,962. Of this amount, \$2,558,410 (unrestricted net position) may be used to meet Le Sueur County's ongoing obligations to citizens and creditors.

Le Sueur County's total net position decreased by \$2,351,760 in 2017.

At the close of 2017, Le Sueur County's governmental funds reported combined ending fund balances of \$27,417,968. Of this amount, \$3,728,919 is available for spending at the County's discretion and is noted as unassigned fund balance.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Le Sueur County's basic financial statements. Le Sueur 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. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

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

The statement of net position presents information on all of Le Sueur County's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the total of assets and deferred outflows of resources less the total of liabilities and deferred inflows of resources reported as net position. Over-time, increases or decreases in net position may serve as a useful indicator of whether the financial position of Le Sueur County is improving or deteriorating.

The statement of activities presents information showing how the government'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. Thus, 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 list the functions of Le Sueur County that are principally supported by taxes and intergovernmental revenues. The governmental activities of Le Sueur County include general government, public safety, highways and streets, sanitation, health and human services, culture, recreation and education, and conservation and development. There are no business-type activities within Le Sueur County's financial structure that are intended to recover all or a significant portion of their costs through user fees and charges.

The government-wide financial statements include not only Le Sueur County itself (the primary government), but also the legally separate Housing and Redevelopment Authority of Le Sueur County (HRA). The HRA, although legally separate, functions for all practical purposes as an integral part of Le Sueur County, and therefore has been included in the government-wide financial statements. A copy of the HRA audit may be obtained from the Minnesota Valley Action Council, 706 North Victory Drive, Mankato, MN 56001.

A summary of the government-wide financial statements can be found on Exhibits 1 and 2.

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. Le Sueur County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Le Sueur County can be divided into two categories: governmental funds and fiduciary funds.

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

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, county fund-level financial statements focus on short-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the County’s short-term financing requirements.

Le Sueur County reports six major funds and three non-major funds. The major funds are: General Fund, Road and Bridge Special Revenue Fund, Human Services Special Revenue Fund, Environmental Health Special Revenue Fund, County Ditch Special Revenue Fund, and a Capital Projects Fund. The non-major funds are: Gravel Tax Special Revenue Fund, Victim Witness Special Revenue Fund, and a Debt Service Fund.

Fiduciary funds. Fiduciary funds are used to account for assets held by the County as an agent for individuals, private organizations, other governments, or other funds. Le Sueur County’s fiduciary funds consist of five agency funds and two private-purpose Trust Funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. In addition, the Agency funds are not reflected in the government-wide financial statements because those resources are not available to support the County’s programs.

Notes to the Financial Statements

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided.

Other Information

In addition to the basic financial statements and notes, Le Sueur County also provides supplementary information including Le Sueur County’s combining fund financial statements and intergovernmental revenues.

Le Sueur County adopts an annual appropriated budget for its general fund, select special revenue funds, and the debt service fund. Budgetary comparison statements have been provided to demonstrate compliance with these budgets.

Government-wide Financial Analysis

Over time, net position serves as a useful indicator of the county's financial position. Le Sueur County's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$88,137,962 at the close of 2017. The largest portion of Le Sueur County's net position (91.8%) reflects its investment in capital assets (e.g., land, buildings, equipment), less any related debt used to acquire those assets that is still outstanding. However, it should be noted that these assets are not available for future spending. The county experienced an overall decrease in net position from 2016 to 2017, primarily due to changes in the highways and streets functional area, which saw both a decrease in revenues and an increase in expenses.

(EXHIBIT 1)

Le Sueur County's Governmental Net Position

	2016	2017
Current and other assets	\$ 28,143,774	\$ 33,777,449
Capital assets	96,568,095	99,643,814
Total assets	<u>124,711,869</u>	<u>133,421,263</u>
Long-term liabilities outstanding	39,948,490	42,115,647
Other liabilities	2,254,708	4,094,896
Total liabilities	<u>42,203,198</u>	<u>46,210,543</u>
Deferred outflows of resources	9,778,965	6,353,445
Deferred inflows of resources	<u>1,797,914</u>	<u>5,426,203</u>
Net position:		
Net investment in capital assets	79,907,225	80,937,923
Restricted	5,294,625	4,641,629
Unrestricted	5,287,872	2,558,410
Total net position	<u>\$ 90,489,722</u>	<u>\$ 88,137,962</u>

Governmental Activities

The table below summarizes the changes in net position for 2016 and 2017.

(EXHIBIT 2)

Changes in Le Sueur County's Governmental Net Position

	2016	2017
Revenues:		
Program revenues:		
Charges for services	\$ 4,694,488	\$ 3,593,304
Operating grants and contributions	8,233,940	7,537,295
Capital grants and contributions	3,933,826	3,866,667
General revenues:		
Property taxes	17,262,451	18,124,486
Other	2,837,474	2,908,061
Total revenues	36,962,179	36,029,813
Expenses:		
General government	6,715,879	7,089,557
Public safety	5,653,927	5,787,410
Highways and streets	8,648,449	11,360,624
Sanitation	141,772	1,075,316
Health and human services	10,682,135	9,632,879
Culture, recreation and education	561,325	552,920
Conservation and development	2,078,481	2,190,909
Interest and fiscal charges	568,739	691,958
Total expenses	35,050,707	38,381,573
Change in net position	1,911,472	(2,351,760)
Net position – January 1	88,578,250	90,489,722
Net position – December 31	\$ 90,489,722	\$ 88,137,962

Exhibit 3 2016 Revenues by Source

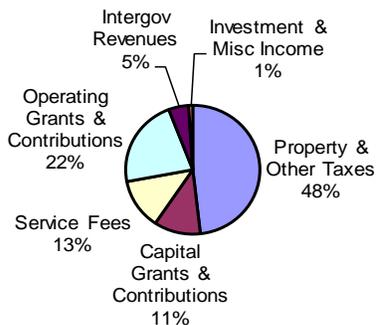
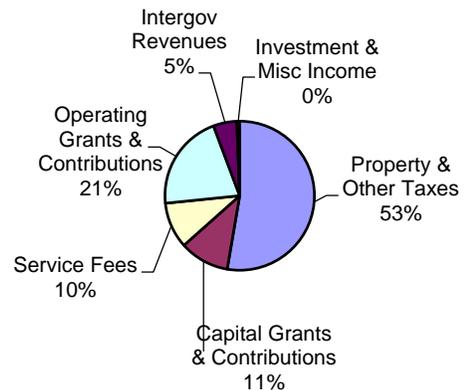
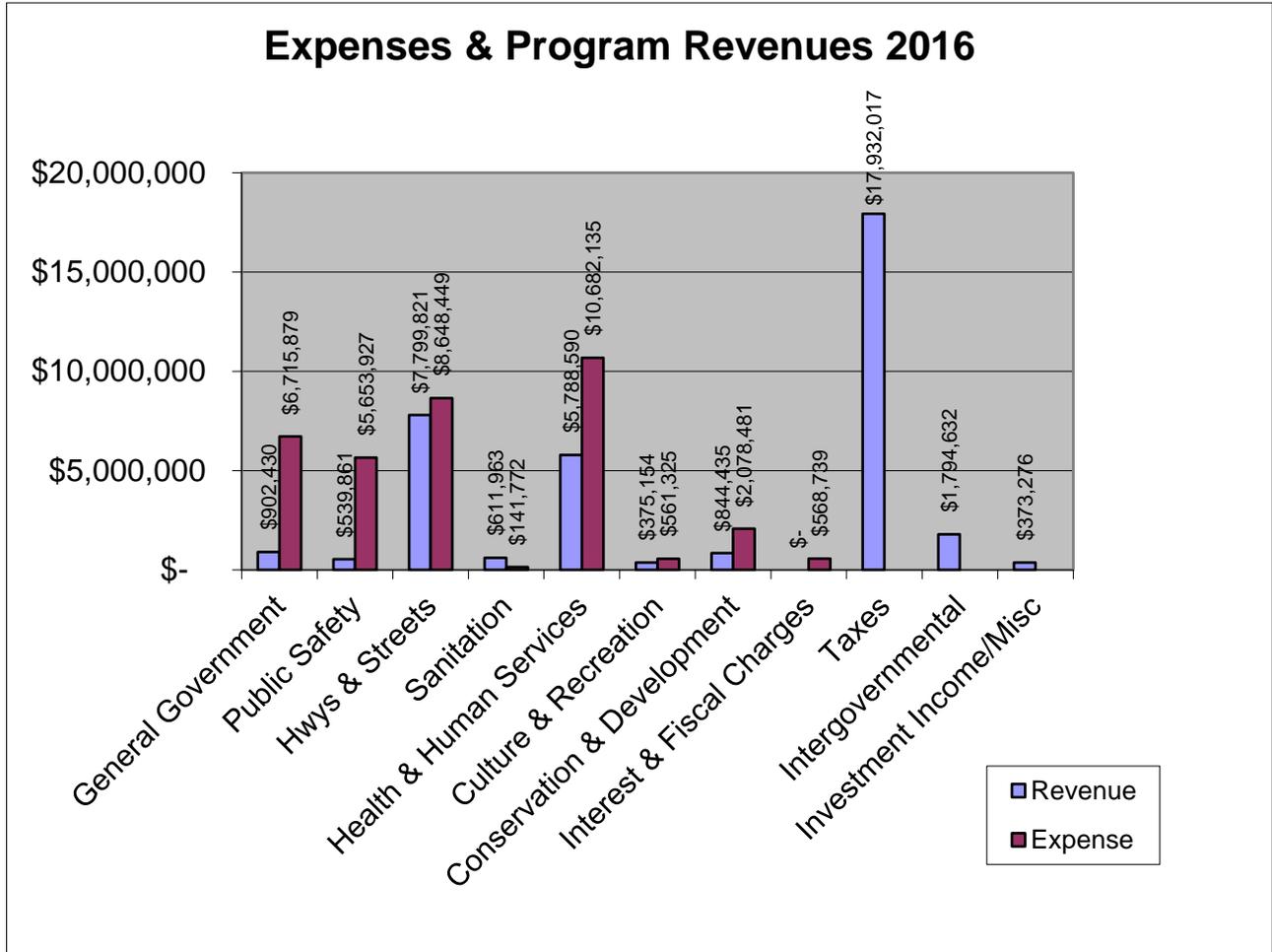


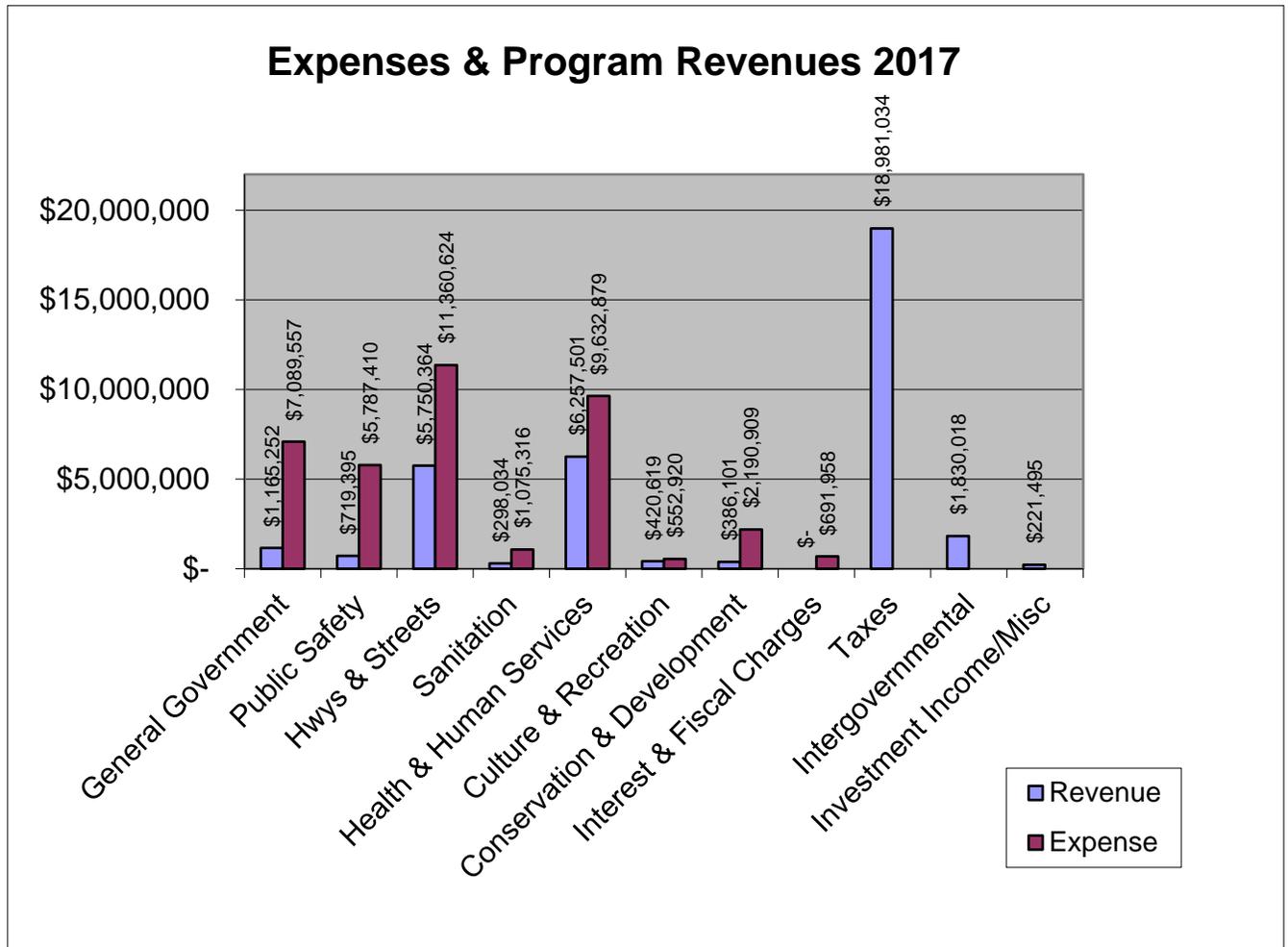
Exhibit 4 2017 Revenues by Source



(EXHIBIT 5)



(EXHIBIT 6)



Financial Analysis of the County's Funds

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

Governmental Funds. The focus of the County's governmental funds is to provide information on short-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unrestricted 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 the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$27,417,968. Of this amount, \$13,126,571 constitutes unrestricted, spendable fund balance, which is available for spending at the county's discretion. The remainder of fund balance is nonspendable or restricted to indicate this it is not available for new spending because it has already been restricted for various reasons.

The six major operating funds of Le Sueur County are the General Fund, Road & Bridge Fund, Human Services Fund, Environmental Health Fund, County Ditch Fund and Capital Projects Fund. At the end of the current fiscal year these funds showed the following balances:

	Assigned/Unassigned Fund Balance	Total Fund Balance
General	\$5,063,187	\$7,011,838
Road & Bridge	-93,072	1,348,330
Human Services	6,218,253	6,218,253
Environmental Health	1,520,490	2,620,928
County Ditch	-1,184,196	-1,184,196
Capital Projects	1,580,685	8,808,410

As a measure of the liquidity of these funds, a comparison of unrestricted, spendable fund balance and total fund balance to total fund expenditures yields the following percentages:

	Liquidity - Unrestricted, Spendable Funds	Liquidity - Total Fund Balance
General	36.6%	50.7%
Road & Bridge	-	10.2%
Human Services	78.1%	78.1%
Environmental Health	101.4%	174.7%
County Ditch	-	-

Budgetary Highlights

The Le Sueur County Board may amend/revise the county budgets. These revisions fall into one of three categories: new information regarding original budget estimates, greater than anticipated revenues or costs, and final agreement reached on employee contracts.

In Le Sueur County's General Fund the actual revenues and other financing sources were \$597,781 over budget. Actual expenditures and other financing uses were \$104,214 over budget. The excess revenue was primarily related to intergovernmental / charges for services revenue while the expenditures variance was related to a transfer to the Capital Projects fund for the Justice Center project.

Capital Asset and Debt Administration

Capital Assets. The County's investment in capital assets for its governmental activities as of December 31, 2017, amounts to \$99,643,814 (net of accumulated depreciation). This investment in capital assets includes construction in progress, land, buildings, equipment, and infrastructure. The start of construction on the Justice Center was a major capital asset event in 2017.

Le Sueur County's Governmental Capital Assets (net of Depreciation)

	<u>2016</u>	<u>2017</u>
Land	\$ 4,997,319	\$ 5,172,319
Construction in Progress	1,749,783	4,512,130
Land Improvements	107,313	104,831
Building and Improvements	2,767,982	2,572,275
Machinery, Furniture & Equipment	3,905,498	3,499,990
Infrastructure	<u>83,040,200</u>	<u>83,782,269</u>
	<u>\$ 96,568,095</u>	<u>\$ 99,643,814</u>

Additional information on the County's capital assets can be found in the notes to the financial statements.

Long-term debt. At the end of the current fiscal year, the County had total bonded debt outstanding of \$27,495,000 which is backed by the full faith and credit of the government.

Le Sueur County's Governmental Outstanding Debt

	<u>2016</u>	<u>2017</u>
General Obligation Bonds	\$ <u>20,220,000</u>	\$ <u>27,495,000</u>

Le Sueur County's debt increased by \$7,275,000 during 2017. The primary reason was that Le Sueur County issued new bonds totaling \$9,610,000, primarily for the Justice Center project.

Le Sueur County's bond rating is "AA" from Standard & Poor's.

Minnesota statutes limit the amount of debt that a county may levy to 3% of its total market value. As of the end of 2017, Le Sueur County was well below the 3% debt limit imposed by state statutes.

Additional information on the County's long-term debt can be found in the notes to the financial statements.

Economic Factors & New Years Budgets and Rates

The County's officials and staff considered many factors when setting the fiscal year 2017 budget, tax rates, and fees that will be charged.

Le Sueur County continues to see residential growth. The County's population has increased gradually since the 2010 census. The County's total taxable net tax capacity increased by 1.1% in 2017 and 2.6% in 2018. As a result of the population increase, we are experiencing an increased demand for services particularly in police protection, land use policy, road construction, and road maintenance.

Property tax reforms at the state level significantly impacted government aid payments made to the County over the past several years. The County Program Aid of \$1,130,721 has decreased \$692,013 since the original 2003 certified amount of \$1,822,734 for similar state aids before the state made major cuts. Also, added is the impact of numerous unfunded mandates.

Le Sueur County's unemployment rate was 5.6% at the end of 2017. This is above the 3.4% statewide rate.

On December 19, 2017 the Le Sueur County Board of Commissioners approved the 2018 budget for \$56,889,897. This was an increase from 2017. The 2018 levy is \$19,379,373, which is an 8% increase over 2017.

Audit / Request for Information

Minnesota Statutes 6.48 requires an annual examination of books of accounts, financial records, and transactions of all County functions by the Office of the State Auditor and/or a private accounting firm. When complete, the report will be available for inspection upon request at the County Finance Director's Office during normal working hours. You may also request additional information by U.S. Mail at the following address: Office of the Le Sueur County Finance Director, Le Sueur County Courthouse, 88 South Park Avenue, Le Center, MN 56057.

LE SUEUR COUNTY

STATEMENT OF NET POSITION As of December 31, 2017

	Primary Government	Component Unit
	Governmental Activities	Housing and Redevelopment Authority
ASSETS		
Cash and investments	\$ 21,679,469	\$ 45,387
Taxes receivable	341,470	-
Special assessments receivable	496,911	-
Accounts receivable (net)	548,279	-
Notes receivable	601,854	-
Loans receivable (net)	-	21,809
Interest receivable	125,143	-
Due from other governments	1,372,707	-
Prepaid items, materials and supplies	710,774	-
Restricted cash and investments	7,900,842	-
Capital Assets		
Construction in progress	4,512,130	-
Land	5,172,319	-
Other capital assets, net of depreciation	89,959,365	-
Total Assets	133,421,263	67,196
DEFERRED OUTFLOWS OF RESOURCES		
Pension related amounts	6,353,445	-
LIABILITIES		
Accounts payable	2,318,204	331
Accrued liabilities	290,691	-
Interest payable	321,623	-
Due to other governments	453,603	-
Advances from other governments	710,775	-
Noncurrent Liabilities		
Due within one year	2,721,406	-
Due in more than one year	39,394,241	-
Total Liabilities	46,210,543	331
DEFERRED INFLOWS OF RESOURCES		
Unearned revenues	119,533	-
Pension related amounts	5,306,670	-
Total Deferred Inflows of Resources	5,426,203	-
NET POSITION		
Net investment in capital assets	80,937,923	-
Restricted for		
Recorder equipment	346,361	-
Public safety	473,072	-
Highways and streets	330,149	-
Future septic loans	1,100,438	-
Culture and recreation	140,051	-
Reclamation/conservation	362,587	-
Debt service	1,888,971	-
Housing assistance payments	-	43
Economic development	-	66,822
Unrestricted	2,558,410	-
TOTAL NET POSITION	\$ 88,137,962	\$ 66,865

See accompanying notes to financial statements.

LE SUEUR COUNTY

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary	Component
					Governmental Activities	Unit HRA
Primary Government						
Governmental Activities						
General government	\$ 7,089,557	\$ 953,303	\$ 211,949	\$ -	\$ (5,924,305)	\$ -
Public safety	5,787,410	369,580	349,815	-	(5,068,015)	-
Highways and streets	11,360,624	425,258	1,606,818	3,718,288	(5,610,260)	-
Sanitation	1,075,316	104,082	193,952	-	(777,282)	-
Health and human services	9,632,879	1,208,023	5,049,478	-	(3,375,378)	-
Culture, recreation, and education	552,920	420,619	-	-	(132,301)	-
Conservation and development	2,190,909	112,439	125,283	148,379	(1,804,808)	-
Interest and fiscal charges	691,958	-	-	-	(691,958)	-
Total Primary Government	<u>\$ 38,381,573</u>	<u>\$ 3,593,304</u>	<u>\$ 7,537,295</u>	<u>\$ 3,866,667</u>	<u>(23,384,307)</u>	<u>-</u>
Component Unit						
Housing and Redevelopment Authority (HRA)	\$ 480,655	\$ -	\$ 480,468	\$ -	-	(187)
General Revenues						
Taxes						
Property taxes, levied for general purposes					16,026,437	-
Property taxes, levied for debt service					2,098,049	-
Other taxes					724,737	-
Payments in lieu of taxes					131,811	-
Intergovernmental revenues not restricted to specific programs					1,830,018	-
Investment income					221,495	36
Total General Revenues					<u>21,032,547</u>	<u>36</u>
Change in Net Position					(2,351,760)	(151)
NET POSITION - Beginning of Year					<u>90,489,722</u>	<u>67,016</u>
NET POSITION - END OF YEAR					<u>\$ 88,137,962</u>	<u>\$ 66,865</u>

See accompanying notes to financial statements.

LE SUEUR COUNTY

BALANCE SHEET
GOVERNMENTAL FUNDS
As of December 31, 2017

	General Fund	Special Revenue			County Ditch
		Road and Bridge	Human Services	Environmental Health	
ASSETS					
Cash and investments	\$ 6,070,952	\$ 2,277,663	\$ 6,358,333	\$ 2,834,510	\$ -
Receivables					
Taxes	167,504	46,651	68,211	186	-
Special assessments	-	-	-	8,516	488,395
Accounts, net	160,579	62,695	320,088	-	381
Notes	-	-	-	601,854	-
Interest	125,143	-	-	-	-
Due from other governments	308,959	625,052	427,387	9,756	1,311
Advances to other funds	983,306	-	-	-	-
Prepaid items, materials and supplies	157,530	553,244	-	-	-
Restricted cash and investments					
Construction account	-	-	-	-	-
TOTAL ASSETS	\$ 7,973,973	\$ 3,565,305	\$ 7,174,019	\$ 3,454,822	\$ 490,087
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 203,523	\$ 787,705	\$ 411,838	\$ 55,127	\$ 186,535
Accrued liabilities	183,602	33,791	67,925	2,492	-
Due to other governments	278,800	112,549	-	46,207	16,047
Advances from other funds	-	-	-	-	983,306
Advances from other governments	-	710,775	-	-	-
Total Liabilities	<u>665,925</u>	<u>1,644,820</u>	<u>479,763</u>	<u>103,826</u>	<u>1,185,888</u>
Deferred Inflows of Resources					
Unearned revenues	-	-	-	119,533	-
Unavailable revenues	296,210	572,155	476,003	610,535	488,395
Total Deferred Inflows of Resources	<u>296,210</u>	<u>572,155</u>	<u>476,003</u>	<u>730,068</u>	<u>488,395</u>
Fund Balances					
Nonspendable	989,167	553,244	-	-	-
Restricted	959,484	888,158	-	1,100,438	-
Assigned	57,000	-	6,218,253	1,520,490	-
Unassigned (deficit)	5,006,187	(93,072)	-	-	(1,184,196)
Total Fund Balances (Deficit)	<u>7,011,838</u>	<u>1,348,330</u>	<u>6,218,253</u>	<u>2,620,928</u>	<u>(1,184,196)</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 7,973,973	\$ 3,565,305	\$ 7,174,019	\$ 3,454,822	\$ 490,087

See accompanying notes to financial statements.

<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 1,580,685	\$ 2,557,326	\$ 21,679,469
-	58,918	341,470
-	-	496,911
-	4,536	548,279
-	-	601,854
-	-	125,143
-	242	1,372,707
-	-	983,306
-	-	710,774
<u>7,900,842</u>	<u>-</u>	<u>7,900,842</u>
<u>\$ 9,481,527</u>	<u>\$ 2,621,022</u>	<u>\$ 34,760,755</u>

\$ 673,117	\$ 359	\$ 2,318,204
-	2,881	290,691
-	-	453,603
-	-	983,306
-	-	710,775
<u>673,117</u>	<u>3,240</u>	<u>4,756,579</u>

-	-	119,533
<u>-</u>	<u>23,377</u>	<u>2,466,675</u>

-	<u>23,377</u>	<u>2,586,208</u>
---	---------------	------------------

-	-	1,542,411
7,227,725	2,573,181	12,748,986
1,580,685	21,224	9,397,652
-	-	3,728,919
<u>8,808,410</u>	<u>2,594,405</u>	<u>27,417,968</u>

<u>\$ 9,481,527</u>	<u>\$ 2,621,022</u>	<u>\$ 34,760,755</u>
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See accompanying notes to financial statements.

LE SUEUR COUNTY

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

Total fund balance - governmental funds		\$ 27,417,968
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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	\$ 143,423,257	
Accumulated depreciation	<u>(43,779,443)</u>	99,643,814

Revenues that are not available to pay current liabilities 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	204,504	
Special assessments	496,911	
Governmental grants	679,663	
Accounts receivable	358,600	
Notes receivable	601,854	
Interest	<u>125,143</u>	2,466,675

The net pension liability does not relate to current financial resources and is not reported in the fund statements.		(12,320,067)
--	--	--------------

Deferred outflows of resources related to pensions do not relate to current financial resources and are not reported in the fund statements.		6,353,445
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Deferred inflows of resources related to pensions do not relate to current financial resources and are not reported in the fund statements.		(5,306,670)
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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	(27,495,000)	
Debt premium	(701,774)	
Accrued interest on general obligation debt	(321,623)	
Compensated absences	<u>(1,598,806)</u>	<u>(30,117,203)</u>

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES		<u>\$ 88,137,962</u>
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See accompanying notes to financial statements.

LE SUEUR COUNTY

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

	Special Revenue				
	General Fund	Road and Bridge	Human Services	Environmental Health	County Ditch
REVENUES					
Taxes	\$ 9,659,004	\$ 3,052,942	\$ 3,605,316	\$ 341	\$ -
Special assessments	943	-	-	309,627	236,227
Intergovernmental	2,006,072	6,347,246	4,312,656	319,439	-
Licenses and permits	402,414	-	-	3,885	-
Charges for services	2,289,796	78,706	117,955	18,425	-
Investment income	225,009	-	-	-	-
Miscellaneous	104,572	148,772	327,770	85,958	7,354
Total Revenues	<u>14,687,810</u>	<u>9,627,666</u>	<u>8,363,697</u>	<u>737,675</u>	<u>243,581</u>
EXPENDITURES					
Current					
General government	6,128,522	-	-	-	-
Public safety	4,426,186	-	-	-	-
Highways and streets	-	10,731,052	-	-	-
Sanitation	-	-	-	1,073,995	-
Health and human services	2,203,425	-	7,960,953	15,660	-
Culture, recreation, and education	526,181	-	-	-	-
Conservation and development	227,348	-	-	410,371	878,277
Capital Outlay	331,200	1,586,342	-	-	-
Debt Service					
Principal	-	710,000	-	-	-
Interest and fiscal charges	-	135,415	-	-	-
Total Expenditures	<u>13,842,862</u>	<u>13,162,809</u>	<u>7,960,953</u>	<u>1,500,026</u>	<u>878,277</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>844,948</u>	<u>(3,535,143)</u>	<u>402,744</u>	<u>(762,351)</u>	<u>(634,696)</u>
OTHER FINANCING SOURCES (USES)					
Long-term debt issued	-	960,000	-	-	-
Premium on debt issued	-	62,468	-	-	-
Transfers in	161,934	-	-	8,100	-
Transfers out	(921,168)	-	-	(161,934)	-
Total Other Financing Sources (Uses)	<u>(759,234)</u>	<u>1,022,468</u>	<u>-</u>	<u>(153,834)</u>	<u>-</u>
Net Change in Fund Balances	85,714	(2,512,675)	402,744	(916,185)	(634,696)
FUND BALANCES (DEFICIT) - Beginning of Year	6,926,124	3,768,263	5,815,509	3,537,113	(549,500)
Change in reserve for materials and supplies	-	92,742	-	-	-
FUND BALANCES (DEFICIT) - END OF YEAR	<u>\$ 7,011,838</u>	<u>\$ 1,348,330</u>	<u>\$ 6,218,253</u>	<u>\$ 2,620,928</u>	<u>\$ (1,184,196)</u>

See accompanying notes to financial statements.

Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
\$ 650	\$ 2,205,672	\$ 18,523,925
-	-	546,797
-	119,231	13,104,644
-	-	406,299
-	-	2,504,882
-	34,257	259,266
-	8,080	682,506
<u>650</u>	<u>2,367,240</u>	<u>36,028,319</u>
11,184	-	6,139,706
-	98,808	4,524,994
-	-	10,731,052
-	-	1,073,995
-	-	10,180,038
-	-	526,181
-	52,311	1,568,307
2,567,562	-	4,485,104
-	1,625,000	2,335,000
116,726	390,098	642,239
<u>2,695,472</u>	<u>2,166,217</u>	<u>42,206,616</u>
<u>(2,694,822)</u>	<u>201,023</u>	<u>(6,178,297)</u>
8,650,000	-	9,610,000
324,339	-	386,807
913,068	-	1,083,102
-	-	(1,083,102)
<u>9,887,407</u>	<u>-</u>	<u>9,996,807</u>
7,192,585	201,023	3,818,510
1,615,825	2,393,382	23,506,716
-	-	92,742
<u>\$ 8,808,410</u>	<u>\$ 2,594,405</u>	<u>\$ 27,417,968</u>

See accompanying notes to financial statements.

LE SUEUR 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	\$ 3,818,510
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 capitalized in the government-wide statements	4,485,104
Some capital outlay is not capitalized in the government-wide statements	(328,509)
Highway construction capitalized in the government-wide statements	2,296,999
Some other functional expenses are capitalized in the government-wide statements	28,148
Depreciation is reported in the government-wide statements	(3,406,023)
Taxes and other receivables that are not available to pay current liabilities are reported as unavailable revenues in the fund financial statements but are recognized as revenue when earned in the government-wide financial statements. \$2,573,940 of taxes, grants and interest recognized as revenue on the fund statements was recognized in the government-wide statement in prior years. \$2,466,675 of taxes, grants, notes and interest are reported as unavailable revenue in the fund statements but recognized as revenue in the government-wide statements in the current year.	
	(107,265)
Issuing debt provides current financial resources in the governmental funds, but the repayment of debt consumes current financial resources in the governmental funds.	
Debt issued	(9,610,000)
Principal payments	2,335,000
Bond premiums are reported as revenue in the fund financial statements, but are capitalized in the government-wide statements and amortized over the life of the related debt.	
	(386,807)
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 fund financial statements. The following did not require the use of current financial resources:	
Change in compensated absences	(198,483)
Change in accrued interest expense	(89,117)
Amortization of debt discounts and premiums	39,404
Net pension liability (and pension related deferred outflows/inflows of resources)	(1,321,463)
The change in materials and supplies is reported as a change in fund balance in the fund financial statements, but is a change in expense in the government-wide statements.	
	<u>92,742</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ (2,351,760)</u>

See accompanying notes to financial statements.

LE SUEUR COUNTY

STATEMENT OF NET POSITION -
FIDUCIARY FUNDS
As of December 31, 2017

	Private-Purpose Trusts	Agency Funds
	<u> </u>	<u> </u>
ASSETS		
Cash and investments	\$ 76,434	\$ 2,757,525
Total Assets	<u>76,434</u>	<u>2,757,525</u>
LIABILITIES		
Accounts payable	-	6,452
Deposits	-	1,325,678
Due to other governments	-	1,425,395
Total Liabilities	<u>-</u>	<u>2,757,525</u>
NET POSITION HELD IN TRUST	<u>\$ 76,434</u>	<u>\$ -</u>

LE SUEUR COUNTY

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION -
FIDUCIARY FUND
For the Year Ended December 31, 2017

	<u>Private-Purpose Trusts</u>
ADDITIONS	
Interest	\$ 12
Miscellaneous	<u>16,000</u>
Total Additions	<u>16,012</u>
DEDUCTIONS	
Payments in accordance with trust agreements	<u>11</u>
Change in Net Position	16,001
NET POSITION HELD IN TRUST - Beginning of Year	<u>60,433</u>
NET POSITION HELD IN TRUST - END OF YEAR	<u>\$ 76,434</u>

LE SUEUR COUNTY

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

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LE SUEUR COUNTY

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

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Le Sueur County, Minnesota (the “County”) 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

Le Sueur County was established March 5, 1853, 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 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 primary government is financially accountable if (1) it appoints a voting majority of the organization’s governing body and it is able to impose its will on that organization, (2) it appoints a voting majority of the organization’s governing body and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government, (3) the organization is fiscally dependent on and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. Certain legally separate, tax exempt organization should also be reported as a component unit of a reporting entity if all of the following criteria are met: (1) the economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents; (2) the primary government or its component units, is entitled to, or has the ability to access, a majority of the economic resources received or held by the separate organization; and (3) the economic resources received or held by an individual organization that the primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government.

Component units are reported using one or two methods, discrete presentation or blending. Generally, component units should be discretely presented in a separate column in the financial statements. A component unit should be reported as part of the primary government using the blending method if it meets any one of the following criteria: (1) the primary government and the component unit have substantively the same governing body and a financial benefit or burden relationship exists, (2) the primary government and the component unit have substantively the same governing body and management of the primary government has operational responsibility for the component unit, (3) the component unit serves or benefits, exclusively or almost exclusively, the primary government rather than its citizens, or (4) the total debt of the component unit will be paid entirely or almost entirely from resources of the primary government.

LE SUEUR COUNTY

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

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

A. REPORTING ENTITY (cont.)

Discretely Presented Component Unit

Housing and Redevelopment Authority

The government-wide statements include the Housing and Redevelopment Authority of Le Sueur County (HRA) as a component unit. The HRA is a legally separate organization. The Board of County Commissioners appoints the board of the HRA. In addition, the Board of County Commissioners can hire, reassign, or dismiss persons responsible for the day-to-day operations of the HRA. As a component unit, the HRA's financial statements have been presented as a discrete column in the financial statements. The information presented is for the fiscal year ended September 30, 2017. Separately issued financial statements of the HRA may be obtained from the Minnesota Valley Action Council at 706 North Victory Drive, Mankato, Minnesota, 56001. See Note III.H.

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 Le Sueur County's activities are considered governmental activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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. Le Sueur 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.

LE SUEUR COUNTY

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

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 balance, revenues, and expenditures/expenses.

Funds are organized as major funds or nonmajor 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 Le Sueur 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% of the corresponding total for all governmental funds.
- b. In addition, any other governmental fund that Le Sueur 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.

Le Sueur County reports the following major governmental funds:

General Fund – accounts for Le Sueur County’s primary operating activities. It is used to account for all financial resources except those accounted for and reported in another fund.

Road and Bridge Special Revenue Fund – used to account for and report grants and local revenues legally restricted or committed to the construction and maintenance of county roads, highways, and bridges.

Human Services Special Revenue Fund – used to account for and report grants and local revenues legally restricted, committed or assigned to economic assistance and community social services programs.

Environmental Health Special Revenue Fund – used to account for and report grants and local revenues legally restricted, committed or assigned to health, clean water partnership, recycling, and solid waste activities.

County Ditch Special Revenue Fund – used to account for and report the grants and local revenues legally restricted or committed to supporting expenditures for the maintenance of the County ditch system.

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.

LE SUEUR COUNTY

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

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

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

Fund Financial Statements (cont.)

Le Sueur County reports the following nonmajor governmental funds:

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

Victim Witness
Gravel Tax

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

In addition, Le Sueur County reports the following fund types:

Private-Purpose Trust Funds – used to account for and report any trust arrangement not properly reported in a pension trust fund under which principal and income benefit individuals, private organizations, or other governments.

Cemetery Perpetual Care
U.S. Fish and Wildlife

Agency Funds – used to account for and report assets held by the County in a trustee capacity or as an agent for individuals, private organizations, and/or other governmental units.

Agency	Family Services Collaborative
Taxes and Penalties	Sheriff
Social Welfare	

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.

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

LE SUEUR COUNTY

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

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

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

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, the 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 Le Sueur 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.

Fiduciary fund financial statements (other than agency funds) are reported using the economic resources management 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.

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.

LE SUEUR COUNTY

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

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

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;
- > Mutual fund through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;
- > State and local securities that meet specified bond ratings by a national rating service;
- > Banker’s acceptances of United States banks;
- > 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; and
- > Repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts, with certain restrictions.

Le Sueur County has adopted an investment policy. That policy limits allowable investments to securities issued by the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Home Loan Mortgage Association, the Federal Home Loan Bank, brokered jumbo CD’s covered by FDIC, repurchase agreements, and the MAGIC fund. The policy also requires that County deposits in bank CD’s will have a maturity of not more than five years.

Custodial credit risk is not specifically addressed in the County’s investment policy. The County follows state statutes related to this risk.

Credit risk is addressed through the investment restrictions detailed above. The policy also states that the County may request a rating from bidders; high bidders may be denied the investment based on that rating.

The policy addresses concentration of credit risk by stating that the Treasurer shall make investments with the consideration of diversification to limit risk.

The policy addresses interest rate risk by stating that the Treasurer shall schedule the maturity of investment securities to coincide with the payment of property tax settlements and other bill paying dates.

LE SUEUR COUNTY

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

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.)

Investments are 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 funds is allocated to the general fund per Minn. Stat § 385.07. Other funds received investment earning based on other state statutes, grant agreements, contracts, and bond covenants. The difference between the bank balance and carrying value is due to outstanding checks and/or deposits in transit.

Le Sueur 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 MN Statutes § 471.59. The County's MAGIC investment is reported at amortized cost. 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 and County funds are accounted for in agency funds.

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

The County is required to distribute the collections to the various governmental units three times each year on a schedule prescribed in MN Statutes 276.

Accounts 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. The Human Services fund has recorded an allowance of \$867,667.

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.

It is the County's policy to record unavailable revenue for the net amount of the notes receivable balance. As notes are repaid, revenue is recognized. When new notes are made, expenditures are recorded. Interest received from note repayments is recognized as revenue when received in cash.

LE SUEUR COUNTY

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

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.)

3. Prepaid Items, Materials and Supplies

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.

Governmental fund materials and supplies, if material, are valued at cost based on the FIFO method using the consumption method of accounting for all items except signs and posts, gravel stockpiles, recycled blacktop, and pea rock, which are valued using the average cost method.

4. Restricted Assets

Mandatory segregations of assets are presented as restricted assets. Such segregations are required by bond agreements and other external parties.

5. 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 the following initial cost:

Machinery, Equipment and Vehicles	\$	5,000
Land Improvements		25,000
Building and Building Improvements		25,000
Roads and Bridges (Infrastructure)		50,000
Intangibles		500,000

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, Equipment and Vehicles	5-20 Years
Land Improvements	20-30 Years
Buildings and Building Improvements	15-40 Years
Infrastructure	50-75 Years

Fund Financial Statements

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

LE SUEUR COUNTY

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

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. 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.

7. 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.

8. Other Post Employment Benefits

The County does not offer any significant other post employment benefits.

9. 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 notes and bonds payable, 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 deferred and amortized over the life of the issue using the straight-line method, which approximates the effective interest method. The balance at year end is shown as an increase or decrease in the liability section of the statement of net position.

LE SUEUR COUNTY

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

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.)

10. Deferred Inflows of Resources

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

11. 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 any 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.
- 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 balances are 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 require the same formal action of the County board that originally created the commitment.

LE SUEUR COUNTY

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

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.)

11. Equity Classifications (cont.)

Fund Statements (cont.)

- d. Assigned - Includes spendable fund balance amounts that are intended to be used for specific purposes that do not meet the criteria to be classified as restricted or committed. The County board has adopted a financial policy authorizing the County Manager and Finance Director to 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.

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.

See Note III.G. for further information.

Fiduciary fund equity is classified as held in trust on the statement of fiduciary net position. Various donor restrictions apply, including authorizing and spending trust income, and the County believes it is in compliance with all significant restrictions.

12. 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.

LE SUEUR COUNTY

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

NOTE II – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. EXCESS EXPENDITURES OVER APPROPRIATIONS

The following individual funds had 2017 expenditures and other financing uses in excess of appropriations:

Fund	Budgeted Expenditures and Other Financing Uses	Actual Expenditures and Other Financing Uses	Excess Over Budget
General Fund	\$ 14,659,816	\$ 14,764,030	\$ 104,214
Road and Bridge	12,919,823	13,162,809	242,986
Human Services	7,247,444	7,960,953	713,509
Environmental Health	1,420,061	1,661,960	241,899
Victim Witness	96,851	98,808	1,957
Debt Service	2,012,178	2,015,098	2,920

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

A budget has not been adopted for the County Ditch, Capital Projects or Gravel Tax funds.

B. DEFICIT BALANCES

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

As of December 31, 2017, the following individual fund held a deficit balance:

Fund	Amount	Reason
County Ditch	\$ 1,184,196	Expenditures in excess of revenues

Fund deficits are anticipated to be funded with future contributions, general tax revenues and special assessments.

LE SUEUR COUNTY

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

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 type's portion of this pool is displayed on the statement of net position and balance sheet as cash and investments.

The County's cash and investments at year end were comprised of the following:

	Carrying Value	Statement Balance	Associated Risks
Demand and time deposits	\$ 25,937,398	\$ 26,097,848	Custodial credit
US agencies	758,399	758,399	Custodial credit, credit, concentration of credit, interest rate
Negotiable CDs	3,708,596	3,708,596	Custodial credit, credit, concentration of credit, interest rate
Repurchase agreements	2,000,000	2,000,000	Custodial credit, credit, concentration of credit, interest rate
MAGIC	6,475	6,475	Credit, interest rate
Petty cash	3,402	-	N/A
	<u>\$ 32,414,270</u>	<u>\$ 32,571,318</u>	
Reconciliation to financial statements			
Per statement of net position			
Unrestricted cash and investments	\$ 21,679,469		
Restricted cash and investments	7,900,842		
Per statement of net position –			
Fiduciary Funds			
Private purpose trusts	76,434		
Agency funds	2,757,525		
	<u>\$ 32,414,270</u>		

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.

LE SUEUR COUNTY

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

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

A. DEPOSITS AND INVESTMENTS (cont.)

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 up to \$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 in the amount of \$11,419,569 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

Investment Type	December 31, 2017			
	Level 1	Level 2	Level 3	Total
US agencies	\$ -	\$ 758,399	\$ -	\$ 758,399
Negotiable CDs	-	3,708,596	-	3,708,596
Repurchase agreements	-	2,000,000	-	2,000,000
Totals	\$ -	\$ 6,466,995	\$ -	\$ 6,466,995

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.

As of December 31, 2017, the County had no 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.

As of December 31, 2017, the County had no investments exposed to custodial credit risk.

LE SUEUR COUNTY

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

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
US agencies – Federal Home Loan Mortgage Corporation	AA+	AAA
Repurchase agreements – Farmington, MN GO	AA	NR
Repurchase agreements – Lakeville, MN ISD #194 GO	NR	Aa2
Repurchase agreements – Laporte, MN ISD #306 GO	NR	Aa2
Repurchase agreements – New Hope, MN GO	AA	NR
Repurchase agreements – Richfield, MN ISD #280 GO	AA	NR

The County also had the following unrated investments:

Minnesota Association of Governments Investing for Counties (MAGIC)
Negotiable certificates of deposit

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
Laporte ISD #306	Repurchase agreements	6.43%
Federal Home Loan Mortgage Corporation	US Agencies	11.72%

LE SUEUR COUNTY

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

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

A. DEPOSITS AND INVESTMENTS (cont.)

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:

Investment Type	Fair Value	Maturity (In Years)		
		Less than 1	1 - 3	More than 3
US agencies	\$ 758,399	\$ -	\$ -	\$ 758,399
Negotiable CDs	3,708,596	1,546,777	1,723,917	437,902
Repurchase agreements	2,000,000	2,000,000	-	-
MAGIC	6,475	6,475	-	-
Totals	\$ 6,473,470	\$ 3,553,252	\$ 1,723,917	\$ 1,196,301

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

B. RECEIVABLES

All receivables are expected to be collected within one year except for \$83,187 of interest in the general fund, \$519,452 of notes receivable in the environmental health fund, and \$336,726 of special assessments in the County ditch fund.

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	\$ -	\$ 204,504
Special assessments not yet due	-	496,911
Grants not received within 60 days of end of year	-	679,663
Accounts receivable not received within 60 days of end of year	-	358,600
Notes receivable	-	601,854
Interest receivable	-	125,143
Grants received in advance	119,533	-
Total Unavailable/Unearned Revenue for Governmental Funds	\$ 119,533	\$ 2,466,675

LE SUEUR COUNTY

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

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

C. RESTRICTED ASSETS

The following represents the balance of the restricted assets:

Construction - Used to report proceeds of bond issuances that are restricted for use in construction.

D. CAPITAL ASSETS

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

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated				
Construction in progress	\$ 1,749,783	\$ 3,494,937	\$ (732,590)	\$ 4,512,130
Land	4,997,319	175,000	-	5,172,319
Total Capital Assets Not Being Depreciated	\$ 6,747,102	\$ 3,669,937	\$ (732,590)	\$ 9,684,449
Other capital assets being depreciated				
Buildings and improvements	\$ 7,446,390	\$ -	\$ -	\$ 7,446,390
Land improvements	150,404	-	-	150,404
Machinery, furniture, and equipment	12,629,042	580,580	-	13,209,622
Infrastructure	109,968,577	2,963,815	-	112,932,392
Total Other Capital Assets Being Depreciated	130,194,413	3,544,395	-	133,738,808
Less: Accumulated depreciation for				
Buildings and improvements	(4,678,408)	(195,707)	-	(4,874,115)
Land improvements	(43,091)	(2,482)	-	(45,573)
Machinery, furniture, and equipment	(8,723,544)	(986,088)	-	(9,709,632)
Infrastructure	(26,928,377)	(2,221,746)	-	(29,150,123)
Total Accumulated Depreciation	(40,373,420)	(3,406,023)	-	(43,779,443)
Total Other Capital Assets, Net of Depreciation	\$ 89,820,993	\$ 138,372	\$ -	\$ 89,959,365

Depreciation expense was charged to functions as follows:

General government	\$ 160,977
Public safety	553,768
Highway and streets, which includes the depreciation of infrastructure	2,638,880
Human services	22,356
Conservation and development	11,106
Culture, recreation and education	18,936
Total Governmental Activities Depreciation Expense	\$ 3,406,023

LE SUEUR COUNTY

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

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

E. INTERFUND ADVANCES AND TRANSFERS

Advances

The general fund is advancing funds to the County ditch fund. The amount advanced is the net overdraft in pooled cash and investment accounts. No repayment schedule has been established.

The following is a schedule of interfund advances:

Receivables Fund	Payable Fund	Amount
General Fund	County Ditch	\$ 983,306
Total - Fund Financial Statements		<u>\$ 983,306</u>

No amounts are due within one year.

Transfers

The following is a schedule of interfund transfers:

Fund Transferred To	Fund Transferred From	Amount	Principal Purpose
Capital Projects	General Fund	\$ 913,068	Fund portion of justice center project
Environmental Health	General Fund	8,100	Share of machine room
General Fund	Environmental Fund	161,934	Septic loan repayments
Total – Fund Financial Statements		<u>\$ 1,083,102</u>	

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.

LE SUEUR COUNTY

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

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

F. 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 and Notes Payable					
General obligation debt	\$ 20,220,000	\$ 9,610,000	\$ (2,335,000)	\$ 27,495,000	\$ 2,395,000
Premiums/(discounts)	354,371	386,807	(39,404)	701,774	-
Sub-totals	<u>20,574,371</u>	<u>9,996,807</u>	<u>(2,374,404)</u>	<u>28,196,774</u>	<u>2,395,000</u>
Other Liabilities					
Compensated absences	1,400,323	198,483	-	1,598,806	326,406
Net pension liability	17,973,796	2,220,751	(7,874,480)	12,320,067	-
Sub-totals	<u>19,374,119</u>	<u>2,419,234</u>	<u>(7,874,480)</u>	<u>13,918,873</u>	<u>326,406</u>
Total Long-Term Liabilities	<u>\$ 39,948,490</u>	<u>\$ 12,416,041</u>	<u>\$(10,248,884)</u>	<u>\$ 42,115,647</u>	<u>\$ 2,721,406</u>

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 \$113,016,612. General obligation debt outstanding at year end was \$27,495,000.

General Obligation Debt

All general obligation notes and 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 and the road and bridge special revenue fund.

General Obligation Debt	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance 12-31-17
Capital Improvement Bonds	2006	2023	4.00%	\$ 2,555,000	\$ 1,205,000
Capital Improvement Bonds	2007	2024	4.00-4.10%	2,555,000	1,385,000
Capital Improvement Bonds	2008	2024	3.00-4.30%	4,090,000	2,230,000
State-Aid Road Bonds	2009	2019	2.00-3.00%	2,600,000	520,000
Capital Improvement Bonds	2011	2022	0.50-2.75%	3,000,000	1,585,000
General Obligation Bonds	2015	2026	2.00%	9,625,000	8,745,000
General Obligation Bonds	2016	2026	2.00-2.10%	2,505,000	2,215,000
Capital Improvement Bonds	2017	2028	3.00%	2,390,000	2,390,000
General Obligation Jail Bonds	2017	2038	2.8-3.75%	7,220,000	7,220,000
Total General Obligation Debt					<u>\$ 27,495,000</u>

LE SUEUR COUNTY

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

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

F. LONG-TERM OBLIGATIONS (cont.)

General Obligation Debt (cont.)

Debt service requirements to maturity are as follows:

	General Obligation Debt	
	Principal	Interest
2018	\$ 2,395,000	\$ 712,823
2019	2,805,000	654,780
2020	2,745,000	579,628
2021	2,825,000	503,276
2022	2,915,000	423,336
2023 - 2027	8,975,000	1,177,698
2028 - 2032	2,175,000	517,075
2033 - 2037	2,185,000	227,420
2038	475,000	7,124
Totals	\$ 27,495,000	\$ 4,803,160

Other Debt Information

Estimated payments of compensated absences and the net pension liability are not included in the debt service requirement schedules. The compensated absences liability and net pension liability attributable to governmental activities will be liquidated primarily by the general fund, human services fund and road and bridge fund for their proportionate shares.

LE SUEUR COUNTY

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

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

G. NET POSITION/FUND BALANCES

Net position reported on the government wide statement of net position includes the following:

Net investment in capital assets	
Construction in progress	\$ 4,512,130
Land	5,172,319
Other capital assets, net of accumulated depreciation	89,959,365
Less: related long-term debt outstanding (excluding unspent capital related debt proceeds)	<u>(18,705,891)</u>
 Total Net Investment in Capital Assets	 <u><u>\$ 80,937,923</u></u>

Governmental fund balances as of December 31, 2017, include the following items:

Fund Balances	General Fund	Road and Bridge	Human Services	Environmental Health	County Ditch	Capital Projects	Nonmajor Funds	Totals
Nonspendable:								
Prepaid items, materials and supplies	\$ 157,530	\$ 553,244	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 710,774
Long-term advances to other funds	831,637	-	-	-	-	-	-	831,637
Restricted for:								
Recorder's equipment	346,361	-	-	-	-	-	-	346,361
Sheriff's forfeiture	43,041	-	-	-	-	-	-	43,041
Sheriff's drug and alcohol contingency	2,000	-	-	-	-	-	-	2,000
E-911	428,031	-	-	-	-	-	-	428,031
Parks	140,051	-	-	-	-	-	-	140,051
Capital projects	-	888,158	-	-	-	7,227,725	-	8,115,883
Future septic loans	-	-	-	1,100,438	-	-	-	1,100,438
Reclamation/conservation	-	-	-	-	-	-	362,587	362,587
Debt service	-	-	-	-	-	-	2,210,594	2,210,594
Assigned to:								
2018 budget	57,000	-	-	-	-	-	-	57,000
Human services	-	-	6,218,253	-	-	-	-	6,218,253
Environmental health	-	-	-	1,520,490	-	-	-	1,520,490
Victim witness	-	-	-	-	-	-	21,224	21,224
Capital projects	-	-	-	-	-	1,580,685	-	1,580,685
Unassigned (deficit)	<u>5,006,187</u>	<u>(93,072)</u>	<u>-</u>	<u>-</u>	<u>(1,184,196)</u>	<u>-</u>	<u>-</u>	<u>3,728,919</u>
 Total Fund Balances (Deficit)	 <u><u>\$ 7,011,838</u></u>	 <u><u>\$ 1,348,330</u></u>	 <u><u>\$ 6,218,253</u></u>	 <u><u>\$ 2,620,928</u></u>	 <u><u>\$ (1,184,196)</u></u>	 <u><u>\$ 8,808,410</u></u>	 <u><u>\$ 2,594,405</u></u>	 <u><u>\$ 27,417,968</u></u>

LE SUEUR COUNTY

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

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

H. COMPONENT UNIT

This report contains the Housing and Redevelopment Authority of Le Sueur County (HRA), which is included as a component unit.

In addition to the basic financial statements and the preceding notes to financial statements which apply, the following additional disclosures are considered necessary for a fair presentation.

a. Management Agreement

The HRA has entered into an agreement with the Minnesota Valley Action Council, Inc. (MVAC) to have MVAC manage all of the HRA's programs and act as its fiscal agent. Payment to MVAC for these services consists solely of the administrative fees allowed under the grant programs operated by the HRA. The HRA advances funds to MVAC as needed for disbursement under the programs.

b. Basis of Accounting and Measurement Focus

The HRA follows the full accrual basis of accounting and the economic resources measurement focus.

c. Deposits and Investments

The HRA's cash and investments at year end were comprised of the following:

	<u>Carrying Value</u>	<u>Bank Balance</u>	<u>Associated Risks</u>
Demand and time deposits	\$45,387	\$45,387	Custodial credit risk

Custodial Credit Risk

Deposits – Custodial credit risk is the risk that in the event of a financial institution failure, the authority's deposits may not be returned to the authority.

The HRA does not have any deposits exposed to custodial credit risk.

d. Loans Receivable

The HRA issued a loan through the Community Development Block Grant program. The loan was issued without bearing interest and is secured by property in Kilkenny, Minnesota. Payments of \$25 are due monthly with principal due in full upon sale of the property. The balance of the loan at September 30, 2017 is \$21,809.

The HRA has also issued loans to renovate and remodel residential and business properties through the Small Cities Payment Loan Program. The balance of these notes at September 30, 2017 is \$4,053. These loans are deferred for 10 years, at which time the loan is forgiven if the original property owner is still residing at the improved property. The loans will be forgiven by 2018. These notes are unlikely to be collected and an allowance for doubtful accounts is recorded for the amount of \$4,053.

LE SUEUR COUNTY

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

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

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 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

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 1 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.

LE SUEUR COUNTY

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

NOTE IV – OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Public Employees Retirement Association (PERA) (cont.)

General Information About the Pension Plan (cont.)

Benefits Provided. (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.

LE SUEUR COUNTY

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

NOTE IV – OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Public Employees Retirement Association (PERA) (cont.)

General Information About the Pension Plan (cont.)

Contributions. (cont.)

1. General Employees Fund Contributions

Basic Plan members and Coordinated Plan members were required to contribute 9.1 percent and 6.5 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 \$705,587. The County's contributions were equal to the required contributions as set by state statute.

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 16.2 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 \$253,611. 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 PECF members in calendar year 2017. The County's contributions to the Correctional Fund for the year ended December 31, 2017, were \$57,160. 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 \$9,384,383 for its proportionate share of the General Employees Fund's net pension liability. The County's net pension liability reflected a deduction 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 \$117,963. 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 .1470 percent which was an increase of .0117 percent from its proportion measured as of June 30, 2016.

LE SUEUR COUNTY

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

NOTE IV – OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Public Employees Retirement Association (PERA) (cont.)

General Information About the Pension Plan (cont.)

Pension Costs. (cont.)

1. General Employees Fund Pension Costs (cont.)

For the year ended December 31, 2017 the County recognized pension expense of \$1,504,201 for its proportionate share of the General Employees Plan's pension expense. In addition, the County recognized an additional \$3,407 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$6 million to the General Employees Fund.

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:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience economical experience	\$ 309,281	\$ 554,276
Changes in actuarial assumptions	1,434,005	940,785
Difference between projected and actual investment earnings	-	74,960
Changes in proportion	753,946	76,335
Contributions paid to PERA subsequent to the measurement date	<u>353,761</u>	<u>-</u>
Totals	<u>\$ 2,850,993</u>	<u>\$ 1,646,356</u>

LE SUEUR COUNTY

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

NOTE IV – OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Public Employees Retirement Association (PERA) (cont.)

General Information About the Pension Plan (cont.)

Pension Costs. (cont.)

1. General Employees Fund Pension Costs (cont.)

\$353,761 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	\$ 1,078,322	\$ 562,831
2019	1,078,322	370,052
2020	340,588	315,124
2021	-	398,349

2. Police and Fire Fund Pension Costs

At December 31, 2017 the County reported a liability of \$2,052,181 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 .1520 percent which was an increase of .0070 percent from its proportion measured as of June 30, 2016. The County also recognized \$13,680 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.

LE SUEUR COUNTY

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

NOTE IV – OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Public Employees Retirement Association (PERA) (cont.)

General Information About the Pension Plan (cont.)

Pension Costs. (cont.)

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

For the year ended December 31, 2017, the County recognized pension expense of \$500,412 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 experience economical experience	\$ 47,237	\$ 525,574
Changes in actuarial assumptions	2,562,005	2,913,588
Difference between projected and actual investment earnings	-	1,123
Changes in proportion	234,102	20,550
Contributions paid to PERA subsequent to the measurement date	131,483	-
Totals	\$ 2,974,827	\$ 3,460,835

LE SUEUR COUNTY

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

NOTE IV – OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Public Employees Retirement Association (PERA) (cont.)

General Information About the Pension Plan (cont.)

Pension Costs. (cont.)

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

\$131,483 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	\$ 696,768	\$ 655,098
2019	696,768	655,098
2020	696,768	727,853
2021	696,768	840,068
2022	56,268	582,718
Thereafter	4	-

3. Correctional Plan Pension Costs

At December 31, 2017 the County reported a liability of \$883,503 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 .3100 percent which was a decrease of .0100 percent from its proportion measured as of June 30, 2016.

For the year ended December 31, 2017, the County recognized pension expense of \$333,205 for its proportionate share of the Correctional Plan's pension expense.

LE SUEUR COUNTY

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

NOTE IV – OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Public Employees Retirement Association (PERA) (cont.)

General Information About the Pension Plan (cont.)

Pension Costs. (cont.)

3. Correctional Plan Pension (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 experience economical experience	\$ 610	\$ 15,080
Changes in actuarial assumptions	496,531	153,791
Difference between projected and actual investment earnings	-	512
Changes in proportion	-	30,096
Contributions paid to PERA subsequent to the measurement date	30,484	-
Totals	\$ 527,625	\$ 199,479

\$30,484 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	\$ 248,571	\$ 59,779
2019	248,570	52,497
2020	-	62,611
2021	-	24,592

LE SUEUR COUNTY

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

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 percent 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.

LE SUEUR COUNTY

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

NOTE IV – OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Public Employees Retirement Association (PERA) (cont.)

Actuarial Assumptions (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.

LE SUEUR COUNTY

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

NOTE IV – OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Public Employees Retirement Association (PERA) (cont.)

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	Long-Term Real Rate of Return	Target Allocation
Domestic Stocks	5.10%	39%
International Stocks	5.30	19
Bonds	0.75	20
Alternative Assets	5.90	20
Cash	0.00	2

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 position 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.

LE SUEUR COUNTY

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

NOTE IV – OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Public Employees Retirement Association (PERA) (cont.)

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 one percentage point lower or one percentage point higher than the current discount rate:

	<u>1% Decrease to Discount Rate</u>	<u>Current Discount Rate</u>	<u>1% Increase to Discount Rate</u>
County's proportionate share of the General Employees Fund net pension liability	\$14,555,875	\$9,384,383	\$5,150,577
County's proportionate share of the Police and Fire Fund net pension liability	3,864,855	2,052,181	555,718
County's proportionate share of the Correctional Fund net pension liability	1,455,903	883,503	436,737

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.

B. 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 property and casualty and workers' compensation. 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 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.

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 employee and \$1,500,000 per accident 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.

LE SUEUR COUNTY

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

NOTE IV – OTHER INFORMATION (cont.)

C. 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 fund types 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. Although the outcome of such matters cannot be forecasted with certainty, it is the opinion of management and the County attorney that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the County's financial position or results of operations.

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.

The County has active construction projects as of December 31, 2017. Work that has been completed on these projects but not yet paid for (including contract retainages) is reflected as accounts payable and expenditures.

The County had open construction contracts in the amount of approximately \$6 million at December 31, 2017.

D. JOINT VENTURES

Tri-County Solid Waste

Le Sueur, Nicollet, and Sibley counties have entered into a joint powers agreement to create and operate Tri-County Solid Waste. The primary purpose of the venture is to coordinate solid waste management programs within the tri-county area. Planning, recycling, hazardous waste, problem materials, and education are areas of focus.

The board of Tri-County Solid Waste is made up of two representatives from each of the participating members' Board of Commissioners. One-half of the financing for the venture is provided by an equal appropriation from the three counties and one-half is provided by appropriations from the counties based on population. Le Sueur County made payments totaling \$83,264 to Tri-County Solid Waste in 2017. The County believes that services will continue to be provided at similar rates in the future. Current financial statements are not available.

LE SUEUR COUNTY

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

NOTE IV – OTHER INFORMATION (cont.)

E. JOINTLY GOVERNED ORGANIZATIONS

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

	<u>2017 Payments</u>
Family Services Collaborative	\$ -
South Central Workforce Council	-
Minnesota County Computer Cooperative	114,270
Waseca-LeSueur Regional Library	579,055
South Central Minnesota Regional Radio	-
Minnesota Rivers Board	-
U.S. Highway 169 Corridor Coalition	-
South Central Community Based Initiative	-
Criminal Justice Agency	-
South Central Workforce Service Area	-
South Central Regional Immtrack	6,441
Region I SE MN Emergency Managers Board	1,000
Cannon River Drug & Violent Offender Task Force	-
South Central Transit	16,315

F. TAX ABATEMENT

The County has established a tax abatement program on three parcels of land for the purpose of promoting transportation infrastructure improvements within the US Highway 169 Le Sueur Hilltop Corridor. The abatement is authorized through a County Board resolution. The County will collect and subsequently transfer the abated taxes to the City of Le Sueur; the amount will be calculated as 100% of the County's share of the ad valorem property taxes generated by the parcels. The abatement program shall not exceed 20 years and applies to the taxes payable from 2007 through 2026. Upon completion of the infrastructure improvements the County will terminate the abatement. The total abated for the year ended December 31, 2017 was \$61,694. The remaining commitment under this agreement is estimated at \$497,521.

LE SUEUR COUNTY

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

NOTE IV – OTHER INFORMATION (cont.)

G. SUBSEQUENT EVENTS

On February 15, 2018, the County issued general obligation capital improvement plan and refunding bonds in the amount of \$8,910,000 with an interest rate of 3.00%. This amount will be used to fund a portion of the costs associated with the construction of a new justice center and to current refund the County's outstanding 2006, 2007 and 2008 bonds.

On March 1, 2018, the County issued general obligation jail bonds in the amount of \$4,925,000 with an interest rate of 3.00-3.50%. This amount will be used to finance a portion of the costs associated with the construction of the jail and law enforcement center portions of a new justice center.

H. 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

LE SUEUR COUNTY

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - ACTUAL AND BUDGET - GENERAL FUND For the Year Ended December 31, 2017

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 9,887,808	\$ 9,887,808	\$ 9,659,004	\$ (228,804)
Special assessments	-	-	943	943
Intergovernmental	1,636,930	1,636,930	2,006,072	369,142
Licenses and permits	340,278	340,278	402,414	62,136
Charges for services	2,137,947	2,137,947	2,289,796	151,849
Investment income	170,200	170,200	225,009	54,809
Miscellaneous	78,800	78,800	104,572	25,772
Total Revenues	<u>14,251,963</u>	<u>14,251,963</u>	<u>14,687,810</u>	<u>435,847</u>
EXPENDITURES				
Current				
General government	6,804,828	6,804,828	6,128,522	676,306
Public safety	4,481,839	4,481,839	4,426,186	55,653
Health and human services	2,346,395	2,334,395	2,203,425	130,970
Culture, recreation, and education	531,094	531,094	526,181	4,913
Conservation and development	233,218	233,218	227,348	5,870
Capital Outlay	245,776	257,776	331,200	(73,424)
Total Expenditures	<u>14,643,150</u>	<u>14,643,150</u>	<u>13,842,862</u>	<u>800,288</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(391,187)</u>	<u>(391,187)</u>	<u>844,948</u>	<u>1,236,135</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	161,934	161,934
Transfers out	(16,666)	(16,666)	(921,168)	(904,502)
Total Other Financing Sources (Uses)	<u>(16,666)</u>	<u>(16,666)</u>	<u>(759,234)</u>	<u>(742,568)</u>
Net Change in Fund Balance	(407,853)	(407,853)	85,714	493,567
FUND BALANCE - Beginning of Year	<u>6,926,124</u>	<u>6,926,124</u>	<u>6,926,124</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 6,518,271</u>	<u>\$ 6,518,271</u>	<u>\$ 7,011,838</u>	<u>\$ 493,567</u>

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

LE SUEUR COUNTY

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - ACTUAL AND BUDGET - ROAD AND BRIDGE For the Year Ended December 31, 2017

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 3,058,916	\$ 3,125,916	\$ 3,052,942	\$ (72,974)
Intergovernmental	7,091,961	7,034,333	6,347,246	(687,087)
Charges for services	135,000	427,000	78,706	(348,294)
Investment income	112,875	112,875	-	(112,875)
Miscellaneous	518,441	80,000	148,772	68,772
Total Revenues	<u>10,917,193</u>	<u>10,780,124</u>	<u>9,627,666</u>	<u>(1,152,458)</u>
EXPENDITURES				
Current				
Highways and streets				
Administration	517,658	517,658	466,597	51,061
Maintenance	2,384,471	2,434,471	2,330,732	103,739
Construction	5,834,487	7,002,117	7,006,671	(4,554)
Equipment maintenance and shop	850,702	850,702	927,052	(76,350)
Capital Outlay	494,000	1,279,000	1,586,342	(307,342)
Debt Service				
Principal	720,000	720,000	710,000	10,000
Interest and fiscal charges	115,875	115,875	135,415	(19,540)
Total Expenditures	<u>10,917,193</u>	<u>12,919,823</u>	<u>13,162,809</u>	<u>(242,986)</u>
Excess (Deficiency) of Revenues Over Expenditures				
	<u>-</u>	<u>(2,139,699)</u>	<u>(3,535,143)</u>	<u>(1,395,444)</u>
OTHER FINANCING SOURCES				
Long-term debt issued	-	1,000,557	960,000	(40,557)
Premium on debt issued	-	-	62,468	62,468
Total Other Financing Sources	<u>-</u>	<u>1,000,557</u>	<u>1,022,468</u>	<u>21,911</u>
Net Change in Fund Balance	-	(1,139,142)	(2,512,675)	(1,373,533)
FUND BALANCE - Beginning of Year	3,768,263	3,768,263	3,768,263	-
Change in reserve for inventory	-	-	92,742	92,742
FUND BALANCE - END OF YEAR	<u>\$ 3,768,263</u>	<u>\$ 2,629,121</u>	<u>\$ 1,348,330</u>	<u>\$ (1,280,791)</u>

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

LE SUEUR COUNTY

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - ACTUAL AND BUDGET - HUMAN SERVICES For the Year Ended December 31, 2017

	Original and Final Budget	Actual	Variance with Final Budget
REVENUES			
Taxes	\$ 3,738,076	\$ 3,605,316	\$ (132,760)
Intergovernmental	3,167,718	4,312,656	1,144,938
Charges for services	122,650	117,955	(4,695)
Miscellaneous	<u>219,000</u>	<u>327,770</u>	<u>108,770</u>
Total Revenues	<u>7,247,444</u>	<u>8,363,697</u>	<u>1,116,253</u>
EXPENDITURES			
Current			
Human services			
Income maintenance	1,843,413	2,038,489	(195,076)
Social services	4,955,726	5,468,199	(512,473)
Child support	<u>448,305</u>	<u>454,265</u>	<u>(5,960)</u>
Total Expenditures	<u>7,247,444</u>	<u>7,960,953</u>	<u>(713,509)</u>
Net Change in Fund Balance	-	402,744	402,744
FUND BALANCE - Beginning of Year	<u>5,815,509</u>	<u>5,815,509</u>	-
FUND BALANCE - END OF YEAR	<u>\$ 5,815,509</u>	<u>\$ 6,218,253</u>	<u>\$ 402,744</u>

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

LE SUEUR COUNTY

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - ACTUAL AND BUDGET - ENVIRONMENTAL HEALTH For the Year Ended December 31, 2017

	Original and Final Budget	Actual	Variance with Final Budget
REVENUES			
Taxes	\$ -	\$ 341	\$ 341
Special assessments	229,000	309,627	80,627
Intergovernmental	661,442	319,439	(342,003)
Licenses and permits	3,000	3,885	885
Charges for services	10,000	18,425	8,425
Miscellaneous	4,800	85,958	81,158
Total Revenues	<u>908,242</u>	<u>737,675</u>	<u>(170,567)</u>
EXPENDITURES			
Current			
Sanitation	853,389	1,073,995	(220,606)
Health and human services	17,200	15,660	1,540
Conservation and development	429,900	410,371	19,529
Total Expenditures	<u>1,300,489</u>	<u>1,500,026</u>	<u>(199,537)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(392,247)</u>	<u>(762,351)</u>	<u>(370,104)</u>
OTHER FINANCING SOURCES (USES)			
Transfer in	122,797	8,100	(114,697)
Transfer out	<u>(119,572)</u>	<u>(161,934)</u>	<u>(42,362)</u>
Total Other Financing Sources (Uses)	<u>3,225</u>	<u>(153,834)</u>	<u>(157,059)</u>
Net Change in Fund Balance	(389,022)	(916,185)	(527,163)
FUND BALANCE - Beginning of Year	<u>3,537,113</u>	<u>3,537,113</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 3,148,091</u>	<u>\$ 2,620,928</u>	<u>\$ (527,163)</u>

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

LE SUEUR 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	0.1470%	\$ 9,384,383	\$ 117,963	\$ 9,502,346	\$ 9,416,618	100.91%	75.90%
12/31/16	6/30/16	0.1353%	10,985,689	143,512	11,129,201	8,337,243	133.49%	68.90%
12/31/15	6/30/15	0.1337%	6,929,028	n/a	6,929,028	7,853,841	88.22%	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	\$ 705,587	\$ 705,587	\$ -	\$ 9,407,835	7.50%
12/31/16	652,735	652,735	-	8,703,123	7.50%
12/31/15	629,683	629,683	-	8,510,822	7.40%

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

LE SUEUR 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	0.1520%	\$ 2,052,181	\$ 1,561,593	131.42%	85.40%
12/31/16	6/30/16	0.1450%	5,819,102	1,398,103	416.21%	63.90%
12/31/15	6/30/15	0.1470%	1,670,264	1,345,458	124.14%	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	\$ 253,611	\$ 253,611	\$ -	\$ 1,565,500	16.20%
12/31/16	235,699	235,699	-	1,454,929	16.20%
12/31/15	227,205	227,205	-	1,402,501	16.20%

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

LE SUEUR 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	0.3100%	\$ 883,503	\$ 622,404	141.95%	67.90%
12/31/16	6/30/16	0.3200%	1,169,005	603,700	193.64%	58.20%
12/31/15	6/30/15	0.3500%	54,110	666,974	8.11%	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	\$ 57,160	\$ 57,160	\$ -	\$ 653,252	8.75%
12/31/16	50,145	50,145	-	573,080	8.75%
12/31/15	57,988	57,988	-	662,716	8.75%

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

LE SUEUR COUNTY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION 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 governmental funds as described in Note I.C.

With the exception of the County Ditch, Capital Projects and Gravel Tax funds, a budget has been adopted for all major governmental funds and nonmajor special revenue funds.

The budgeted amounts presented include any amendments made. The appropriated budget is prepared by fund, function, and department. Transfers of appropriations within a department and between departments require approval of the County board.

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

The major funds that experienced an overall excess of expenditures over appropriations during 2017 were the General Fund, Road and Bridge, Human Services and Environmental Health. See Note II.A. 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 Public Employees Retirement Association.

Changes in Assumptions.

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 percent 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.

See independent auditors' report.

LE SUEUR COUNTY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION For the Year Ended December 31, 2017

PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) (cont.)

Changes in Assumptions. (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

LE SUEUR COUNTY

NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended December 31, 2017

Special Revenue Funds

Victim Witness Fund – Used to account for and report grants and local revenues legally restricted, committed or assigned to supporting expenditures for assistance provided to victims of crimes and to witnesses to crimes

Gravel Tax Fund – Used to account for and report grants and local revenues legally restricted or committed to supporting expenditures for gravel pit restoration or other conservation projects.

Debt Service Fund

Used to account for and report financial resources that are restricted, committed or assigned to expenditure for the payments of general long term debt principal, interest, and related costs.

LE SUEUR COUNTY

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

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Victim Witness	Gravel Tax	Debt Service	
ASSETS				
Cash and investments	\$ 23,870	\$ 341,122	\$ 2,192,334	\$ 2,557,326
Receivables				
Taxes	298	21,713	36,907	58,918
Accounts	-	-	4,536	4,536
Due from other governments	242	-	-	242
 TOTAL ASSETS	\$ 24,410	\$ 362,835	\$ 2,233,777	\$ 2,621,022
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 111	\$ 248	\$ -	\$ 359
Accrued liabilities	2,881	-	-	2,881
Total Liabilities	2,992	248	-	3,240
 Deferred Inflows of Resources				
Unavailable revenues	194	-	23,183	23,377
Total Deferred Inflows of Resources	194	-	23,183	23,377
 Fund Balances				
Restricted	-	362,587	2,210,594	2,573,181
Assigned	21,224	-	-	21,224
Total Fund Balances	21,224	362,587	2,210,594	2,594,405
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 24,410	\$ 362,835	\$ 2,233,777	\$ 2,621,022

LE SUEUR COUNTY

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended December 31, 2017

	<u>Special Revenue Funds</u>			Total Nonmajor Governmental Funds
	<u>Victim Witness</u>	<u>Gravel Tax</u>	<u>Debt Service</u>	
REVENUES				
Taxes	\$ 16,412	\$ 82,074	\$ 2,107,186	\$ 2,205,672
Intergovernmental	75,538	-	43,693	119,231
Investment income	-	-	34,257	34,257
Miscellaneous	8,080	-	-	8,080
Total Revenues	<u>100,030</u>	<u>82,074</u>	<u>2,185,136</u>	<u>2,367,240</u>
EXPENDITURES				
Current				
Public safety	98,808	-	-	98,808
Conservation and development	-	52,311	-	52,311
Debt Service				
Principal	-	-	1,625,000	1,625,000
Interest and fiscal charges	-	-	390,098	390,098
Total Expenditures	<u>98,808</u>	<u>52,311</u>	<u>2,015,098</u>	<u>2,166,217</u>
Net Change in Fund Balances	1,222	29,763	170,038	201,023
FUND BALANCES - Beginning of Year	<u>20,002</u>	<u>332,824</u>	<u>2,040,556</u>	<u>2,393,382</u>
FUND BALANCES - END OF YEAR	<u>\$ 21,224</u>	<u>\$ 362,587</u>	<u>\$ 2,210,594</u>	<u>\$ 2,594,405</u>

LE SUEUR COUNTY

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - ACTUAL AND BUDGET - VICTIM WITNESS For the Year Ended December 31, 2017

	Original and Final Budget	Actual	Variance with Final Budget
REVENUES			
Taxes	\$ 16,651	\$ 16,412	\$ (239)
Intergovernmental	75,200	75,538	338
Miscellaneous	<u>5,000</u>	<u>8,080</u>	<u>3,080</u>
Total Revenues	<u>96,851</u>	<u>100,030</u>	<u>3,179</u>
EXPENDITURES			
Current			
Public safety	<u>96,851</u>	<u>98,808</u>	<u>(1,957)</u>
Total Expenditures	<u>96,851</u>	<u>98,808</u>	<u>(1,957)</u>
Net Change in Fund Balance	-	1,222	1,222
FUND BALANCE - Beginning of Year	<u>20,002</u>	<u>20,002</u>	-
FUND BALANCE - END OF YEAR	<u>\$ 20,002</u>	<u>\$ 21,224</u>	<u>\$ 1,222</u>

LE SUEUR COUNTY

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - ACTUAL AND BUDGET - DEBT SERVICE For the Year Ended December 31, 2017

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES			
Taxes	\$ 2,142,313	\$ 2,107,186	\$ (35,127)
Intergovernmental	-	43,693	43,693
Investment income	-	34,257	34,257
Total Revenues	<u>2,142,313</u>	<u>2,185,136</u>	<u>42,823</u>
EXPENDITURES			
Debt Service			
Principal	1,625,000	1,625,000	-
Interest and fiscal charges	387,178	390,098	(2,920)
Total Expenditures	<u>2,012,178</u>	<u>2,015,098</u>	<u>(2,920)</u>
Net Change in Fund Balance	130,135	170,038	39,903
FUND BALANCE - Beginning of Year	<u>2,040,556</u>	<u>2,040,556</u>	-
FUND BALANCE - END OF YEAR	<u>\$ 2,170,691</u>	<u>\$ 2,210,594</u>	<u>\$ 39,903</u>

LE SUEUR COUNTY

FIDUCIARY FUNDS

For the Year Ended December 31, 2017

Private Purpose Trust Funds

Cemetery Perpetual Care Fund – Used to account for and report funds held for cemetery associations.

U.S. Fish and Wildlife Funds – Used to account for and report funds from the U.S. Fish and Wildlife Service that will, through interest earning, offset the shortfall between the annual Fish and Wildlife Service shared revenue payment and the actual taxes on property purchased by the U.S. Fish and Wildlife Service.

Agency Funds

Agency – Used to account for and report all county collections and disbursements, other than taxes and penalties, on behalf of individuals, private organizations, or other governmental units.

Family Services Collaborative – Used to account for and report state funds disbursed through the Minnesota Department of Education and discretionary funds contributed by the Collaborative participants.

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

Sheriff – Used to account for and report cash held by the Sheriff for inmates of the County jail and for cash collected by the sheriff and remitted to the County.

Social Welfare – Used to account for and report funds held by the County for clients in a representative payee capacity.

LE SUEUR COUNTY

COMBINING STATEMENT OF FIDUCIARY NET POSITION
PRIVATE-PURPOSE TRUST FUNDS
As of December 31, 2017

	<u>Cemetery Perpetual Care</u>	<u>U.S. Fish and Wildlife</u>	<u>Total</u>
ASSETS			
Cash and investments	<u>\$ 29,089</u>	<u>\$ 47,345</u>	<u>\$ 76,434</u>
 NET POSITION HELD IN TRUST	<u>\$ 29,089</u>	<u>\$ 47,345</u>	<u>\$ 76,434</u>

LE SUEUR COUNTY

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PRIVATE-PURPOSE TRUST FUNDS
For the Year Ended December 31, 2017

	Cemetery Perpetual Care	U.S. Fish and Wildlife	Total
ADDITIONS			
Interest	\$ 12	\$ -	\$ 12
Miscellaneous	<u>16,000</u>	<u>-</u>	<u>16,000</u>
Total Additions	<u>16,012</u>	<u>-</u>	<u>16,012</u>
DEDUCTIONS			
Payments in accordance with trust agreements	<u>11</u>	<u>-</u>	<u>11</u>
Change in Net Position	16,001	-	16,001
NET POSITION HELD IN TRUST - Beginning of Year	<u>13,088</u>	<u>47,345</u>	<u>60,433</u>
NET POSITION HELD IN TRUST - END OF YEAR	<u>\$ 29,089</u>	<u>\$ 47,345</u>	<u>\$ 76,434</u>

LE SUEUR COUNTY

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

	Balance January 1	Additions	Deductions	Balance December 31
<u>AGENCY</u>				
ASSETS				
Cash and investments	\$ 364,945	\$ 3,022,027	\$ 3,006,869	\$ 380,103
LIABILITIES				
Due to other governments	\$ 364,945	\$ 3,022,027	\$ 3,006,869	\$ 380,103
<u>FAMILY SERVICES COLLABORATIVE</u>				
ASSETS				
Cash and investments	\$ 79,025	\$ 81,633	\$ 62,781	\$ 97,877
LIABILITIES				
Due to other governments	\$ 79,025	\$ 81,633	\$ 62,781	\$ 97,877
<u>TAXES AND PENALTIES</u>				
ASSETS				
Cash and investments	\$ 1,219,241	\$ 46,885,164	\$ 45,850,648	\$ 2,253,757
LIABILITIES				
Deposits	\$ -	\$ 1,306,342	\$ -	1,306,342
Due to other funds	-	18,523,925	18,523,925	-
Due to other governments	1,219,241	27,054,897	27,326,723	947,415
Total Liabilities	\$ 1,219,241	\$ 46,885,164	\$ 45,850,648	\$ 2,253,757
<u>SHERIFF</u>				
ASSETS				
Cash and investments	\$ 10,468	\$ 207,947	\$ 207,754	\$ 10,661
LIABILITIES				
Accounts payable	\$ 8,210	\$ 81,508	\$ 83,266	\$ 6,452
Deposits	2,258	31,576	29,625	4,209
Total Liabilities	\$ 10,468	\$ 113,084	\$ 112,891	\$ 10,661
<u>SOCIAL WELFARE</u>				
ASSETS				
Cash and investments	\$ 14,473	\$ 73,379	\$ 72,725	\$ 15,127
LIABILITIES				
Deposits	\$ 14,473	\$ 73,379	\$ 72,725	\$ 15,127

LE SUEUR COUNTY

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

	<u>Balance January 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31</u>
<u>TOTAL AGENCY FUNDS</u>				
ASSETS				
Cash and investments	<u>\$ 1,688,152</u>	<u>\$ 50,270,150</u>	<u>\$ 49,200,777</u>	<u>\$ 2,757,525</u>
LIABILITIES				
Accounts payable	\$ 8,210	\$ 81,508	\$ 83,266	\$ 6,452
Deposits	16,731	1,411,297	102,350	1,325,678
Due to other funds	-	18,523,925	18,523,925	-
Due to other governments	<u>1,663,211</u>	<u>30,158,557</u>	<u>30,396,373</u>	<u>1,425,395</u>
Total Liabilities	<u>\$ 1,688,152</u>	<u>\$ 50,175,287</u>	<u>\$ 49,105,914</u>	<u>\$ 2,757,525</u>

LE SUEUR COUNTY

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

SHARED REVENUE

State

Highway users tax	\$ 5,565,269
Market value credit	301,224
County program aid	1,013,855
PERA rate reimbursement	28,707
Disparity reduction aid	79,446
Police aid	158,849
Enhanced 911	104,004
Total Shared Revenue	<u>7,251,354</u>

REIMBURSEMENT FOR SERVICES

Local governments	43,000
Minnesota Department of Corrections	51,866
Minnesota Department of Human Services	2,397,837
Total Reimbursements for Services	<u>2,492,703</u>

GRANTS

Minnesota Department/Board of

Water and Soil Resources	223,415
Health	193,582
Pollution Control	96,024
Public Safety	42,477
Natural Resources	39,999
Veterans Affairs	10,000
Total State Grants	<u>605,497</u>

United States Department of

Agriculture	264,730
Justice	120,862
Transportation	116,365
Health and Human Services	1,997,836
Homeland Security	123,486
Total Federal Grants	<u>2,623,279</u>

TOTAL GRANTS

3,228,776

PAYMENTS IN LIEU OF TAXES

131,811

TOTAL INTERGOVERNMENTAL REVENUE

\$ 13,104,644