

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

LAC QUI PARLE COUNTY
MADISON, MINNESOTA

YEAR ENDED DECEMBER 31, 2015

Description of the Office of the State Auditor

The mission of the Office of the State Auditor is to oversee local government finances for Minnesota taxpayers by helping to ensure financial integrity and accountability in local governmental financial activities.

Through financial, compliance, and special audits, the State Auditor oversees and ensures that local government funds are used for the purposes intended by law and that local governments hold themselves to the highest standards of financial accountability.

The State Auditor performs approximately 150 financial and compliance audits per year and has oversight responsibilities for over 3,300 local units of government throughout the state. The office currently maintains five divisions:

Audit Practice - conducts financial and legal compliance audits of local governments;

Government Information - collects and analyzes financial information for cities, towns, counties, and special districts;

Legal/Special Investigations - provides legal analysis and counsel to the Office and responds to outside inquiries about Minnesota local government law; as well as investigates allegations of misfeasance, malfeasance, and nonfeasance in local government;

Pension - monitors investment, financial, and actuarial reporting for approximately 700 public pension funds; and

Tax Increment Financing - promotes compliance and accountability in local governments' use of tax increment financing through financial and compliance audits.

The State Auditor serves on the State Executive Council, State Board of Investment, Land Exchange Board, Public Employees Retirement Association Board, Minnesota Housing Finance Agency, and the Rural Finance Authority Board.

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**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

Year Ended December 31, 2015



**Audit Practice Division
Office of the State Auditor
State of Minnesota**

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**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

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MADISON, MINNESOTA**

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MADISON, MINNESOTA**

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**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

**ORGANIZATION SCHEDULE
LAC QUI PARLE COUNTY
2015**

Office	Name	Term Expires
Commissioners		
1st District	Todd Patzer**	January 2017
2nd District	DeRon Brehmer	January 2019
3rd District	Graylen Carlson	January 2017
4th District	Terrence Overlander	January 2019
5th District	Roy Marihart*	January 2017
Officers		
Elected		
Attorney	Richard Stulz	January 2018
Sheriff	Rick Halvorson	January 2018
Appointed		
Auditor-Treasurer-Coordinator	Jacob Sieg	Indefinite
Assessor	Lori Schwendemann	Indefinite
Coroner	Ralph Gerbig, M.D.	January 2017
Environmental Officer	Jennifer Breberg	Indefinite
Highway Engineer	Sam Muntean	Indefinite
Recorder	Josh Amland	Indefinite
Veterans' Service Officer	Josh Beninga	Indefinite
Welfare Board		
Commissioner	Todd Patzer	January 2017
Commissioner	DeRon Brehmer	January 2019
Commissioner	Graylen Carlson	January 2017
Commissioner	Terrence Overlander	January 2019
Commissioner	Roy Marihart	January 2017
Member	Ann Jenson	July 2017
Member	Mary Wodrich	July 2016
Director	Joel Churness	Indefinite

*Chair 2015

**Chair 2016

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

**ORGANIZATION SCHEDULE
LAC QUI PARLE-YELLOW BANK WATERSHED DISTRICT
2015**

<u>Position</u>	<u>Name</u>	<u>Term Expires</u>
Managers		
Chair	Darrel Ellefson	March 2018
Vice Chair	John Cornell	March 2018
Treasurer	David Ludvigson	March 2017
Secretary	David Craigmile	March 2016
Publicity Chair	Joe Ferguson	March 2018
Staff		
Administrator	Trudy Hastad	Indefinite
Park Manager	Ron Fjerkenstad	Indefinite
Attorney	Steve Torvik	Indefinite
Clean Water Coordinator	Mary Homan	Indefinite

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REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA

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INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Lac qui Parle County
Madison, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Lac qui Parle County, Minnesota, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Lac qui Parle County Economic Development Authority (EDA), which is a component unit and represents 8 percent, 4 percent, and 18 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Lac qui Parle County EDA component unit, 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Lac qui Parle County as of December 31, 2015, 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.

Emphasis of Matter - Change in Accounting Principle

As discussed in Note 1 to the financial statements, in 2015 the County adopted new accounting guidance by implementing the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, and GASB Statement No. 82, *Pension Issues*, which represents a change in accounting principles. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Required Supplementary Information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the GASB, 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 Lac qui Parle 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. The supplementary 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 reports dated June 24, 2016, on our consideration of Lac qui Parle County's and the Lac qui Parle-Yellow Bank Watershed District component unit's internal control over financial reporting and on our tests of their compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of these reports 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 the internal control over financial reporting or on compliance. The reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lac qui Parle County's internal control over financial reporting and compliance. They do not include the Lac qui Parle County EDA, which was audited by other auditors.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

June 24, 2016

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2015
(Unaudited)**

The Management's Discussion and Analysis (MD&A) provides an overview and analysis of the County's financial activities for the fiscal year ended December 31, 2015. Since this information is designed to focus on the current year's activities, resulting changes, and currently known facts, it should be read in conjunction with the financial statements. All amounts, unless otherwise indicated, are expressed in whole dollars.

FINANCIAL HIGHLIGHTS

- Governmental activities' total net position is \$57,777,453, of which \$50,528,504 represents investment in capital assets, and \$2,230,700 is restricted to specific purposes. The \$5,018,249 remaining may be used to meet the County's ongoing obligations to citizens and creditors.
- The County's net position increased by \$935,072 for the year ended December 31, 2015. A large part of the increase is attributable to the increase in fund balances of the governmental funds.
- The net cost of governmental activities for the current fiscal year was \$5,030,584. The net cost was funded by general revenues totaling \$5,965,656.
- The fund balances of the governmental funds increased by \$1,923,992. The most significant portion of the increase was due to the County receiving more County State-Aid Highway (CSAH) state aid revenues in 2015.
- For the year ended December 31, 2015, the unassigned, assigned, and committed fund balance of the General Fund was \$1,511,890, or 36.3 percent of the total General Fund expenditures for the year.
- The assigned and committed fund balance of the Road and Bridge Special Revenue Fund was \$2,869,308, or 67.3 percent of the total Road and Bridge Special Revenue Fund expenditures for the year.
- The assigned and committed fund balance of the Family Services Special Revenue Fund was \$3,304,058, or 131.3 percent of the total Family Services Special Revenue Fund expenditures for the year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

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

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

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

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

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

Notes to the Financial Statements

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 29 through 98 of this report.

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Over time, net position serves as a useful indicator of the County's financial position. The County's assets exceeded liabilities by \$57,777,453 at the close of 2015. The largest portion of Lac qui Parle County's net position (87.5 percent) reflects the County's investment in capital assets (land, buildings, equipment, and infrastructure such as roads and bridges). However, it should be noted that these assets are not available for future spending.

**Governmental Activities
Net Position**

	2015	2014
Assets		
Current and other assets	\$ 11,303,754	\$ 10,600,036
Capital assets	50,528,504	48,741,988
Total Assets	\$ 61,832,258	\$ 59,342,024
Deferred Outflows of Resources		
Deferred pension outflows	\$ 465,132	\$ -
Liabilities		
Long-term liabilities	\$ 3,505,901	\$ 465,081
Other liabilities	636,893	1,098,014
Total Liabilities	\$ 4,142,794	\$ 1,563,095
Deferred Inflows of Resources		
Advance from other governments	\$ -	\$ 913,630
Deferred pension inflows	377,143	-
Total Deferred Inflows of Resources	\$ 377,143	\$ 913,630
Net Position		
Investment in capital assets	\$ 50,528,504	\$ 48,741,988
Restricted	2,230,700	2,046,930
Unrestricted	5,018,249	6,076,381
Total Net Position, as reported	\$ 57,777,453	\$ 56,865,299
Change in accounting principles*		(2,587,448)
Prior period adjustment**		2,564,530
Total Net Position, as restated`		\$ 56,842,381

*This is the first year the County implemented the new pension accounting and financial reporting standards, Governmental Accounting Standards Board (GASB) Statements 68, 71, and 82. The County had to make a prior year change in accounting principles to record the County's net pension liability and related deferred outflows of resources.

**The January 1, 2015, governmental activities' balances of construction in progress (\$1,718,501); infrastructure, net of accumulated depreciation (\$846,029); and net position (\$2,564,530) were increased to correct a prior understatement.

Unrestricted net position in the amount of \$5,018,249--the part of net position that may be used to meet the County's ongoing obligations to citizens and creditors without constraints established by debt covenants, enabling legislation, or other legal requirements--was 8.7 percent of the net position.

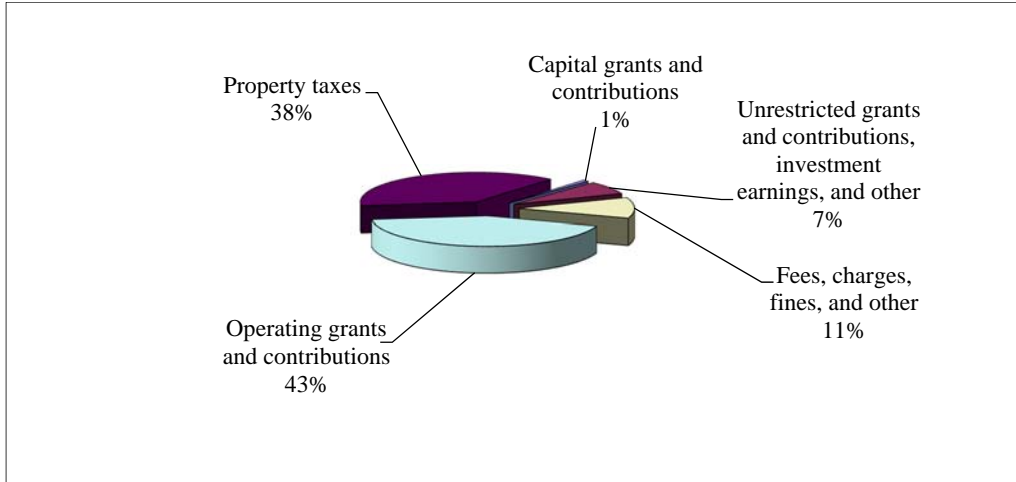
Governmental Activities

The County's governmental activities increased net position by 1.6 percent (\$57,777,453 for 2015, compared to \$56,842,381 for 2014). Key elements in this increase in net position are as follows for 2015, with comparative data for 2014.

	Governmental Activities Changes in Net Position	
	<u>2015</u>	<u>2014</u>
Revenues		
Program revenues		
Fees, charges, fines, and other	\$ 1,482,915	\$ 1,435,648
Operating grants and contributions	5,645,978	5,605,933
Capital grants and contributions	111,232	1,543,828
General revenues		
Property taxes	5,024,490	4,942,267
Other	941,166	843,678
Total Revenues	<u>\$ 13,205,781</u>	<u>\$ 14,371,354</u>
Expenses		
General government	\$ 1,963,580	\$ 1,789,418
Public safety	1,420,915	1,417,476
Highways and streets	5,120,625	6,370,362
Sanitation	191,979	183,285
Human services	2,323,756	2,663,999
Health	77,482	74,988
Culture and recreation	119,128	161,044
Conservation of natural resources	1,008,666	675,009
Economic development	44,578	89,350
Total Expenses	<u>\$ 12,270,709</u>	<u>\$ 13,424,931</u>
Increase in Net Position	\$ 935,072	\$ 946,423
Net Position - January 1, as restated (Note 1.E.)	<u>56,842,381</u>	<u>55,918,876</u>
Net Position - December 31, as reported	<u>\$ 57,777,453</u>	<u>\$ 56,865,299</u>

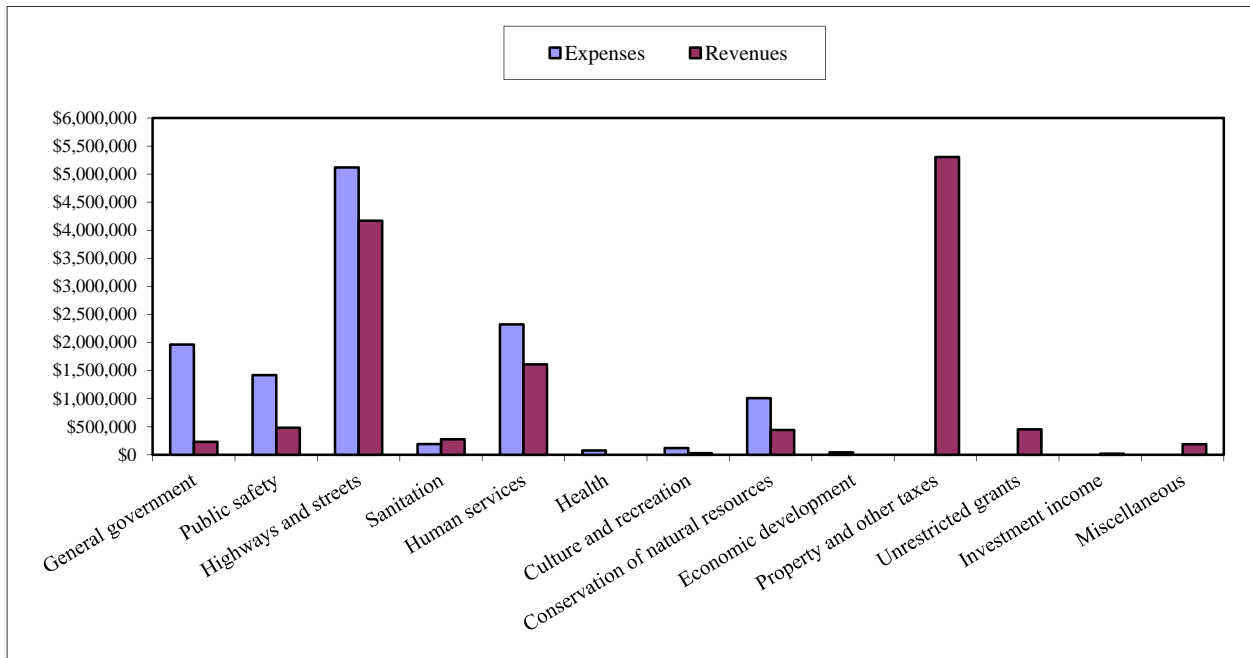
The County's total revenues were \$13,205,781. Table 1 presents the percent of total County revenues by source for the year ended December 31, 2015.

**Table 1
Total County Revenues**



Total expenses were \$12,270,709, while total revenues were \$13,205,781. This reflects a \$935,072 increase in net position for the year ended December 31, 2015. Table 2 presents the cost and revenues of each program, as well as the County's general revenues.

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



The cost of all governmental activities this year was \$12,270,709. However, as shown on the Statement of Activities on Exhibit 2, the amount that taxpayers ultimately financed for these activities through County taxes was only \$5,024,490 because some of the costs were paid by those who directly benefited from the programs (\$1,482,915) or by other governments and organizations that subsidized certain programs with grants and contributions (\$5,757,210). The County paid for the remaining “public benefit” portion of governmental activities with \$941,166 in general revenues such as grants and contributions not restricted to specific programs, and investment income.

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

**Table 3
Governmental Activities**

	2015	
	Total Cost of Services	Net Cost of Services
Highways and streets	\$ 5,120,625	\$ 950,646
Human services	2,323,756	711,632
General government	1,963,580	1,733,252
Public safety	1,420,915	939,034
All others	1,441,833	696,020
Totals	\$ 12,270,709	\$ 5,030,584

FINANCIAL ANALYSIS OF THE GOVERNMENT’S FUNDS

Governmental Funds

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

At the end of the current fiscal year, governmental funds reported combined ending fund balances of \$9,552,257, an increase of \$1,923,992 in comparison with the prior year. Of the combined ending fund balances, \$7,685,256 represents unrestricted (committed, assigned, and unassigned) fund balance, which is available for spending at the County’s discretion. The remainder of the fund balance is classified as either nonspendable or restricted to indicate that it is not available for new spending because it has already been restricted for various reasons either by state law, grant agreements, bond covenants, or is not in spendable form.

The General Fund is the main operating fund for the County. At the end of the current fiscal year, it had an unrestricted fund balance of \$1,511,890. As a measure of the General Fund's liquidity, it may be useful to compare unrestricted fund balance to total expenditures. The General Fund's unrestricted fund balance represents 36.3 percent of total General Fund expenditures. During 2015, the ending fund balance increased by \$6,346.

The Road and Bridge Special Revenue Fund had an unrestricted fund balance of \$2,869,308 at fiscal year-end, representing 67.3 percent of its annual expenditures. The ending fund balance increased \$1,554,955 during 2015. The primary reason for the increase was due to the County receiving more CSAH state aid revenues in 2015.

The Family Services Special Revenue Fund had an unrestricted fund balance of \$3,304,058 at fiscal year-end, representing 131.3 percent of its annual expenditures. The ending fund balance increased \$422,560 during 2015, primarily due to greater than expected intergovernmental revenues.

The Ditch Special Revenue Fund had a restricted fund balance of \$759,292 at fiscal year-end. The ending fund balance decreased \$59,869 during 2015, primarily due to ditches needing more maintenance and repairs than originally anticipated.

General Fund Budgetary Highlights

The actual charges to appropriations (expenditures) were \$34,087 less than the final budget amounts.

Total expenditures in the other general government department of the General Fund included unbudgeted expenditures of \$36,500 for exterior repairs of the Courthouse and \$115,762 for the renovation of the Family Services office building.

CAPITAL ASSETS

The County's capital assets at December 31, 2015, totaled \$50,528,504 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, and infrastructure.

Table 4
Capital Assets at Year-End

	Beginning Balance (Restated)	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 164,903	\$ -	\$ -	\$ 164,903
Right-of-way	470,198	-	-	470,198
Construction in progress	2,166,700	26,355	2,155,188	37,867
Total capital assets not depreciated	\$ 2,801,801	\$ 26,355	\$ 2,155,188	\$ 672,968
Capital assets depreciated				
Buildings	\$ 3,202,388	\$ 206,579	\$ -	\$ 3,408,967
Improvements other than building	81,405	19,588	-	100,993
Machinery, furniture, and equipment	5,707,600	642,703	154,889	6,195,414
Infrastructure	61,305,405	2,241,243	-	63,546,648
Total capital assets depreciated	\$ 70,296,798	\$ 3,110,113	\$ 154,889	\$ 73,252,022
Less: accumulated depreciation for				
Buildings	\$ 844,577	\$ 65,174	\$ -	\$ 909,751
Improvements other than building	9,885	2,522	-	12,407
Machinery, furniture, and equipment	3,427,931	420,663	154,889	3,693,705
Infrastructure	17,509,688	1,270,935	-	18,780,623
Total accumulated depreciation	\$ 21,792,081	\$ 1,759,294	\$ 154,889	\$ 23,396,486
Total capital assets depreciated, net	\$ 48,504,717	\$ 1,350,819	\$ -	\$ 49,855,536
Capital Assets, Net	\$ 51,306,518	\$ 1,377,174	\$ 2,155,188	\$ 50,528,504

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

LONG-TERM DEBT

During 2015, the County issued \$308,000 in General Obligation Drainage Bonds, Series 2015A. At December 31, 2015, the County had total net outstanding debt of \$308,000, which was backed by the full faith and credit of the government.

Minnesota statutes limit the amount of debt a county may levy to three percent of its total market value. At the end of 2015, the County's outstanding debt was 0.01 percent of its total estimated market value.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The County's elected and appointed officials considered many factors when setting the 2016 budget, tax rates, and fees that will be charged for the year.

- The unemployment rate for Lac qui Parle County at the end of 2015 was 4.0 percent. This is comparable with the state unemployment rate of 3.7 percent and shows a 0.3 percent decrease from the County's 4.3 percent rate of one year ago.
- Tillable agricultural land values had increased significantly from 2005 - 2014 following a temporary surge in grain commodity prices. In the past few years, however, land values have begun to decrease, as evidenced by assessed average agricultural value decreases for taxes payable in 2015 and 2016. The decrease is attributed to depressed grain market prices combined with increased input costs, such as seed, fertilizer, chemicals, and equipment. The dominance of the agriculture sector in the local economy suggests a possible risk associated with a lack of economic diversification. Moreover, the historical volatility of commodity prices adds an additional dimension of economic risk to the County's financial health.
- Investment rates for the County have dropped significantly for the past several years and will continue to stay low for the foreseeable future. Lac qui Parle County's surplus fund balances have in the past been used to generate investment revenues which are used to offset necessary property tax levy dollars.
- Budget crises at the state level in recent years have resulted in tremendous uncertainty for Minnesota counties regarding expected aids, operating grants, and reimbursement revenues. As most services and programs administered by these counties are mandated and funded by the state, changes in how the state funds these items can have a significant impact on County finances. Furthermore, recent efforts to address the state budget issues have only succeeded to manage the problems on a short-term basis. This likely means that this uncertainty will continue into the foreseeable future.
- The 2016 property tax levy for the County increased 2.94 percent from 2015, which followed increases of 3.99 percent in 2015, 4.14 percent in 2014, 8.76 percent in 2013, 8.8 percent in 2012, and 9.8 percent in 2011. The increases in 2014 - 2016 are more reflective of historically acceptable levy increase ranges as compared to 2011 - 2013, and the levy is based on a structurally sound and balanced budget. The largest levy increases were needed to offset losses of state aid and investment revenues, levy limits enacted by the Minnesota legislature, and overall volatility of state intergovernmental revenue. County Program Aid was abruptly reduced from \$663,236 in 2009 down to \$125,562 in 2011. However, these budget factors appear to have stabilized, and the County has been operating under a balanced budget for 2015 and 2016. Barring additional unfunded mandates, cost shifts, and aid reductions from the state, the County's budget and financial health appear to be stabilized.

LAC QUI PARLE-YELLOW BANK WATERSHED DISTRICT

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

FINANCIAL HIGHLIGHTS

Governmental activities' total net position is \$5,708,562, of which \$4,959,912 represents the District's investment in capital assets, \$218,739 is restricted, and \$529,911 is unrestricted. The District's net position decreased by \$257,917 for the year ended December 31, 2015.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Over time, net position serves as a useful indicator of the District's financial position. The District's assets exceeded liabilities by \$5,708,562 at the close of 2015. The largest portion of the net position (86.9 percent) reflects its investment in capital assets (land, buildings, equipment, and infrastructure, such as water retention structures).

	Net Position	
	2015	2014
Assets		
Current and other assets	\$ 1,669,915	\$ 1,822,073
Capital assets	<u>4,959,912</u>	<u>5,007,596</u>
Total Assets	<u>\$ 6,629,827</u>	<u>\$ 6,829,669</u>
Deferred Outflows of Resources		
Deferred pension outflows	<u>\$ 15,999</u>	<u>\$ -</u>
Liabilities		
Long-term liabilities	\$ 735,316	\$ 520,498
Other liabilities	<u>192,677</u>	<u>341,723</u>
Total Liabilities	<u>\$ 927,993</u>	<u>\$ 862,221</u>
Deferred Inflows of Resources		
Deferred pension inflows	<u>\$ 9,271</u>	<u>\$ -</u>

	<u>2015</u>	<u>2014</u>
Net Position		
Investment in capital assets	\$ 4,959,912	\$ 5,007,596
Restricted	218,739	226,721
Unrestricted	<u>529,911</u>	<u>733,131</u>
Total Net Position, as reported	<u>\$ 5,708,562</u>	\$ 5,967,448
Change in accounting principles*		(103,194)
Prior period adjustment**		<u>102,225</u>
Total Net Position, as restated		<u>\$ 5,966,479</u>

*This is the first year the District implemented the new pension accounting and financial reporting standards, GASB Statements 68, 71, and 82. The District had to make a prior year change in accounting principles to record the District's net pension liability and related deferred outflows of resources.

**The January 1, 2015, balance of unearned revenue was decreased by \$102,225 to correct a prior overstatement.

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

EXHIBIT 1

**STATEMENT OF NET POSITION
DECEMBER 31, 2015**

	<u>Primary Government Governmental Activities</u>	<u>Discretely Presented Component Units</u>	
		<u>Lac qui Parle- Yellow Bank Watershed District</u>	<u>Lac qui Parle County Economic Development Authority</u>
<u>Assets</u>			
Cash and pooled investments	\$ 4,853,543	\$ 1,086,588	\$ 304,795
Investments	4,400,000	-	-
Receivables	1,835,038	583,327	267,173
Inventories	214,567	-	-
Prepaid items	606	-	-
Capital assets			
Non-depreciable	672,968	628,458	-
Depreciable - net of accumulated depreciation	49,855,536	4,331,454	7,331
Total Assets	\$ 61,832,258	\$ 6,629,827	\$ 579,299
<u>Deferred Outflows of Resources</u>			
Deferred pension outflows	\$ 465,132	\$ 15,999	\$ 11,692
<u>Liabilities</u>			
Accounts payable and other current liabilities	\$ 529,528	\$ 65,469	\$ 5,215
Unearned revenue	107,365	127,208	-
Long-term liabilities			
Due within one year	17,267	46,129	-
Due in more than one year	640,212	575,172	250,426
Net pension liability	2,736,765	114,015	98,468
Other postemployment benefits	111,657	-	-
Total Liabilities	\$ 4,142,794	\$ 927,993	\$ 354,109
<u>Deferred Inflows of Resources</u>			
Deferred pension inflows	\$ 377,143	\$ 9,271	\$ 12,010

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

**EXHIBIT 1
(Continued)**

**STATEMENT OF NET POSITION
DECEMBER 31, 2015**

	Primary Government	Discretely Presented Component Units	
	Governmental Activities	Lac qui Parle- Yellow Bank Watershed District	Lac qui Parle County Economic Development Authority
<u>Net Position</u>			
Investment in capital assets	\$ 50,528,504	\$ 4,959,912	\$ 7,331
Restricted for			
General government	109,208	-	-
Public safety	448,442	-	-
Highways and streets	811,992	-	-
Conservation of natural resources	820,684	218,739	-
Economic development	37,944	-	-
Other purposes	2,430	-	-
Unrestricted	5,018,249	529,911	217,541
Total Net Position	\$ 57,777,453	\$ 5,708,562	\$ 224,872

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Fees, Charges, Fines, and Other</u>
Primary government		
Governmental activities		
General government	\$ 1,963,580	\$ 186,069
Public safety	1,420,915	295,170
Highways and streets	5,120,625	194,741
Sanitation	191,979	205,819
Human services	2,323,756	299,382
Health	77,482	-
Culture and recreation	119,128	12,316
Conservation of natural resources	1,008,666	289,418
Economic development	44,578	-
Total Governmental Activities	\$ 12,270,709	\$ 1,482,915
Component units		
Lac qui Parle-Yellow Bank Watershed District	\$ 1,174,470	\$ 322,388
Lac qui Parle County Economic Development Authority	154,146	-
Total Component Units	\$ 1,328,616	\$ 322,388

General Revenues

Property taxes
Mortgage registry and deed tax
Wheelage tax
Payments in lieu of tax
Grants and contributions not restricted to specific programs
Investment income
Miscellaneous

Total general revenues

Change in net position

Net Position - Beginning, as restated (Note 1.E.)

Net Position - Ending

EXHIBIT 2

<u>Program Revenues</u> <u>Operating</u> <u>Grants and</u> <u>Contributions</u>		<u>Capital</u> <u>Grants and</u> <u>Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>		
			<u>Primary</u> <u>Governmental</u> <u>Activities</u>	<u>Discretely Presented Component Units</u>	
			<u>Lac qui Parle-</u> <u>Yellow Bank</u> <u>Watershed</u> <u>District</u>	<u>Lac qui Parle</u> <u>County Economic</u> <u>Development</u> <u>Authority</u>	
\$ 44,259	\$ -	\$ (1,733,252)			
186,711	-	(939,034)			
3,864,006	111,232	(950,646)			
69,692	-	83,532			
1,312,742	-	(711,632)			
-	-	(77,482)			
15,759	-	(91,053)			
152,809	-	(566,439)			
-	-	(44,578)			
\$ 5,645,978	\$ 111,232	\$ (5,030,584)			
\$ 237,137	\$ -		\$ (614,945)	\$ -	
56,074	-		-	(98,072)	
\$ 293,211	\$ -		\$ (614,945)	\$ (98,072)	
		\$ 5,024,490	\$ 277,257	\$ 141,058	
		3,555	-	-	
		87,265	-	-	
		188,450	1,261	-	
		452,679	12,888	-	
		21,382	4,552	1,735	
		187,835	61,070	-	
		\$ 5,965,656	\$ 357,028	\$ 142,793	
		\$ 935,072	\$ (257,917)	\$ 44,721	
		56,842,381	5,966,479	180,151	
		\$ 57,777,453	\$ 5,708,562	\$ 224,872	

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FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUNDS

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**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

EXHIBIT 3

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2015**

	<u>General</u>	<u>Road and Bridge</u>	<u>Family Services</u>	<u>Ditch</u>	<u>Total</u>
<u>Assets</u>					
Cash and pooled investments	\$ 1,881,548	\$ 766,304	\$ 1,036,405	\$ 820,072	\$ 4,504,329
Undistributed cash in agency funds	177,865	89,955	74,069	5,575	347,464
Petty cash and change funds	1,650	-	100	-	1,750
Investments	275,000	2,000,000	2,125,000	-	4,400,000
Taxes receivable					
Delinquent	16,476	9,494	7,299	-	33,269
Special assessments receivable					
Delinquent	10,234	-	-	1,371	11,605
Noncurrent	-	-	-	237,041	237,041
Accounts receivable	11,276	-	35,212	-	46,488
Due from other governments	33,490	1,039,356	166,635	18,487	1,257,968
Advance to component unit	248,667	-	-	-	248,667
Inventories	-	214,567	-	-	214,567
Prepaid Items	606	-	-	-	606
Total Assets	<u>\$ 2,656,812</u>	<u>\$ 4,119,676</u>	<u>\$ 3,444,720</u>	<u>\$ 1,082,546</u>	<u>\$ 11,303,754</u>
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>					
Liabilities					
Accounts payable	\$ 76,943	\$ 45,405	\$ 73,169	\$ 51,880	\$ 247,397
Salaries payable	54,092	40,781	39,672	-	134,545
Contracts payable	-	60,473	-	-	60,473
Due to other governments	26,926	6,703	20,522	32,962	87,113
Unearned revenue	107,365	-	-	-	107,365
Total Liabilities	<u>\$ 265,326</u>	<u>\$ 153,362</u>	<u>\$ 133,363</u>	<u>\$ 84,842</u>	<u>\$ 636,893</u>
Deferred Inflows of Resources					
Unavailable revenue	<u>\$ 26,710</u>	<u>\$ 842,183</u>	<u>\$ 7,299</u>	<u>\$ 238,412</u>	<u>\$ 1,114,604</u>

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

**EXHIBIT 3
(Continued)**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2015**

	<u>General</u>	<u>Road and Bridge</u>	<u>Family Services</u>	<u>Ditch</u>	<u>Total</u>
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>					
(Continued)					
Fund Balances					
Nonspendable					
Inventories	\$ -	\$ 214,567	\$ -	\$ -	\$ 214,567
Prepaid items	606	-	-	-	606
Advance to component unit	248,667	-	-	-	248,667
Missing heirs	5,589	-	-	-	5,589
Restricted for					
Highway allotments	-	40,256	-	-	40,256
Recorder's compliance	55,529	-	-	-	55,529
Recorder's technology	47,042	-	-	-	47,042
E-911	448,442	-	-	-	448,442
Forfeitures	6,637	-	-	-	6,637
Cemetery	1,000	-	-	-	1,000
EDA loans	37,944	-	-	-	37,944
Ditch repairs and maintenance	-	-	-	759,292	759,292
Small cities development program	1,430	-	-	-	1,430
Committed to					
Solid waste assessments	324,540	-	-	-	324,540
Capital equipment	-	403,018	-	-	403,018
Buildings and grounds	-	114,540	-	-	114,540
Out-of-home placements	-	-	300,000	-	300,000
Assigned to					
Poor relief	-	-	300,000	-	300,000
Administration	-	-	150,000	-	150,000
Recorder's enhancement	23,125	-	-	-	23,125
Future capital purchases	-	1,290,239	-	-	1,290,239
Sheriff's forfeiture	32,575	-	-	-	32,575
Sheriff's contingency	2,005	-	-	-	2,005
Sheriff's contract	20,000	-	-	-	20,000
County park board	8,195	-	-	-	8,195
Road and bridge	-	1,061,511	-	-	1,061,511
Human services	-	-	2,554,058	-	2,554,058
Unassigned	1,101,450	-	-	-	1,101,450
Total Fund Balances	\$ 2,364,776	\$ 3,124,131	\$ 3,304,058	\$ 759,292	\$ 9,552,257
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 2,656,812	\$ 4,119,676	\$ 3,444,720	\$ 1,082,546	\$ 11,303,754

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

EXHIBIT 4

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO
THE GOVERNMENT-WIDE STATEMENT OF NET POSITION--GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2015**

Fund balance - total governmental funds (Exhibit 3)	\$	9,552,257
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		50,528,504
Deferred outflows of resources resulting from pension obligations are not available resources and, therefore, are not reported in governmental funds.		465,132
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources in the governmental funds.		1,114,604
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
General obligation bonds	\$ (308,000)	
Compensated absences	(349,479)	
Net pension liability	(2,736,765)	
Other postemployment benefits	<u>(111,657)</u>	(3,505,901)
Deferred inflows resulting from pension obligations are not due and payable in the current period and, therefore, are not reported in the governmental funds.		<u>(377,143)</u>
Net Position of Governmental Activities (Exhibit 1)	\$	<u>57,777,453</u>

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

EXHIBIT 5

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>General</u>	<u>Road and Bridge</u>	<u>Family Services</u>	<u>Ditch</u>	<u>Total</u>
Revenues					
Taxes	\$ 2,554,426	\$ 1,364,201	\$ 1,122,213	\$ -	\$ 5,040,840
Other taxes	3,555	87,265	-	-	90,820
Special assessments	130,261	-	-	227,149	357,410
Licenses and permits	14,670	-	-	-	14,670
Intergovernmental	787,210	4,038,607	1,455,900	-	6,281,717
Charges for services	404,851	603	226,126	-	631,580
Fines and forfeits	16,228	-	-	-	16,228
Gifts and contributions	12,316	-	-	-	12,316
Investment earnings	17,574	1,683	2,125	-	21,382
Miscellaneous	231,437	214,850	132,873	320	579,480
Total Revenues	\$ 4,172,528	\$ 5,707,209	\$ 2,939,237	\$ 227,469	\$ 13,046,443
Expenditures					
Current					
General government	\$ 1,927,993	\$ -	\$ -	\$ -	\$ 1,927,993
Public safety	1,198,998	-	-	-	1,198,998
Highways and streets	-	3,763,907	-	-	3,763,907
Sanitation	187,517	-	-	-	187,517
Human services	-	-	2,516,677	-	2,516,677
Culture and recreation	138,520	-	-	-	138,520
Conservation of natural resources	416,967	-	-	577,904	994,871
Economic development	44,578	-	-	-	44,578
Intergovernmental	247,968	501,371	-	-	749,339
Debt service					
Bond issuance costs	-	-	-	11,440	11,440
Total Expenditures	\$ 4,162,541	\$ 4,265,278	\$ 2,516,677	\$ 589,344	\$ 11,533,840
Excess of Revenues Over (Under) Expenditures	\$ 9,987	\$ 1,441,931	\$ 422,560	\$ (361,875)	\$ 1,512,603

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

**EXHIBIT 5
(Continued)**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>General</u>	<u>Road and Bridge</u>	<u>Family Services</u>	<u>Ditch</u>	<u>Total</u>
Other Financing Sources (Uses)					
Transfers in	\$ 10,000	\$ 9,635	\$ -	\$ 4,006	\$ 23,641
Transfers out	(13,641)	-	-	(10,000)	(23,641)
Bonds issued	-	-	-	308,000	308,000
Total Other Financing Sources (Uses)	<u>\$ (3,641)</u>	<u>\$ 9,635</u>	<u>\$ -</u>	<u>\$ 302,006</u>	<u>\$ 308,000</u>
Net Change in Fund Balance	\$ 6,346	\$ 1,451,566	\$ 422,560	\$ (59,869)	\$ 1,820,603
Fund Balance - January 1	2,358,430	1,569,176	2,881,498	819,161	7,628,265
Increase (decrease) in inventories	-	103,389	-	-	103,389
Fund Balance - December 31	<u><u>\$ 2,364,776</u></u>	<u><u>\$ 3,124,131</u></u>	<u><u>\$ 3,304,058</u></u>	<u><u>\$ 759,292</u></u>	<u><u>\$ 9,552,257</u></u>

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

EXHIBIT 6

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES--GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015**

Net change in fund balance - total governmental funds (Exhibit 5) \$ 1,820,603

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

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

Deferred inflows of resources - December 31	\$ 1,114,604	
Deferred inflows of resources - January 1	<u>(960,127)</u>	154,477

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In the statement of activities, only the gain or loss on the disposal of capital assets is reported; whereas, in the governmental funds, the proceeds from the sale increase financial resources. The difference is the net book value of the assets disposed of.

Expenditures for general capital assets and infrastructure	\$ 981,280	
Current year depreciation	<u>(1,759,294)</u>	(778,014)

Debt issuance proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. The net proceeds for debt issuance are:

Debt issued		
General obligation bonds		(308,000)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Change in compensated absences	\$ 18,920	
Change in net pension liability, as restated	(15,975)	
Change in deferred outflows of resources, as restated	331,790	
Change in deferred inflows of resources	(377,143)	
Change in other postemployment benefits	(14,975)	
Change in inventories	<u>103,389</u>	<u>46,006</u>

Change in Net Position of Governmental Activities (Exhibit 2) \$ 935,072

FIDUCIARY FUNDS

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LAC QUI PARLE COUNTY
MADISON, MINNESOTA

EXHIBIT 7

STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
DECEMBER 31, 2015

Assets

Cash and pooled investments	<u>\$ 568,159</u>
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Liabilities

Accounts payable	\$ 7,730
Due to other governments	<u>560,429</u>

Total Liabilities	<u>\$ 568,159</u>
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**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2015

1. Summary of Significant Accounting Policies

The County’s financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as of and for the year ended December 31, 2015. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the County are discussed below.

A. Financial Reporting Entity

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

Discretely Presented Component Units

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

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

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity

Discretely Presented Component Units (Continued)

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

Joint Ventures

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

B. Basic Financial Statements

1. Government-Wide Statements

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

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

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

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

1. Government-Wide Statements (Continued)

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

2. Fund Financial Statements

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

The County reports the following major governmental funds:

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

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

Additionally, the County reports the following fiduciary fund type:

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

C. Measurement Focus and Basis of Accounting

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

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

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

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

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

1. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the Auditor-Treasurer-Coordinator for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2015, based on market prices. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments are credited to the General Fund. Other funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants. Pooled investment earnings for 2015 were \$15,126.

2. Receivables and Payables

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

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

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

Special assessments receivable consist of delinquent special assessments payable in the years 2010 through 2015 and deferred special assessments payable in 2016 and after. Unpaid special assessments at December 31 are classified in the financial statements as delinquent special assessments.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

1. Summary of Significant Accounting Policies

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

2. Receivables and Payables (Continued)

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

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

3. Inventories and Prepaid Items

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

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

4. Capital Assets

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

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

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

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

1. Summary of Significant Accounting Policies

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

4. Capital Assets (Continued)

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

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

5. Compensated Absences

The liability for compensated absences reported in the financial statements consists of unpaid, accumulated annual and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. A liability for compensated absences is reported in the governmental funds only if they have matured, for example as a result of employee resignations and retirements. Compensated absences are accrued when incurred in the government-wide statements. The government-wide statement of net position reports both current and noncurrent portions of compensated absences. The current portion is calculated using a trend analysis of current usage of vacation. The resulting percentage is then used to determine the current portion for vacation, vested sick leave, and comp time. The noncurrent portion consists of the remaining amount of vacation, total vested sick leave, and comp time.

6. Long-Term Obligations

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

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

1. Summary of Significant Accounting Policies

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

6. Long-Term Obligations (Continued)

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

7. Pension Plan

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

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expenditure/expense) until then. Currently, the County and the Lac qui Parle-Yellow Bank Watershed District have one item, deferred pension outflows, that qualifies for reporting in this category. These outflows arise only under the full accrual basis of accounting and consist of pension plan contributions paid subsequent to the measurement date and also the differences between projected and actual earnings on pension plan investments and, accordingly, are reported only in the statement of net position.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

1. Summary of Significant Accounting Policies

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

8. Deferred Outflows/Inflows of Resources (Continued)

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

9. Unearned/Unavailable Revenue

Governmental funds and government-wide financial statements report unearned revenue in connection with resources that have been received but not yet earned. Governmental funds report unavailable revenue in connection with the receivables for revenues that are not considered to be available to liquidate liabilities of the current period.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

1. Summary of Significant Accounting Policies

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

10. Classification of Net Position

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

- Investment in capital assets - the amount of net position representing capital assets, net of accumulated depreciation, and reduced by outstanding debt attributed to the acquisition, construction, or improvement of the assets. At December 31, 2015, Lac qui Parle County and the Lac qui Parle-Yellow Bank Watershed District reported no debt related to acquisition, construction, or improvement of capital assets.
- Restricted net position - the amount of net position for which external restrictions have been imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- Unrestricted net position - the amount of net position that does not meet the definition of restricted or net investment in capital assets.

11. Classification of Fund Balances

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

- Nonspendable - amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.
- Restricted - amounts for which constraints have been placed on the use of resources either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

1. Summary of Significant Accounting Policies

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

11. Classification of Fund Balances (Continued)

- Committed - amounts that can be used only for the specific purposes imposed by formal action (resolution) of the County Board for the County or Board of Managers for the Lac qui Parle-Yellow Bank Watershed District. Those committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts.

- Assigned - amounts the County or the Lac qui Parle-Yellow Bank Watershed District intends to use for specific purposes that do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the County Board or the Auditor-Treasurer-Cordinator, who has been delegated that authority by Board resolution. The Lac qui Parle-Yellow Bank Watershed District Administrator has been delegated this authority for the District.

- Unassigned - the residual classification for the General Fund and includes all spendable amounts not contained in the other fund balance classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted or committed.

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

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

1. Summary of Significant Accounting Policies

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

12. Minimum Fund Balance

Lac qui Parle County has adopted a minimum fund balance policy for the General Fund. The General Fund is heavily reliant on property tax revenues to fund current operations. However, current property tax revenues are not available for distribution until June. Therefore, the County Board has determined it needs to maintain a minimum unrestricted fund balance (committed, assigned, and unassigned) of no less than five months of operating expenditures. At December 31, 2015, unrestricted fund balance for the General Fund was below the minimum fund balance level.

13. Use of Estimates

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

E. Restatement of Fund Balance and Net Position

1. Change in Accounting Principles

During the year ended December 31, 2015, the County and the Lac qui Parle-Yellow Bank Watershed District adopted new accounting guidance by implementing the provisions of GASB Statements 68, 71, and 82. GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, requires governments providing defined benefit pensions to employees through pension plans administered through trusts to record their proportionate share of the net pension obligation as a liability on their financial statements along with related deferred outflows of resources, deferred inflows of resources, and pension expense. This statement also requires additional note disclosures and schedules in the required supplementary information.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

1. Summary of Significant Accounting Policies

E. Restatement of Fund Balance and Net Position

1. Change in Accounting Principles (Continued)

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*, addresses an issue regarding amounts associated with contributions made to a pension plan after the measurement date of the net pension liability.

GASB Statement No. 82, *Pension Issues - an amendment of GASB Statement No. 68*, modifies the measure of payroll that is presented in the required supplementary information schedules.

GASB Statements 68 and 71 require the County and the Lac qui Parle-Yellow Bank Watershed District to report their proportionate share of the PERA total employers' unfunded pension liability. As a result, the County's and the Lac qui Parle-Yellow Bank Watershed District's beginning net position has been restated to record the net pension liability and related deferred outflows of resources, as disclosed in Note 1.E.3.

2. Prior Period Adjustments

Restatement of Construction in Progress and Net Position

The January 1, 2015, governmental activities construction in progress (\$1,718,501); infrastructure, net of accumulated depreciation (\$846,029); and net position (\$2,564,530) were increased to correct a prior year understatement, as disclosed in Note 1.E.3.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

1. Summary of Significant Accounting Policies

E. Restatement of Fund Balance and Net Position

2. Prior Period Adjustments (Continued)

Restatement of Unearned Revenue, Fund Balance, and Net Position

The January 1, 2015, Lac qui Parle-Yellow Bank Watershed District General Fund fund balance and net position were increased by \$102,225 to correct a prior year overstatement of unearned revenue. The effect of the restatement on net position is disclosed in Note 1.E.3. The effect on fund balance is as follows:

	Balance at January 1, 2015, as Previously Reported	Prior Period Adjustment	Balance at January 1, 2015, as Restated
Lac qui Parle-Yellow Bank Watershed District General Fund fund balance	\$ 1,012,880	\$ 102,225	\$ 1,115,105

3. Restatement of Net Position

Restatements of net position for the governmental activities and the Lac qui Parle-Yellow Bank Watershed District are as follows:

	Governmental Activities	Lac qui Parle- Yellow Bank Watershed District
Net Position, January 1, 2015, as previously reported	\$ 56,865,299	\$ 5,967,448
Change in accounting principles		
Net pension liability	(2,720,790)	(108,042)
Deferred outflows of resources	133,342	4,848
Restatement of net position		
Adjustment for capital assets	2,564,530	-
Adjustment for unearned revenue	-	102,225
Net Position, January 1, 2015, as restated	<u>\$ 56,842,381</u>	<u>\$ 5,966,479</u>

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments

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

Government-wide statement of net position	
Governmental activities	
Cash and pooled investments	\$ 4,853,543
Investments	4,400,000
Statement of fiduciary net position	
Cash and pooled investments	<u>568,159</u>
Total Cash and Investments	<u>\$ 9,821,702</u>
Petty cash and change funds	\$ 1,750
Checking	336,946
Money market savings	8,983,006
Certificates of deposit	<u>500,000</u>
Total Deposits and Investments	<u>\$ 9,821,702</u>

a. Deposits

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

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

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments

a. Deposits (Continued)

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits may not be returned to it. The County's policy is to minimize deposit custodial credit risk by obtaining collateral or bond for all uninsured amounts on deposit and obtaining necessary documentation to show compliance with state law and a perfected security interest under federal law. As of December 31, 2015, the County's deposits were not exposed to custodial credit risk.

b. Investments

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

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

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments

b. Investments (Continued)

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

Interest Rate Risk

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

Credit Risk

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

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities in the possession of an outside party. At December 31, 2015, the County had no investments; therefore, there was no exposure to custodial credit risk.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments

b. Investments (Continued)

Concentration of Credit Risk

The concentration of credit risk is the risk of loss that may be caused by the County's investment in a single issuer. Lac qui Parle County mitigates the concentration of credit risk by purchasing certificates of deposit from multiple banks.

2. Receivables

Receivables as of December 31, 2015, for the County's governmental activities follow:

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental Activities		
Taxes	\$ 33,269	\$ -
Special assessments	248,646	-
Accounts receivable	46,488	-
Due from other governments	1,257,968	-
Advance to component unit	248,667	248,667
Total Governmental Activities	\$ 1,835,038	\$ 248,667

Loans Receivable

The County received funds from the Minnesota Investment Fund in 2008 for Noah's Ark Holding, LLC, of Dawson. The grant agreement states these funds are to be repaid to the County and used under specific conditions. The loan receivable from Noah's Ark Holding, LLC, was paid in full at December 31, 2015.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

2. Receivables (Continued)

Advance to Component Unit

The Lac qui Parle County Economic Development Authority (EDA) has a balance due to the Lac qui Parle County General Fund at December 31, 2015, of \$248,667. Repayment for each disbursement made to the EDA, together with any accrued interest, is due ten years from the date of each disbursement. No disbursements were made to the EDA in 2015.

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

3. Capital Assets

Capital asset activity for the year ended December 31, 2015, was as follows:

	<u>Beginning Balance, (Restated) Note 1.E.</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital assets not depreciated				
Land	\$ 164,903	\$ -	\$ -	\$ 164,903
Right-of-way	470,198	-	-	470,198
Construction in progress	<u>2,166,700</u>	<u>26,355</u>	<u>2,155,188</u>	<u>37,867</u>
Total capital assets not depreciated	<u>\$ 2,801,801</u>	<u>\$ 26,355</u>	<u>\$ 2,155,188</u>	<u>\$ 672,968</u>
Capital assets depreciated				
Buildings	\$ 3,202,388	\$ 206,579	\$ -	\$ 3,408,967
Improvements other than building	81,405	19,588	-	100,993
Machinery, furniture, and equipment	5,707,600	642,703	154,889	6,195,414
Infrastructure	<u>61,305,405</u>	<u>2,241,243</u>	<u>-</u>	<u>63,546,648</u>
Total capital assets depreciated	<u>\$ 70,296,798</u>	<u>\$ 3,110,113</u>	<u>\$ 154,889</u>	<u>\$ 73,252,022</u>

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

3. Capital Assets (Continued)

	Beginning Balance, (Restated) Note 1.E.	Increase	Decrease	Ending Balance
Less: accumulated depreciation for				
Buildings	\$ 844,577	\$ 65,174	\$ -	\$ 909,751
Improvements other than building	9,885	2,522	-	12,407
Machinery, furniture, and equipment	3,427,931	420,663	154,889	3,693,705
Infrastructure	17,509,688	1,270,935	-	18,780,623
Total accumulated depreciation	<u>\$ 21,792,081</u>	<u>\$ 1,759,294</u>	<u>\$ 154,889</u>	<u>\$ 23,396,486</u>
Total capital assets depreciated, net	<u>\$ 48,504,717</u>	<u>\$ 1,350,819</u>	<u>\$ -</u>	<u>\$ 49,855,536</u>
Capital Assets, Net	<u>\$ 51,306,518</u>	<u>\$ 1,377,174</u>	<u>\$ 2,155,188</u>	<u>\$ 50,528,504</u>

Construction in progress consists of amounts completed on an open road project.

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

Governmental Activities	
General government	\$ 60,711
Public safety	93,936
Highways and streets, including depreciation of infrastructure assets	1,587,524
Sanitation	4,462
Culture and recreation	196
Human services	11,405
Conservation of natural resources	1,060
Total Depreciation Expense - Governmental Activities	<u>\$ 1,759,294</u>

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

2. Detailed Notes on All Funds (Continued)

B. Interfund Receivables, Payables, and Transfers

Interfund Transfers

Transfer to Ditch Special Revenue Fund from General Fund	<u>\$ 4,006</u>	Provide proportionate share of interest earnings
Transfer to Road and Bridge Special Revenue Fund from General Fund	<u>\$ 9,635</u>	Reimburse Road and Bridge for wages for GIS work done
Transfer to General Fund from Ditch Special Revenue Fund	<u>\$ 10,000</u>	Provide funding for County ditch administrative and accounting services provided

C. Liabilities and Deferred Inflows of Resources

1. Payables

Payables at December 31, 2015, were as follows:

	<u>Governmental Activities</u>
Accounts payable	\$ 247,397
Salaries payable	134,545
Contracts payable	60,473
Due to other governments	<u>87,113</u>
Total Payables	<u>\$ 529,528</u>

2. Construction Commitments

All active highway construction projects are state-funded and, therefore, not obligations of the County at December 31, 2015.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

2. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources (Continued)

3. Unearned Revenues/Deferred Inflows of Resources

Unearned revenues and deferred inflows of resources consist of special assessments, taxes, and state grants not collected soon enough after year-end to pay liabilities of the current period, and state grants received but not yet earned. Unearned revenues and deferred inflows of resources at December 31, 2015, are summarized below by fund:

	Special Assessments	Taxes	Grants	Total
Major governmental funds				
General	\$ 10,234	\$ 16,476	\$ 107,365	\$ 134,075
Road and Bridge	-	9,494	832,689	842,183
Family Services	-	7,299	-	7,299
Ditch	238,412	-	-	238,412
Total	\$ 248,646	\$ 33,269	\$ 940,054	\$ 1,221,969
Liability				
Unearned revenue	\$ -	\$ -	\$ 107,365	\$ 107,365
Deferred inflows of resources				
Unavailable revenue	248,646	33,269	832,689	1,114,604
Total	\$ 248,646	\$ 33,269	\$ 940,054	\$ 1,221,969

4. Bonds Payable

On June 22, 2015, Lac qui Parle County issued General Obligation Drainage Bonds, Series 2015A, in the amount of \$308,000, with an interest rate of 3.5 percent. Payments on general obligation drainage bonds are made by the Ditch Special Revenue Fund.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

2. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources (Continued)

5. Debt Service Requirements

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

Year Ending December 31	General Obligation Bonds	
	Principal	Interest
2016	\$ -	\$ 11,948
2017	16,000	10,500
2018	16,000	9,940
2019	17,000	9,363
2020	18,000	8,751
2021 - 2025	98,000	33,847
2026 - 2030	117,000	15,036
2031	26,000	455
Total	<u>\$ 308,000</u>	<u>\$ 99,840</u>

6. Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2015, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
General obligation bonds	\$ -	\$ 308,000	\$ -	\$ 308,000	\$ -
Compensated absences	368,399	142,888	161,808	349,479	17,267
Governmental Activities					
Long-Term Liabilities	<u>\$ 368,399</u>	<u>\$ 450,888</u>	<u>\$ 161,808</u>	<u>\$ 657,479</u>	<u>\$ 17,267</u>

Compensated absences are liquidated by the General Fund, the Road and Bridge Special Revenue Fund, and the Family Services Special Revenue Fund.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

3. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

1. Plan Description

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

General Employees Retirement Fund 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, for which benefits vest after five years of credited service.

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

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

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

3. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans (Continued)

2. Benefits Provided

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

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

Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for General Employees Retirement Fund 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 of service 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 Public Employees Police and Fire Fund members, the annuity accrual rate is 3.0 percent of average salary for each year of service. For Public Employees Correctional Fund members, the annuity accrual rate is 1.9 percent of average salary for each year of service.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

3. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

2. Benefits Provided (Continued)

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

3. Contributions

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the state legislature. General Employees Retirement Fund Basic Plan members and Coordinated Plan members were required to contribute 9.10 percent and 6.50 percent, respectively, of their annual covered salary in 2015. Public Employees Police and Fire Fund members were required to contribute 10.80 percent of their annual covered salary in 2015. Public Employees Correctional Fund members were required to contribute 5.83 percent of their annual covered salary in 2015.

In 2015, the County was required to contribute the following percentages of annual covered salary:

General Employees Retirement Fund	
Basic Plan members	11.78%
Coordinated Plan members	7.50
Public Employees Police and Fire Fund	16.20
Public Employees Correctional Fund	8.75

The General Employees Retirement Fund Coordinated Plan member and employer contribution rates each reflect a 0.25 percent increase from 2014. The Public Employees Police and Fire Fund member and employer contribution rates increased 0.60 percent and 0.90 percent, respectively, from 2014.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

3. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

3. Contributions (Continued)

The County's contributions for the year ended December 31, 2015, to the pension plans were:

General Employees Retirement Fund	\$ 186,855
Public Employees Police and Fire Fund	80,893
Public Employees Correctional Fund	14,134

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

4. Pension Costs

General Employees Retirement Fund

At December 31, 2015, the County reported a liability of \$2,109,285 for its proportionate share of the General Employees Retirement Fund's net pension liability. The net pension liability was measured as of June 30, 2015, 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, 2014, through June 30, 2015, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the County's proportion was 0.0407 percent. It was 0.0449 percent measured as of June 30, 2014. The County recognized pension expense of \$231,310 for its proportionate share of the General Employees Retirement Fund's pension expense.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

3. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

4. Pension Costs

General Employees Retirement Fund (Continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 106,344
Difference between projected and actual investment earnings	199,676	-
Changes in proportion	-	147,971
Contributions paid to PERA subsequent to the measurement date	97,513	-
Total	\$ 297,189	\$ 254,315

A total of \$97,513 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2016	\$ (34,853)
2017	(34,853)
2018	(34,853)
2019	49,920

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

3. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

4. Pension Costs (Continued)

Public Employees Police and Fire Fund

At December 31, 2015, the County reported a liability of \$613,566 for its proportionate share of the Public Employees Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2015, 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, 2014, through June 30, 2015, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the County's proportion was 0.054 percent. It was 0.056 percent measured as of June 30, 2014. The County recognized pension expense of \$101,770 for its proportionate share of the Public Employees Police and Fire Fund's pension expense.

The County also recognized \$4,860 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's on-behalf contribution to the Public Employees Police and Fire Fund. Legislation requires the State of Minnesota to contribute \$9 million to the public Employees Police and Fire Fund each year, starting in fiscal year 2014, until the plan is 90 percent funded.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 99,500
Difference between projected and actual investment earnings	106,904	-
Changes in proportion	-	18,001
Contributions paid to PERA subsequent to the measurement date	42,123	-
Total	\$ 149,027	\$ 117,501

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

3. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

4. Pension Costs

Public Employees Police and Fire Fund (Continued)

A total of \$42,123 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2016	\$ 3,226
2017	3,226
2018	3,226
2019	3,226
2020	(23,501)

Public Employees Correctional Fund

At December 31, 2015, the County reported a liability of \$13,914 for its proportionate share of the Public Employees Correctional Fund's net pension liability. The net pension liability was measured as of June 30, 2015, 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, 2014, through June 30, 2015, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the County's proportion was 0.09 percent. It was 0.09 percent measured as of June 30, 2014. The County recognized pension expense of \$14,990 for its proportionate share of the Public Employees Correctional Fund's pension expense.

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

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

3. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

4. Pension Costs

Public Employees Correctional Fund (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 5,327
Difference between projected and actual investment earnings	11,598	-
Contributions paid to PERA subsequent to the measurement date	7,318	-
Total	\$ 18,916	\$ 5,327

A total of \$7,318 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2016	\$ 1,124
2017	1,124
2018	1,124
2019	2,899

Total Pension Expense

The total pension expense for all plans recognized by the County for the year ended December 31, 2015, was \$348,070.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

3. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans (Continued)

5. Actuarial Assumptions

The total pension liability in the June 30, 2015, actuarial valuation was determined using the individual entry age normal actuarial cost method and the following additional actuarial assumptions:

Inflation	2.75 percent per year
Active member payroll growth	3.50 percent per year
Investment rate of return	7.90 percent

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants were based on RP-2000 tables for males or females, as appropriate, with slight adjustments. For the General Employees Retirement Fund and the Public Employees Police and Fire Fund, cost of living benefit increases for retirees are assumed to be 1.0 percent effective every January 1 through 2035 and 2037, respectively, and 2.5 percent thereafter. Cost of living benefit increases for retirees are assumed to be 2.5 percent for all years for the Public Employees Correctional Fund.

Actuarial assumptions used in the June 30, 2015, valuation were based on the results of actuarial experience studies. The experience study in the General Employees Retirement Fund was for the period July 1, 2004, through June 30, 2008, with an update of economic assumptions in 2014. The experience study for the Public Employees Police and Fire Fund was for the period July 1, 2004, through June 30, 2009. The experience study for the Public Employees Correctional Fund was for the period July 1, 2006, through June 30, 2011.

In 2015, an updated experience study was done for PERA's General Employees Retirement Fund for the six-year period ending June 30, 2014, which would result in a larger pension liability. However, PERA will not implement the changes in assumptions until its June 30, 2016, estimate of pension liability.

The long-term expected rate of return on pension plan investments is 7.9 percent. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

3. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

5. Actuarial Assumptions (Continued)

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

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

6. Discount Rate

The discount rate used to measure the total pension liability was 7.9 percent. The discount rate did not change since the prior measurement date. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, each of the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

7. Pension Liability Sensitivity

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

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

3. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

7. Pension Liability Sensitivity (Continued)

	1% Decrease in Discount Rate (6.9%)	Discount Rate (7.9%)	1% Increase in Discount Rate (8.9%)
Proportionate share of the General Employees Retirement Fund net pension liability	\$ 3,316,546	\$ 2,109,285	\$ 1,112,273
Public Employees Police and Fire Fund net pension liability	1,195,847	613,566	132,501
Public Employees Correctional Fund net pension liability	96,899	13,914	(52,508)

8. Pension Plan Fiduciary Net Position

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

B. Defined Contribution Plan

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

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

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

3. Pension Plans and Other Postemployment Benefits

B. Defined Contribution Plan (Continued)

Total contributions by dollar amount and percentage of covered payroll made by the County during the year ended December 31, 2015, were:

	<u>Employee</u>	<u>Employer</u>
Contribution amount	\$ 5,562	\$ 5,562
Percentage of covered payroll	5%	5%

C. Other Postemployment Benefits (OPEB)

Plan Description

Employees retiring from County service with at least ten years of service and meeting the established requirements to receive a pension from the Public Employees Retirement Association may have their severance pay transferred to an individual health insurance account to pay their monthly health insurance premiums until this balance is exhausted or they reach age 65. The County finances the plan on a pay-as-you-go basis and made no payments in 2015.

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

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

3. Pension Plans and Other Postemployment Benefits

C. Other Postemployment Benefits (OPEB) (Continued)

Funding Policy

The contribution requirements of the plan members and the County are established and may be amended by the Lac qui Parle County Board of Commissioners. The required contribution is based on projected pay-as-you-go financing requirements. The County has three current elected officials eligible, but no former elected officials receiving or eligible for this benefit in 2015.

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

Annual OPEB Cost and Net OPEB Obligation

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

ARC	\$ 67,099
Interest on net OPEB obligation	4,351
Adjustment to ARC	<u>(5,680)</u>
Annual OPEB cost (expense)	\$ 65,770
Contributions made during the year	<u>(50,795)</u>
Increase in net OPEB obligation	\$ 14,975
Net OPEB Obligation - Beginning of Year	<u>96,682</u>
Net OPEB Obligation - End of Year	<u>\$ 111,657</u>

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

3. Pension Plans and Other Postemployment Benefits

C. Other Postemployment Benefits (OPEB)

Annual OPEB Cost and Net OPEB Obligation (Continued)

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the years ended December 31, 2013, 2014, and 2015, were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Annual Employer Contribution</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
December 31, 2013	\$ 66,554	\$ 27,432	41.2%	\$ 78,789
December 31, 2014	66,016	48,123	72.8	96,682
December 31, 2015	65,770	50,795	77.2	111,657

Funded Status and Funding Progress

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

Actuarial Methods and Assumptions

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

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

3. Pension Plans and Other Postemployment Benefits

C. Other Postemployment Benefits (OPEB)

Actuarial Methods and Assumptions (Continued)

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

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

The annual health care cost trend is 8.0 percent initially, reduced by decrements to an ultimate rate of 5.0 percent over 6 years. Both rates include a 2.5 percent inflation assumption. The UAAL is being amortized over 30 years on a closed basis. The remaining amortization period at December 31, 2015, was 26 years.

4. Summary of Significant Contingencies and Other Items

A. Risk Management

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

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

A. Risk Management (Continued)

commercial insurance. There were no significant reductions in insurance from the prior year. The amount of settlements did not exceed insurance coverage for the past three fiscal years.

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims, liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at \$490,000 per claim in 2015 and \$500,000 in 2016. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County and the District in a method and amount to be determined by MCIT.

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

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

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

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

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

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

B. Contingent Liabilities

Farmers Mutual Telephone Company

The County partnered with Farmers Mutual Telephone Company to apply as co-applicant for Rural Utility Service (RUS) Broadband Infrastructure Program (BIP) to install fiber optic broadband service throughout the County. The County was notified in 2010 of the approval of a \$9,600,000 loan/grant for a project planned to begin in 2011. The County pledged to extend a line of credit for \$2,413,239 through the Lac qui Parle County Economic Development Authority to assist with cash flows of the project. Through May 9, 2016, \$248,667 has been advanced from the County's General Fund through the Economic Development Authority to Farmers Mutual Telephone Company as part of this agreement.

Lincoln-Pipestone Rural Water System

At December 31, 2015, the most recent information available, the Lincoln-Pipestone Rural Water System had \$32,402,123 of general obligation bonds and other loans outstanding through 2052. The bonds were issued by some of the participating counties in the Rural Water System to finance the construction of water system expansions and improvements.

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

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

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

C. Joint Ventures

Southwestern Minnesota Adult Mental Health Consortium Board

In November 1997, the Southwestern Minnesota Adult Mental Health Consortium Board was created under the authority of Minn. Stat. § 471.59. Presently, its members include Big Stone, Chippewa, Cottonwood, Jackson, Kandiyohi, Lac qui Parle, McLeod, Meeker, Nobles, Renville, Swift, and Yellow Medicine Counties; and Southwest Health and Human Services representing Lincoln, Lyon, Murray, Pipestone, Redwood, and Rock Counties. The Board is headquartered in Windom, Minnesota, where Des Moines Valley Health and Human Services (DVHHS) acts as fiscal host.

The Board shall take actions and enter into such agreements as necessary to plan and develop within the Southwestern Minnesota Adult Mental Health Consortium Board's geographic jurisdiction, a system of care that serves the needs of adults with serious and persistent mental illness. The governing board is composed of one Board member from each of the participating counties.

Financing is provided by state proceeds or appropriations for the development of the system of care. A complete financial report of the Southwestern Minnesota Adult Mental Health Consortium Board can be obtained by contacting DVHHS at 11 Fourth Street, Windom, Minnesota 56111.

Countryside Public Health Service

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

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

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Countryside Public Health Service (Continued)

Control is vested in the Countryside Public Health Service Board of Health. The Board consists of 11 persons, 2 from each county, except the county with the largest population, which has 3 members. Each member of the Board is appointed by the County Commissioners of the county represented.

Financing is provided by state and federal grants, appropriations from member counties, and charges for services. Lac qui Parle County's contribution for 2015 was \$77,237. Complete financial statements for the Countryside Public Health Service can be obtained from its administrative office at P. O. Box 313, Benson, Minnesota 56215.

Region 6W Community Corrections

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

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

Lac qui Parle County's contribution for 2015 was \$170,486. Complete financial statements for Region 6W Community Corrections can be obtained at 1215 Black Oak Avenue, P. O. Box 551, Montevideo, Minnesota 56265.

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

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

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

C. Joint Ventures

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

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

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

Lincoln-Pipestone Rural Water System

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

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

Bonds were issued by Lincoln, Nobles, and Yellow Medicine Counties to finance the construction of the Rural Water System. Costs assessed to municipalities and special assessments levied against benefitted properties pay approximately 85 percent of the amount necessary to retire principal and interest on the bonds. The remainder of the funds necessary to retire the outstanding bonds and interest will be provided by appropriations from the Lincoln-Pipestone Rural Water System. Outstanding obligations at December 31, 2015, (the latest information available) were \$32,402,123.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Lincoln-Pipestone Rural Water System (Continued)

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

Southwest Minnesota Regional Emergency Communications Board

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

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

Financing is provided by the appropriations from member parties and by state and federal grants. During 2015, Lac qui Parle County contributed \$2,067 to the Joint Powers Board.

Minnesota Counties Information Systems (MCIS)

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

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Minnesota Counties Information Systems (MCIS) (Continued)

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

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

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

Supporting Hands Nurse Family Partnership

The Supporting Hands Nurse Family Partnership Board was established pursuant to Minn. Stat. §§ 145A.17 and 471.59 and a joint powers agreement, effective May 31, 2007. The Board is comprised of one representative from each county to the agreement. The counties in the agreement are Big Stone, Chippewa, Douglas, Grant, Lac qui Parle, Lincoln, Lyon, McLeod, Meeker, Murray, Pipestone, Pope, Redwood, Renville, Stevens, Swift, Traverse, and Yellow Medicine. Southwest Health and Human Services represents Lincoln, Lyon, Murray, Pipestone, Redwood, and Rock Counties in this agreement. As a member of Countryside Public Health Service, Lac qui Parle County is required to be a member of this joint powers agreement.

The purpose of this agreement is to organize, govern, plan, and administer a multi-county based nurse family partnership program specifically within the jurisdictional boundaries of the counties involved.

The governing board is composed of one Board member from each of the participating counties. Each participating county will contribute to the budget of Supporting Hands Nurse Family Partnership. In 2015, Lac qui Parle County did not make a contribution to the Partnership, as a contribution was made by the Countryside Public Health Service.

McLeod County acts as fiscal agent for Supporting Hands Nurse Family Partnership. A complete financial report of Supporting Hands Nurse Family Partnership can be obtained from McLeod County at Supporting Hands Nurse Family Partnership, 830 - 11th Street East, Glencoe, Minnesota 55336.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

C. Joint Ventures (Continued)

Southwest Minnesota Private Industry Council, Inc.

The Southwest Minnesota Private Industry Council, Inc., (SW MN PIC) is a private nonprofit corporation which was created through a joint powers agreement on October 1, 1983, and began operations in 1985 under the Job Training Partnership Act (JTPA) authorized by Congress to administer and operate job training programs in a 14-county area of Southwestern Minnesota. These counties include Big Stone, Chippewa, Cottonwood, Jackson, Lac qui Parle, Lincoln, Lyon, Murray, Nobles, Pipestone, Redwood, Rock, Swift, and Yellow Medicine.

SW MN PIC is governed by the Chief Elected Official Board which is composed of one representative from each member county. Lac qui Parle County did not make any payments to this organization during 2015.

Separate financial information can be obtained from the Lyon County Government Center, 607 West Main Street, Marshall, Minnesota 56258.

Southwest Regional Solid Waste Commission

Lac qui Parle County has entered into a joint powers agreement with 11 other counties to create and operate the Southwest Regional Solid Waste Commission under the authority of Minn. Stat. § 471.59. The Commission was formed to exercise the County's authority and obligation, pursuant to Minn. Stat. chs. 400 and 115A, to provide for the management of solid waste in the respective counties; and provide the greatest public service benefit possible for the entire contiguous 12-county area encompassed by the counties in planning, management, and implementation of methods to deal with solid waste in Southwest Minnesota.

The governing board is composed of one Board member from each of the participating counties. Financing of the Commission's solid waste management program is through appropriations from the participating counties, grants and loans from the Minnesota Office of Waste Management, or from the sale of bonds or other obligations secured by revenues of the Commission. Administration and planning costs of the Commission are assessed to the counties on equal shares. The current assessment is \$1,500.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Southwest Regional Solid Waste Commission (Continued)

The Commission is headquartered in Ivanhoe, Minnesota, where Lincoln County acts as fiscal host. A complete financial report of the Southwest Regional Solid Waste Commission can be obtained from the Lincoln County Auditor at 319 N. Rebecca Street, P. O. Box 29, Ivanhoe, Minnesota 56142.

Lac qui Parle Children's Mental Health Collaborative

The Lac qui Parle Children's Mental Health Collaborative is a collaboration to receive and expend grant funds on new prevention and early intervention of children's mental health issues. Lac qui Parle County acts as fiscal agent for the Lac qui Parle Children's Mental Health Collaborative and reports the fiscal transactions as an agency fund. Lac qui Parle County did not contribute to the Collaborative in 2015.

Pioneerland Library System

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

During the year, the County contributed \$75,697 to the System. Separate financial information for the Pioneerland Library System can be obtained from its administrative office at Pioneerland Regional Library, 410 - 5th Street Southwest, Willmar, Minnesota 56201.

D. Jointly-Governed Organizations

West Central S.W.A.T. Team

The West Central S.W.A.T. Team is comprised of five County Sheriff's offices and nine police departments, including Lac qui Parle, Pope, Stevens, Swift, and Traverse Counties, along with the Appleton, Benson, Glenwood, Hancock, Montevideo, Morris, Starbuck, University of Minnesota Morris, and Wheaton Police Departments. The

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

D. Jointly-Governed Organizations

West Central S.W.A.T. Team (Continued)

purpose of the Team is to create a feasible economical way, by sharing the costs, to protect the citizens of the cities and counties involved. During the year, the County contributed \$1,000 to the Team.

Area II Minnesota River Basin Project

The Area II Minnesota River Basin Project provides cost-share and technical assistance for the implementation of flood reduction measures to the area between the Cities of Ortonville and Mankato. During the year, the County paid \$11,833 to the Project.

Minnesota Criminal Justice Data Communications Network

The Minnesota Criminal Justice Data Communications Network exists to create access for the County Sheriff and County Attorney to systems and tools available from the State of Minnesota, Department of Public Safety, and the Bureau of Criminal Apprehension to carry out criminal justice. During the year, the County made no payments to the joint powers.

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

A. Summary of Significant Accounting Policies

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

Reporting Entity

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

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

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

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

A. Summary of Significant Accounting Policies

Reporting Entity (Continued)

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

- The General Fund is the District's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.
- The Ditch Special Revenue Fund is used to account for the cost of constructing and maintaining an agricultural drainage ditch system. Financing is provided by special assessments levied against benefitted property.

Deposits and Investments

Deposits and investments are reported at their fair value at December 31, 2015, based on market price.

B. Detailed Notes on All Funds

1. Assets and Deferred Outflows of Resources

Deposits and Investments

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

Cash and pooled investments	\$ 1,086,588
Checking	\$ 488,292
Money market savings	438,296
Certificates of deposit	<u>160,000</u>
Total Deposits and Investments	<u>\$ 1,086,588</u>

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

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

B. Detailed Notes on All Funds

1. Assets and Deferred Outflows of Resources

Deposits and Investments (Continued)

The District is required by Minn. Stat. § 118A.03 to protect deposits with insurance, surety bond, or collateral. The market value of collateral pledged shall be at least ten percent more than the amount on deposit at the close of the financial institution's banking day, not covered by insurance or bonds. Authorized collateral includes treasury bills, notes, and bonds; issues of U.S. government agencies; general obligations rated "A" or better and revenue obligations rated "AA" or better; irrevocable standby letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution not owned or controlled by the financial institution furnishing the collateral. As of December 31, 2015, the District did not have any deposits exposed to custodial credit risk.

The District did not have any investments at December 31, 2015.

Receivables

Receivables as of December 31, 2015, for the Lac qui Parle-Yellow Bank Watershed District follow:

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Special assessments	\$ 481,759	\$ 380,491
Accounts receivable	3,071	-
Accrued interest receivable	777	-
Due from other governments	97,720	-
Total Receivables	\$ 583,327	\$ 380,491

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

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

B. Detailed Notes on All Funds

1. Assets and Deferred Outflows of Resources (Continued)

Capital Assets

The Lac qui Parle-Yellow Bank Watershed District capital asset activity for the year ended December 31, 2015, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 628,458	\$ -	\$ -	\$ 628,458
Capital assets depreciated				
Buildings	\$ 194,685	\$ -	\$ -	\$ 194,685
Machinery, furniture, and equipment	74,464	26,847	19,945	81,366
Land improvements	298,207	-	-	298,207
Infrastructure	5,334,207	-	-	5,334,207
Total capital assets depreciated	\$ 5,901,563	\$ 26,847	\$ 19,945	\$ 5,908,465
Less: accumulated depreciation for				
Buildings	\$ 29,201	\$ 5,152	\$ -	\$ 34,353
Machinery, furniture, and equipment	54,504	5,682	19,945	40,241
Land improvements	133,439	10,355	-	143,794
Infrastructure	1,305,281	53,342	-	1,358,623
Total accumulated depreciation	\$ 1,522,425	\$ 74,531	\$ 19,945	\$ 1,577,011
Total capital assets depreciated, net	\$ 4,379,138	\$ (47,684)	\$ -	\$ 4,331,454
Capital Assets, Net	\$ 5,007,596	\$ (47,684)	\$ -	\$ 4,959,912

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

Conservation of natural resources	\$ 53,342
Culture and recreation	21,189
Total Depreciation Expense	<u>\$ 74,531</u>

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

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

B. Detailed Notes on All Funds (Continued)

2. Interfund Receivables, Payables, and Transfers

Due To/From Other Funds

There were no interfund balances as of December 31, 2015.

Interfund Transfers

There were no interfund transfers as of December 31, 2015.

3. Liabilities and Deferred Inflows of Resources

Payables

Payables at December 31, 2015, were as follows:

Accounts payable	\$	22,931
Contracts payable		31,053
Due to other governments		2,238
Salaries payable		9,247
		<hr/>
Total Payables	\$	<u>65,469</u>

Construction Commitments

The Lac qui Parle-Yellow Bank Watershed District had no active construction projects as of December 31, 2015.

Long-Term Debt - Loans Payable

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

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

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

B. Detailed Notes on All Funds

3. Liabilities and Deferred Inflows of Resources

Long-Term Debt - Loans Payable (Continued)

Long-term debt outstanding at December 31, 2015, for the Lac qui Parle-Yellow Bank Watershed District consists of the following:

<u>Type of Indebtedness</u>	<u>Final Maturity</u>	<u>Semi-Annual Installment Amount</u>	<u>Interest Rate</u>	<u>Original Issue Amount</u>	<u>Remaining Commitment</u>
Lac qui Parle River Water Mainstem CWP Project	2019	\$ 16,267	2.00%	\$ 293,540	\$ 124,467
Lac qui Parle River Water Mainstem Quality Enhancement Project	2022	8,304	2.00%	149,859	107,989
North and South Fork Yellow Bank Rivers	Not finalized	Not finalized	Not finalized	<u>380,386</u>	<u>380,386</u>
Total Loans Payable				<u>\$ 823,785</u>	<u>\$ 612,842</u>

Debt service requirements at December 31, 2015, were as follows:

<u>Year Ending December 31</u>	<u>Loans Payable</u>	
	<u>Principal</u>	<u>Interest</u>
2016	\$ 44,715	\$ 4,427
2017	45,614	3,528
2018	46,531	2,611
2019	47,466	1,676
2020	15,725	844
2021 - 2022	<u>32,405</u>	<u>814</u>
Total	<u>\$ 232,456</u>	<u>\$ 13,900</u>

Clean water loans of \$380,386 for the North and South Fork Yellow Bank Rivers were not included in the debt service requirements because fixed repayment schedules are not available.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

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

B. Detailed Notes on All Funds

3. Liabilities and Deferred Inflows of Resources (Continued)

Changes in Long-Term Liabilities

Changes in long-term liabilities of the Lac qui Parle-Yellow Bank Watershed District for the year ended December 31, 2015, were:

	Balance January 1	Additions	Deductions	Balance December 31	Amount Due Within One Year
Loans payable	\$ 512,482	\$ 144,194	\$ 43,834	\$ 612,842	\$ 44,715
Compensated absences	8,016	12,855	12,412	8,459	1,414
Total	<u>\$ 520,498</u>	<u>\$ 157,049</u>	<u>\$ 56,246</u>	<u>\$ 621,301</u>	<u>\$ 46,129</u>

Compensated absences are liquidated by the General Fund.

4. Defined Benefit Pension Plans

a. Plan Description

All full-time and certain part-time employees of the Lac qui Parle-Yellow Bank Watershed District are covered by defined benefit pension plans administered by PERA. PERA administers the General Employees Retirement Fund, which is a cost-sharing, multiple-employer retirement plan. The plan is established and administered in accordance with Minn. Stat. chs. 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

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

B. Detailed Notes on All Funds

4. Defined Benefit Pension Plans

a. Plan Description (Continued)

General Employees Retirement Fund 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, for which benefits vest after five years of credited service.

b. Benefits Provided

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

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

Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for General Employees Retirement Fund Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

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

B. Detailed Notes on All Funds

4. Defined Benefit Pension Plans

b. Benefits Provided (Continued)

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

c. Contributions

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the state legislature. Basic Plan members and Coordinated Plan members were required to contribute 9.10 percent and 6.50 percent, respectively, of their annual covered salary in 2015.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

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

B. Detailed Notes on All Funds

4. Defined Benefit Pension Plans

c. Contributions (Continued)

In 2015, the District was required to contribute the following percentages of annual covered salary:

General Employees Retirement Fund	
Basic Plan members	11.78%
Coordinated Plan members	7.50

The Coordinated Plan member and employer contribution rates each reflect a 0.25 percent increase from 2014.

The District's contributions for the General Employees Retirement Fund for the year ended December 31, 2015, were \$10,077. The contributions are equal to the contractually required contributions as set by state statute.

d. Pension Costs

At December 31, 2015, the District reported a liability of \$114,015 for its proportionate share of the General Employees Retirement Fund's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2014, through June 30, 2015, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the District's proportion was 0.0022 percent. It was 0.0023 percent measured as of June 30, 2014. The District recognized pension expense of \$8,982 for its proportionate share of the General Employees Retirement Fund's pension expense.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

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

B. Detailed Notes on All Funds

4. Defined Benefit Pension Plans

d. Pension Costs (Continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 5,748
Difference between projected and actual investment earnings	10,793	-
Changes in proportion	-	3,523
Contributions paid to PERA subsequent to the measurement date	5,206	-
Total	\$ 15,999	\$ 9,271

A total of \$5,206 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2016	\$ (392)
2017	(392)
2018	(392)
2019	2,698

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

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

B. Detailed Notes on All Funds

4. Defined Benefit Pension Plans (Continued)

e. Actuarial Assumptions

The total pension liability in the June 30, 2015, actuarial valuation was determined using the individual entry age normal actuarial cost method and the following additional actuarial assumptions:

Inflation	2.75 percent per year
Active member payroll growth	3.50 percent per year
Investment rate of return	7.90 percent

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants were based on RP-2000 tables for males or females, as appropriate, with slight adjustments. The cost of living benefit increases for retirees was assumed to be 1.0 percent effective every January 1 through 2035, and 2.5 percent thereafter.

Actuarial assumptions used in the June 30, 2015, valuation were based on the results of actuarial experience studies. The experience study in the General Employees Retirement Fund was for the period July 1, 2004, through June 30, 2008, with an update of economic assumptions in 2014.

In 2015, an updated experience study was done for PERA's General Employees Retirement Fund for the six-year period ending June 30, 2014, which would result in a larger pension liability. However, PERA will not implement the changes in assumptions until its June 30, 2016, estimate of pension liability.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

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

B. Detailed Notes on All Funds

4. Defined Benefit Pension Plans

e. Actuarial Assumptions (Continued)

The long-term expected rate of return on pension plan investments is 7.9 percent. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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

f. Discount Rate

The discount rate used to measure the total pension liability was 7.9 percent. The discount rate did not change since the prior measurement date. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, each of the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

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

B. Detailed Notes on All Funds

4. Defined Benefit Pension Plans (Continued)

g. Pension Liability Sensitivity

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

	1% Decrease in Discount Rate (6.9%)	Discount Rate (7.9%)	1% Increase in Discount Rate (8.9%)
Proportionate share of the General Employees Retirement Fund net pension liability	\$ 179,273	\$ 114,015	\$ 60,123

h. Pension Plan Fiduciary Net Position

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

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

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

A. Summary of Significant Accounting Policies

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

1. Reporting Entity

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

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

2. Basis of Presentation

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

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

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

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

A. Summary of Significant Accounting Policies (Continued)

3. Deposits and Investments

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

4. Capital Assets

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

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

5. Change in Accounting Principles

During the year ended December 31, 2015, the Authority adopted new accounting guidance by implementing the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. This implementation requires the Authority to report its proportionate share of collective net pension liability, deferred inflows of resources, deferred outflows of resources, and pension expense and to reflect an actuarially determined liability for the present value of projected future benefits for retired and active employees less the pension plan's fiduciary net position on the financial statements.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

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

A. Summary of Significant Accounting Policies

5. Change in Accounting Principles (Continued)

The beginning net position of the governmental activities has been decreased to reflect this change in accounting principles. Beginning net position for governmental activities has been restated from \$274,554 to \$180,151 (a decrease of \$94,403) to record the net pension liability of (\$98,647) and related deferred inflows of resources of \$4,244. Prior year partial comparative information does not reflect this change in accounting principle because the cost-sharing, multiple-employer defined benefit pension plans in which the Authority participates have not made this information available.

B. Detailed Notes

1. Assets and Deferred Outflows

Deposits and Investments

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

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

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

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

B. Detailed Notes

1. Assets and Deferred Outflows (Continued)

Custodial Credit Risk

The Authority does not have a deposit policy for custodial credit risk. As of December 31, 2015, \$16,301 of the Authority's bank balance of \$304,795 was exposed to custodial credit risk because deposits exceeded FDIC coverage without collateralized securities held by the pledging financial institution's trust department or agent in the Authority's name.

The Authority did not have any investments at December 31, 2015.

Receivables

Receivables as of December 31, 2015, for the Authority are as follows:

	<u>Total Receivables</u>	<u>Amounts Not Scheduled for Collection During the Subsequent Year</u>
Governmental Activities		
Taxes	\$ 7,629	\$ -
Accounts receivable	3,941	-
Accrued interest receivable	61	-
Due from primary government	6,875	-
Loan receivable - Farmers Mutual Telephone Company	<u>248,667</u>	<u>248,667</u>
Total Governmental Activities	<u>\$ 267,173</u>	<u>\$ 248,667</u>

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

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

B. Detailed Notes

1. Assets and Deferred Outflows

Receivables (Continued)

Loan Receivable

On November 1, 2010, the Authority entered into an advancing term promissory note with Farmers Mutual Telephone Company for the purpose of providing assistance in servicing one-half of the Rural Utilities Service loan to provide fiber optic service to certain residents and businesses of Lac qui Parle County who do not currently receive said service until the project becomes self-supporting through revenue generated therefrom. The note authorizes Farmers Mutual Telephone Company to borrow up to \$2,413,239 in periodic installments. The final payment shall be due on or before November 1, 2020. The outstanding principal may become immediately due and payable without notice or demand upon the occurrence of default by Farmers Mutual Telephone Company. As of December 31, 2015, the outstanding balance of the note receivable was \$248,667.

Capital Assets

The Lac qui Parle County Economic Development Authority capital asset activity for the year ended December 31, 2015, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets depreciated				
Machinery, furniture, and equipment	\$ 15,168	\$ -	\$ -	\$ 15,168
Less: accumulated depreciation for Machinery, furniture, and equipment	6,320	1,517	-	7,837
Capital Assets, Net	<u>\$ 8,848</u>	<u>\$ (1,517)</u>	<u>\$ -</u>	<u>\$ 7,331</u>

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

Economic development	<u>\$ 1,517</u>
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**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

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

B. Detailed Notes (Continued)

2. Liabilities and Deferred Inflows of Resources

Payables

Payables at December 31, 2015, were as follows:

Accounts payable	\$	351
Salaries payable		1,843
Due to other governments		3,021
Total Payables	\$	5,215

Changes in Long-Term Liabilities

Changes in long-term liabilities of the Lac qui Parle County Economic Development Authority for the year ended December 31, 2015, were:

	<u>Balance January 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31</u>	<u>Amount Due Within One Year</u>
Advance from primary government	\$ 248,667	\$ -	\$ -	\$ 248,667	\$ -
Compensated absences	6,144	-	4,385	1,759	-
Total	\$ 254,811	\$ -	\$ 4,385	\$ 250,426	\$ -

Advance from Primary Government

The Authority has a balance due to Lac qui Parle County at December 31, 2015, of \$248,667. Repayment for each disbursement made to the Authority, together with any accrued interest, is due ten years from the date of each disbursement.

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

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

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

C. Defined Benefit Pension Plans

1. Plan Description

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

2. Contributions

The Authority's contributions for the General Employees Retirement Fund for the year ended December 31, 2015, were \$6,446. The contributions are equal to the contractually required contributions as set by state statute.

3. Pension Costs

At December 31, 2015, the Authority reported a liability of \$98,468 for its proportionate share of the General Employees Retirement Fund's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liability was based on the Authority's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2014, through June 30, 2015, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the Authority's proportion was 0.0019 percent. It was 0.0021 percent measured as of June 30, 2014. The Authority recognized pension expense of \$4,383 for its proportionate share of the General Employees Retirement Fund's pension expense.

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

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

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

C. Defined Benefit Pension Plans

3. Pension Costs (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 9,321	\$ -
Difference between projected and actual investment earnings	-	4,964
Changes in proportion	-	7,046
Contributions paid to PERA subsequent to the measurement date	2,371	-
Total	\$ 11,692	\$ 12,010

A total of \$2,371 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2016	\$ (1,674)
2017	(1,674)
2018	(1,672)
2019	2,331

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

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

C. Defined Benefit Pension Plans (Continued)

4. Pension Liability Sensitivity

The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 7.9 percent, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate 1.0 percentage point lower or 1.0 percentage point higher than the current discount rate:

	1% Decrease in Discount Rate (6.9%)	Discount Rate (7.9%)	1% Increase in Discount Rate (8.9%)
Proportionate share of the General Employees Retirement Fund net pension liability	\$ 154,826	\$ 98,468	\$ 51,924

REQUIRED SUPPLEMENTARY INFORMATION

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**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

EXHIBIT A-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 2,701,056	\$ 2,701,056	\$ 2,554,426	\$ (146,630)
Other taxes	6,000	6,000	3,555	(2,445)
Special assessments	136,500	136,500	130,261	(6,239)
Licenses and permits	12,500	12,500	14,670	2,170
Intergovernmental	756,903	756,903	787,210	30,307
Charges for services	401,664	401,664	404,851	3,187
Fines and forfeits	-	-	16,228	16,228
Gifts and contributions	1,500	1,500	12,316	10,816
Investment earnings	21,500	21,500	17,574	(3,926)
Miscellaneous	154,005	154,005	231,437	77,432
Total Revenues	\$ 4,191,628	\$ 4,191,628	\$ 4,172,528	\$ (19,100)
Expenditures				
Current				
General government				
Commissioners	\$ 246,152	\$ 246,152	\$ 243,925	\$ 2,227
Courts	20,000	20,000	14,758	5,242
Jury manager	-	-	165	(165)
Auditor-Treasurer	427,919	427,919	439,531	(11,612)
Data processing	181,740	181,740	163,942	17,798
Elections	31,000	31,000	10,568	20,432
County car	500	500	-	500
Attorney	200,268	200,268	198,943	1,325
Recorder	183,655	183,655	150,527	33,128
Assessor	169,804	169,804	169,049	755
GIS	9,000	9,000	15,890	(6,890)
Planning and zoning	36,744	36,744	31,487	5,257
Buildings and plant	137,996	137,996	140,974	(2,978)
Veterans service officer	95,790	95,790	82,488	13,302
Employee wellness	-	-	1,690	(1,690)
Other general government	101,440	101,440	264,056	(162,616)
Total general government	\$ 1,842,008	\$ 1,842,008	\$ 1,927,993	\$ (85,985)
Public safety				
Sheriff	\$ 758,202	\$ 758,202	\$ 757,049	\$ 1,153
Safety/AWAIR	4,500	4,500	4,142	358
Sheriff's forfeiture activity	-	-	2,305	(2,305)
County sheriff (city)	207,664	207,664	201,161	6,503
Boat and water safety	4,236	4,236	6,188	(1,952)
Snowmobile safety	3,340	3,340	609	2,731

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

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**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

**EXHIBIT A-1
(Continued)**

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Current				
Public safety (Continued)				
Coroner	9,600	9,600	12,199	(2,599)
Federal safe and sober	13,507	13,507	12,439	1,068
E-911 system	79,170	79,170	31,393	47,777
County jail	55,350	55,350	60,818	(5,468)
Civil defense	65,249	65,249	105,043	(39,794)
Ambulance	3,000	3,000	3,000	-
Other	5,035	5,035	2,652	2,383
Total public safety	\$ 1,208,853	\$ 1,208,853	\$ 1,198,998	\$ 9,855
Sanitation				
Solid waste	\$ 53,929	\$ 53,929	\$ 58,236	\$ (4,307)
Recycling	162,055	162,055	129,281	32,774
Total sanitation	\$ 215,984	\$ 215,984	\$ 187,517	\$ 28,467
Culture and recreation				
Historical society	\$ 10,300	\$ 10,300	\$ 10,300	\$ -
Parks	5,712	5,712	23,132	(17,420)
Senior citizens	500	500	500	-
County/regional library	75,697	75,697	75,697	-
Other	89,116	89,116	28,891	60,225
Total culture and recreation	\$ 181,325	\$ 181,325	\$ 138,520	\$ 42,805
Conservation of natural resources				
Extension	\$ 121,692	\$ 121,692	\$ 93,941	\$ 27,751
Soil and water conservation	106,314	106,314	151,461	(45,147)
Water quality	24,231	24,231	24,231	-
Agricultural society/County fair	11,550	11,550	11,550	-
E-waste	-	-	21	(21)
Environmental officer	29,269	29,269	30,048	(779)
Planning and zoning	157,303	157,303	64,849	92,454
Feedlot administration	30,419	30,419	27,934	2,485
Minnesota River basin	11,833	11,833	11,833	-
Other	1,000	1,000	1,099	(99)
Total conservation of natural resources	\$ 493,611	\$ 493,611	\$ 416,967	\$ 76,644

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

**EXHIBIT A-1
(Continued)**

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Current (Continued)				
Economic development				
Airport	\$ 7,000	\$ 7,000	\$ 7,000	\$ -
Economic development	-	-	37,578	(37,578)
Total economic development	<u>\$ 7,000</u>	<u>\$ 7,000</u>	<u>\$ 44,578</u>	<u>\$ (37,578)</u>
Intergovernmental				
Public safety	\$ 170,486	\$ 170,486	\$ 170,486	\$ -
Health	77,361	77,361	77,482	(121)
Total intergovernmental	<u>\$ 247,847</u>	<u>\$ 247,847</u>	<u>\$ 247,968</u>	<u>\$ (121)</u>
Total Expenditures	<u>\$ 4,196,628</u>	<u>\$ 4,196,628</u>	<u>\$ 4,162,541</u>	<u>\$ 34,087</u>
Excess of Revenues Over (Under)				
Expenditures	<u>\$ (5,000)</u>	<u>\$ (5,000)</u>	<u>\$ 9,987</u>	<u>\$ 14,987</u>
Other Financing Sources (Uses)				
Transfers in	\$ 5,000	\$ 5,000	\$ 10,000	\$ 5,000
Transfers out	-	-	(13,641)	(13,641)
Total Other Financing Sources (Uses)	<u>\$ 5,000</u>	<u>\$ 5,000</u>	<u>\$ (3,641)</u>	<u>\$ (8,641)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,346</u>	<u>\$ 6,346</u>
Fund Balance - January 1	<u>2,358,430</u>	<u>2,358,430</u>	<u>2,358,430</u>	<u>-</u>
Fund Balance - December 31	<u>\$ 2,358,430</u>	<u>\$ 2,358,430</u>	<u>\$ 2,364,776</u>	<u>\$ 6,346</u>

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

EXHIBIT A-2

**BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 1,477,879	\$ 1,477,879	\$ 1,364,201	\$ (113,678)
Other taxes	75,000	75,000	87,265	12,265
Intergovernmental	2,496,475	2,496,475	4,038,607	1,542,132
Charges for services	-	-	603	603
Investment earnings	70,000	70,000	1,683	(68,317)
Miscellaneous	168,000	168,000	214,850	46,850
Total Revenues	\$ 4,287,354	\$ 4,287,354	\$ 5,707,209	\$ 1,419,855
Expenditures				
Current				
Highways and streets				
Administration	\$ 240,805	\$ 240,805	\$ 232,905	\$ 7,900
Construction	1,179,964	1,179,964	1,246,032	(66,068)
Maintenance	2,282,900	2,282,900	2,077,250	205,650
Equipment and maintenance shops	288,775	288,775	207,720	81,055
Total highways and streets	\$ 3,992,444	\$ 3,992,444	\$ 3,763,907	\$ 228,537
Intergovernmental				
Highways and streets	472,000	472,000	501,371	(29,371)
Total Expenditures	\$ 4,464,444	\$ 4,464,444	\$ 4,265,278	\$ 199,166
Excess of Revenues Over (Under) Expenditures	\$ (177,090)	\$ (177,090)	\$ 1,441,931	\$ 1,619,021
Other Financing Sources (Uses)				
Transfers in	-	-	9,635	9,635
Net Change in Fund Balance	\$ (177,090)	\$ (177,090)	\$ 1,451,566	\$ 1,628,656
Fund Balance - January 1	1,569,176	1,569,176	1,569,176	-
Increase (decrease) in inventories	-	-	103,389	103,389
Fund Balance - December 31	\$ 1,392,086	\$ 1,392,086	\$ 3,124,131	\$ 1,732,045

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

EXHIBIT A-3

**BUDGETARY COMPARISON SCHEDULE
FAMILY SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 1,216,836	\$ 1,216,836	\$ 1,122,213	\$ (94,623)
Intergovernmental	1,181,899	1,181,899	1,455,900	274,001
Charges for services	185,750	185,750	226,126	40,376
Investment earnings	2,500	2,500	2,125	(375)
Miscellaneous	87,094	87,094	132,873	45,779
Total Revenues	\$ 2,674,079	\$ 2,674,079	\$ 2,939,237	\$ 265,158
Expenditures				
Current				
Human services				
Income maintenance	\$ 726,143	\$ 726,143	\$ 690,538	\$ 35,605
Administration	-	-	13,808	(13,808)
Social services	1,947,936	1,947,936	1,812,331	135,605
Total Expenditures	\$ 2,674,079	\$ 2,674,079	\$ 2,516,677	\$ 157,402
Net Change in Fund Balance	\$ -	\$ -	\$ 422,560	\$ 422,560
Fund Balance - January 1	2,881,498	2,881,498	2,881,498	-
Fund Balance - December 31	\$ 2,881,498	\$ 2,881,498	\$ 3,304,058	\$ 422,560

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

EXHIBIT A-4

**BUDGETARY COMPARISON SCHEDULE
DITCH SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Special assessments	\$ 219,993	\$ 219,993	\$ 227,149	\$ 7,156
Investment earnings	3,000	3,000	-	(3,000)
Miscellaneous	-	-	320	320
Total Revenues	\$ 222,993	\$ 222,993	\$ 227,469	\$ 4,476
Expenditures				
Current				
Conservation of natural resources				
Other	\$ 217,993	\$ 217,993	\$ 577,904	\$ (359,911)
Debt service				
Bond issuance costs	-	-	11,440	(11,440)
Total Expenditures	\$ 217,993	\$ 217,993	\$ 589,344	\$ (371,351)
Excess of Revenues Over (Under)				
Expenditures	\$ 5,000	\$ 5,000	\$ (361,875)	\$ (366,875)
Other Financing Sources (Uses)				
Transfers in	\$ -	\$ -	\$ 4,006	\$ 4,006
Transfers out	(5,000)	(5,000)	(10,000)	(5,000)
Bonds issued	-	-	308,000	308,000
Total Other Financing Sources (Uses)	\$ (5,000)	\$ (5,000)	\$ 302,006	\$ 307,006
Net Change in Fund Balance	\$ -	\$ -	\$ (59,869)	\$ (59,869)
Fund Balance - January 1	819,161	819,161	819,161	-
Fund Balance - December 31	\$ 819,161	\$ 819,161	\$ 759,292	\$ (59,869)

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

EXHIBIT A-5

**SCHEDULE OF FUNDING PROGRESS
OTHER POSTEMPLOYMENT BENEFITS
DECEMBER 31, 2015**

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

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

EXHIBIT A-6

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA GENERAL EMPLOYEES RETIREMENT FUND
DECEMBER 31, 2015**

Measurement Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	Covered Payroll (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.0407%	\$ 2,109,285	\$ 2,394,275	88.10%	78.19%

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

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

EXHIBIT A-7

**SCHEDULE OF CONTRIBUTIONS
PERA GENERAL EMPLOYEES RETIREMENT FUND
DECEMBER 31, 2015**

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b-a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
2015	\$ 186,855	\$ 186,855	\$ -	\$ 2,491,400	7.50%

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

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

EXHIBIT A-8

**LAC QUI PARLE-YELLOW BANK WATERSHED DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA GENERAL EMPLOYEES RETIREMENT FUND
DECEMBER 31, 2015**

Measurement Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	Covered Payroll (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.0022%	\$ 114,015	\$ 133,986	85.09%	78.19%

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

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

EXHIBIT A-9

**LAC QUI PARLE-YELLOW BANK WATERSHED DISTRICT
SCHEDULE OF CONTRIBUTIONS
PERA GENERAL EMPLOYEES RETIREMENT FUND
DECEMBER 31, 2015**

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b-a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
2015	\$ 10,077	\$ 10,077	\$ -	\$ 134,353	7.50%

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

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

EXHIBIT A-10

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA PUBLIC EMPLOYEES POLICE AND FIRE FUND
DECEMBER 31, 2015**

<u>Measurement Date</u>	<u>Employer's Proportion of the Net Pension Liability (Asset)</u>	<u>Employer's Proportionate Share of the Net Pension Liability (Asset) (a)</u>	<u>Covered Payroll (b)</u>	<u>Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b)</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
2015	0.054%	\$ 613,566	\$ 492,919	124.48%	86.61%

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

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

EXHIBIT A-11

**SCHEDULE OF CONTRIBUTIONS
PERA PUBLIC EMPLOYEES POLICE AND FIRE FUND
DECEMBER 31, 2015**

<u>Year Ending</u>	<u>Statutorily Required Contributions (a)</u>	<u>Actual Contributions in Relation to Statutorily Required Contributions (b)</u>	<u>Contribution (Deficiency) Excess (b-a)</u>	<u>Covered Payroll (c)</u>	<u>Actual Contributions as a Percentage of Covered Payroll (b/c)</u>
2015	\$ 80,893	\$ 80,893	\$ -	\$ 499,343	16.20%

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

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

EXHIBIT A-12

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA PUBLIC EMPLOYEES CORRECTIONAL FUND
DECEMBER 31, 2015**

<u>Measurement Date</u>	<u>Employer's Proportion of the Net Pension Liability (Asset)</u>	<u>Employer's Proportionate Share of the Net Pension Liability (Asset) (a)</u>	<u>Covered Payroll (b)</u>	<u>Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b)</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
2015	0.09%	\$ 13,914	\$ 161,567	8.61%	96.95%

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

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

EXHIBIT A-13

**SCHEDULE OF CONTRIBUTIONS
PERA PUBLIC EMPLOYEES CORRECTIONAL FUND
DECEMBER 31, 2015**

<u>Year Ending</u>	<u>Statutorily Required Contributions (a)</u>	<u>Actual Contributions in Relation to Statutorily Required Contributions (b)</u>	<u>Contribution (Deficiency) Excess (b-a)</u>	<u>Covered Payroll (c)</u>	<u>Actual Contributions as a Percentage of Covered Payroll (b/c)</u>
2015	\$ 14,134	\$ 14,134	\$ -	\$ 161,527	8.75%

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

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**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2015**

1. General Budget Policies

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

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

2. Budget Basis of Accounting

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

3. Budget Amendments

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

4. Excess of Expenditures Over Budget

Expenditures exceeded final budgets in the following fund:

<u>Fund</u>	<u>Expenditures</u>	<u>Final Budget</u>	<u>Excess</u>
Ditch Special Revenue	\$ 589,344	\$ 217,993	\$ 371,351

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

5. Other Postemployment Benefits - Funded Status

Since the County has not irrevocably deposited funds in a trust for future health benefits, the actuarial value of the assets to pay the actuarial accrued liability for postemployment benefits is zero. Currently, only one actuarial valuation is available. As the information becomes available, future reports will provide additional trend analysis to meet the three valuation funding status requirement.

See Note 3.C. in the notes to the financial statements for additional information regarding the County's other postemployment benefits.

SUPPLEMENTARY INFORMATION

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FIDUCIARY FUNDS

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**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

AGENCY FUNDS

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

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

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

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

Taxes and Penalties - to account for the collection of taxes and penalties and their distribution to the various funds and governmental units.

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**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

EXHIBIT B-1

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Balance January 1	Additions	Deductions	Balance December 31
<u>CHILDREN'S MENTAL HEALTH COLLABORATIVE</u>				
<u>Assets</u>				
Cash and pooled investments	<u>\$ 176,096</u>	<u>\$ 35,317</u>	<u>\$ 90,651</u>	<u>\$ 120,762</u>
<u>Liabilities</u>				
Due to other governments	<u>\$ 176,096</u>	<u>\$ 35,317</u>	<u>\$ 90,651</u>	<u>\$ 120,762</u>
 <u>FORFEITED TAX</u>				
<u>Assets</u>				
Cash and pooled investments	<u>\$ 11,348</u>	<u>\$ 11,764</u>	<u>\$ 14,450</u>	<u>\$ 8,662</u>
<u>Liabilities</u>				
Due to other governments	<u>\$ 11,348</u>	<u>\$ 11,764</u>	<u>\$ 14,450</u>	<u>\$ 8,662</u>
 <u>SOCIAL WELFARE</u>				
<u>Assets</u>				
Cash and pooled investments	<u>\$ 7,938</u>	<u>\$ 53,926</u>	<u>\$ 54,134</u>	<u>\$ 7,730</u>
<u>Liabilities</u>				
Accounts payable	<u>\$ 7,938</u>	<u>\$ 53,926</u>	<u>\$ 54,134</u>	<u>\$ 7,730</u>

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

**EXHIBIT B-1
(Continued)**

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Balance January 1	Additions	Deductions	Balance December 31
<u>STATE</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 13,988	\$ 1,048,670	\$ 1,050,453	\$ 12,205
<u>Liabilities</u>				
Due to other governments	\$ 13,988	\$ 1,048,670	\$ 1,050,453	\$ 12,205
 <u>TAXES AND PENALTIES</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 125,334	\$ 12,897,264	\$ 12,603,798	\$ 418,800
Due from other governments	114,491	-	114,491	-
Total Assets	\$ 239,825	\$ 12,897,264	\$ 12,718,289	\$ 418,800
<u>Liabilities</u>				
Due to other governments	\$ 239,825	\$ 12,897,264	\$ 12,718,289	\$ 418,800
 <u>TOTAL ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 334,704	\$ 14,046,941	\$ 13,813,486	\$ 568,159
Due from other governments	114,491	-	114,491	-
Total Assets	\$ 449,195	\$ 14,046,941	\$ 13,927,977	\$ 568,159
<u>Liabilities</u>				
Accounts payable	\$ 7,938	\$ 53,926	\$ 54,134	\$ 7,730
Due to other governments	441,257	13,993,015	13,873,843	560,429
Total Liabilities	\$ 449,195	\$ 14,046,941	\$ 13,927,977	\$ 568,159

OTHER SCHEDULES

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**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

EXHIBIT C-1

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Primary Government	Discretely Presented Component Unit Lac qui Parle- Yellow Bank Watershed District
Appropriations and Shared Revenue		
State		
Highway users tax	\$ 3,686,120	\$ -
Market value credit	246,662	12,822
PERA rate reimbursement	12,441	66
Disparity reduction aid	51,119	-
Police aid	63,805	-
County program aid	137,597	-
Enhanced 911	77,670	-
Aquatic invasive species aid	44,116	-
Select Committee on Recycling and the Environment (SCORE)	69,692	-
	\$ 4,389,222	\$ 12,888
Total appropriations and shared revenue		
Reimbursement for Services		
State		
Minnesota Department of Human Services	\$ 270,379	\$ -
Local		
Lincoln County	-	40,083
	\$ 270,379	\$ 40,083
Total reimbursement for services		
Payments		
Local		
Local contributions	\$ 1,690	\$ -
Payments in lieu of taxes	188,450	1,261
	\$ 190,140	\$ 1,261
Total payments		
Grants		
State		
Minnesota Department/Board/Office of		
Public Safety	\$ 15,139	\$ 250
Human Services	553,181	-
Natural Resources	18,126	-
Transportation	66,123	-
Water and Soil Resources	108,693	31,018
Veterans Affairs	7,500	-
Pollution Control Agency	-	166,036
	\$ 768,762	\$ 197,304
Total state		

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

***EXHIBIT C-1
(Continued)***

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Primary Government</u>	<u>Discretely Presented Component Unit Lac qui Parle- Yellow Bank Watershed District</u>
Grants (Continued)		
Federal		
Department of		
Agriculture	\$ 65,483	\$ -
Transportation	123,088	-
Health and Human Services	456,468	-
Homeland Security	18,175	-
	<hr/>	<hr/>
Total federal	\$ 663,214	\$ -
	<hr/>	<hr/>
Total state and federal grants	\$ 1,431,976	\$ 197,304
	<hr/>	<hr/>
Total Intergovernmental Revenue	\$ 6,281,717	\$ 251,536
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**LAC QUI PARLE-YELLOW BANK
WATERSHED DISTRICT**

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**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

EXHIBIT D-1

**LAC QUI PARLE-YELLOW BANK WATERSHED DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2015**

	Governmental Activities
<u>Assets</u>	
Cash and pooled investments	\$ 1,086,588
Special assessments receivable	
Noncurrent	481,759
Accounts receivable	3,071
Accrued interest receivable	777
Due from other governments	97,720
Capital assets	
Non-depreciable	628,458
Depreciable - net of accumulated depreciation	4,331,454
Total Assets	\$ 6,629,827
<u>Deferred Outflows of Resources</u>	
Deferred pension outflows	\$ 15,999
<u>Liabilities</u>	
Accounts payable	\$ 22,931
Contracts payable	31,053
Due to other governments	2,238
Salaries payable	9,247
Unearned revenue	127,208
ISTS loans	
Due in one year	44,715
Due in more than one year	568,127
Compensated absences	
Due within one year	1,414
Due in more than one year	7,045
Net pension liability	114,015
Total Liabilities	\$ 927,993
<u>Deferred Inflows of Resources</u>	
Deferred pension inflows	\$ 9,271
<u>Net Position</u>	
Investment in capital assets	\$ 4,959,912
Restricted for conservation of natural resources	218,739
Unrestricted	529,911
Total Net Position	\$ 5,708,562

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

EXHIBIT D-2

**LAC QUI PARLE-YELLOW BANK WATERSHED DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015**

		Program Revenues			
Expenses	Fees, Charges, Fines, and Other	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position	
<u>Functions/Programs</u>					
Governmental activities					
Culture and recreation	\$ 131,223	\$ 93,285	\$ -	\$ -	\$ (37,938)
Conservation of natural resources	1,037,076	229,103	237,137	-	(570,836)
Interest	6,171	-	-	-	(6,171)
Total Governmental Activities	\$ 1,174,470	\$ 322,388	\$ 237,137	\$ -	\$ (614,945)
 General Revenues					
Property taxes				\$ 277,257	
Payments in lieu of tax				1,261	
Grants and contributions not restricted to specific programs				12,888	
Investment income				4,552	
Miscellaneous				61,070	
Total general revenues				\$ 357,028	
Change in net position				\$ (257,917)	
Net Position - Beginning, as restated (Note 1.E.)				5,966,479	
Net Position - Ending				\$ 5,708,562	

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

EXHIBIT D-3

**LAC QUI PARLE-YELLOW BANK WATERSHED DISTRICT
GOVERNMENTAL FUNDS BALANCE SHEET
DECEMBER 31, 2015**

	General	Ditch Special Revenue	Total
<u>Assets</u>			
Cash and pooled investments	\$ 1,029,862	\$ 56,726	\$ 1,086,588
Special assessments receivable			
Noncurrent	451,452	30,307	481,759
Accounts receivable	3,071	-	3,071
Accrued interest receivable	693	84	777
Due from other governments	97,180	540	97,720
Total Assets	\$ 1,582,258	\$ 87,657	\$ 1,669,915
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>			
Liabilities			
Accounts payable	\$ 22,931	\$ -	\$ 22,931
Contracts payable	31,053	-	31,053
Due to other governments	2,238	-	2,238
Salaries payable	9,247	-	9,247
Unearned revenue	127,208	-	127,208
Total Liabilities	\$ 192,677	\$ -	\$ 192,677
Deferred Inflows of Resources			
Unavailable revenue	\$ 451,452	\$ 30,307	\$ 481,759
Fund Balances			
Restricted for			
Septic/sewer loans	\$ 161,389	\$ -	\$ 161,389
Ditch repairs and maintenance	-	57,350	57,350
Assigned to			
Flood control	443,980	-	443,980
Unassigned	332,760	-	332,760
Total Fund Balance	\$ 938,129	\$ 57,350	\$ 995,479
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 1,582,258	\$ 87,657	\$ 1,669,915

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

EXHIBIT D-4

**LAC QUI PARLE-YELLOW BANK WATERSHED DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO
THE GOVERNMENT-WIDE STATEMENT OF NET POSITION--GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2015**

Fund balance - total governmental funds (Exhibit D-3)	\$	995,479
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		4,959,912
Deferred outflows of resources resulting from pension obligations are not available resources and, therefore, are not reported in governmental funds.		15,999
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources in the governmental funds.		481,759
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Loans payable	\$ (612,842)	
Compensated absences	(8,459)	
Net pension liability	<u>(114,015)</u>	(735,316)
Deferred inflows resulting from pension obligations are not due and payable in the current period and, therefore, are not reported in the governmental funds.		<u>(9,271)</u>
Net Position of Governmental Activities (Exhibit D-1)	\$	<u>5,708,562</u>

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

EXHIBIT D-5

**LAC QUI PARLE-YELLOW BANK WATERSHED DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2015**

	General	Ditch Special Revenue	Total
Revenues			
Taxes	\$ 277,257	\$ -	\$ 277,257
Special assessments	93,967	5,654	99,621
Intergovernmental	251,286	250	251,536
Charges for services	128,708	-	128,708
Investment earnings	4,133	419	4,552
Miscellaneous	51,635	-	51,635
	\$ 806,986	\$ 6,323	\$ 813,309
Expenditures			
Current			
Culture and recreation	\$ 136,030	\$ -	\$ 136,030
Conservation of natural resources	942,121	37,928	980,049
Debt service			
Principal	43,834	-	43,834
Interest	6,171	-	6,171
	\$ 1,128,156	\$ 37,928	\$ 1,166,084
Excess of Revenues Over (Under) Expenditures	\$ (321,170)	\$ (31,605)	\$ (352,775)
Other Financing Sources (Uses)			
Loans issued	144,194	-	144,194
Net Change in Fund Balance	\$ (176,976)	\$ (31,605)	\$ (208,581)
Fund Balance - January 1, as restated (Note 1.E.)	1,115,105	88,955	1,204,060
Fund Balance - December 31	\$ 938,129	\$ 57,350	\$ 995,479

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

EXHIBIT D-6

**LAC QUI PARLE-YELLOW BANK WATERSHED DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES--GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015**

Net change in fund balance - total governmental funds (Exhibit D-5) \$ (208,581)

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

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

Deferred inflows of resources - December 31	\$ 481,759	
Deferred inflows of resources - January 1	<u>(378,515)</u>	103,244

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

Expenditures for capital assets	\$ 26,847	
Current year depreciation	<u>(74,531)</u>	(47,684)

Governmental funds report loans issued as other financing sources. However, in the statement of activities, the loans are reported as a liability. (144,194)

Payments on long-term debt are reported as expenditures in the governmental funds, but reduce the liabilities at the government-wide level. 43,834

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Change in compensated absences	\$ (443)	
Change in net pension liability, as restated	(5,973)	
Change in deferred outflows of resources, as restated	11,151	
Change in deferred inflows of resources	<u>(9,271)</u>	<u>(4,536)</u>

Change in Net Position of Governmental Activities (Exhibit D-2) \$ (257,917)

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

EXHIBIT D-7

**LAC QUI PARLE-YELLOW BANK WATERSHED DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ -	\$ -	\$ 277,257	\$ 277,257
Special assessments	-	-	93,967	93,967
Intergovernmental	-	-	251,286	251,286
Charges for services	110,500	110,500	128,708	18,208
Investment earnings	-	-	4,133	4,133
Miscellaneous	-	-	51,635	51,635
Total Revenues	\$ 110,500	\$ 110,500	\$ 806,986	\$ 696,486
Expenditures				
Current				
Culture and recreation				
Parks	\$ 104,625	\$ 104,625	\$ 136,030	\$ (31,405)
Conservation of natural resources				
Watershed	290,000	290,000	942,121	(652,121)
Debt service				
Principal	-	-	43,834	(43,834)
Interest	-	-	6,171	(6,171)
Total Expenditures	\$ 394,625	\$ 394,625	\$ 1,128,156	\$ (733,531)
Excess of Revenues Over (Under) Expenditures	\$ (284,125)	\$ (284,125)	\$ (321,170)	\$ (37,045)
Other Financing Sources (Uses)				
Loans issued	-	-	144,194	144,194
Net Change in Fund Balance	\$ (284,125)	\$ (284,125)	\$ (176,976)	\$ 107,149
Fund Balance - January 1, as restated (Note 1.E.)	1,115,105	1,115,105	1,115,105	-
Fund Balance - December 31	\$ 830,980	\$ 830,980	\$ 938,129	\$ 107,149

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

EXHIBIT D-8

**LAC QUI PARLE-YELLOW BANK WATERSHED DISTRICT
BUDGETARY COMPARISON SCHEDULE
DITCH SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Special assessments	\$ -	\$ -	\$ 5,654	\$ 5,654
Intergovernmental	-	-	250	250
Investment earnings	-	-	419	419
Total Revenues	\$ -	\$ -	\$ 6,323	\$ 6,323
Expenditures				
Current				
Conservation of natural resources				
Conservation - other	5,000	5,000	37,928	(32,928)
Net Change in Fund Balance	\$ (5,000)	\$ (5,000)	\$ (31,605)	\$ (26,605)
Fund Balance - January 1	88,955	88,955	88,955	-
Fund Balance - December 31	\$ 83,955	\$ 83,955	\$ 57,350	\$ (26,605)

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LAC QUI PARLE COUNTY

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**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2015**

**I. FINDINGS RELATED TO FINANCIAL STATEMENTS AUDITED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEM NOT RESOLVED

Finding 1999-001

Segregation of Duties

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

Condition: Several of the County's departments that collect fees lack proper segregation of duties. These departments generally have one staff person who is responsible for billing, collecting, recording, and depositing receipts as well as reconciling bank accounts.

Context: Due to the limited number of office personnel within the County, segregation of the accounting functions necessary to ensure adequate internal accounting control is not possible. This is not unusual in operations the size of Lac qui Parle County; however, the County's management should constantly be aware of this condition and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from an accounting point of view.

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

Cause: The County indicated to us that it is a small-sized County, and trying to achieve efficiency through a small staff size is not always conducive to appropriate segregation of duties.

Recommendation: We recommend that the County's elected officials and management be aware of the lack of segregation of duties of the accounting functions and, where possible, implement oversight procedures to ensure that the internal control policies and procedures are implemented by staff to the extent possible.

Client's Response:

The County Board has been advised and is well aware of the lack of segregation of the accounting functions. Lac qui Parle County will create or modify policies to ensure that duties are segregated wherever possible and reasonable.

ITEM ARISING THIS YEAR

Finding 2015-001

Prior Period Adjustment

Criteria: A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements of the financial statements on a timely basis. Auditing standards identify one indication of a material weakness in internal control is the restatement of previously issued financial statements to reflect the correction of a material misstatement due to error.

Condition: During our audit, we identified a prior period adjustment that resulted in significant changes to the County's financial statements. Construction in progress was increased by \$1,718,501 to account for incomplete projects that were removed in the prior year. Infrastructure was increased by \$846,029 (net of related accumulated depreciation in the amount of \$17,266) to account for projects that were removed from construction in progress and not capitalized as infrastructure in the prior year. The prior period adjustment to restate the County's financial statements was reviewed and approved by the appropriate County staff and is reflected in the financial statements.

Context: The need for prior period adjustments can raise doubts as to the reliability of the County's financial information being presented.

Effect: The January 1, 2015, net position of the County was restated (increased) by \$2,564,530.

Cause: Oversight and error in recording capital asset balances.

Recommendation: We recommend County staff review their financial statement closing procedures to ensure they have accurate and complete information necessary to fairly present the County's financial statements in accordance with generally accepted accounting principles.

Client's Response:

The County considers this item as a one-time oversight resulting from transfer of duties amongst staff. The County staff will review year-end capital asset preparation procedures and determine actions to be taken to prevent recurrence of this error in future years.

PREVIOUSLY REPORTED ITEM RESOLVED

Audit Adjustments (2006-007)

During prior audits, we identified and proposed audit adjustments that resulted in significant changes to the County's financial statements.

Resolution

Lac qui Parle County has continued to implement procedures over financial reporting to detect misstatements in the financial statements. We proposed no significant audit adjustments for the 2015 audit.

II. OTHER FINDINGS AND RECOMMENDATIONS

MINNESOTA LEGAL COMPLIANCE

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

Finding 2012-005

Publication of Financial Statements

Criteria: The County is required by Minn. Stat. § 375.17 to annually publish its financial statements in a form prescribed by the State Auditor for one issue in a duly qualified legal newspaper in the County.

Condition: The County Auditor-Treasurer-Coordinator did not publish the financial statements for 2011, 2012, 2013, or 2014.

Context: Typically, counties defer publishing their financial statements until the audit of their financial statements is complete.

Effect: The County is not in compliance with Minn. Stat. § 375.17.

Cause: The County does not have the resources to make publishing the financial statements a priority.

Recommendation: We recommend the County Auditor-Treasurer-Coordinator publish the County's financial statements annually as required by Minn. Stat. § 375.17.

Client's Response:

The County Auditor-Treasurer-Coordinator will work with staff to create the summary financial statement for publication purposes, starting with the 2015 audit year.

Finding 2012-006

Publication of Board Minutes

Criteria: Minnesota Statute § 375.12 states that "Within 30 days of each meeting, the county board must have the official proceedings of its sessions or a summary published in a qualified newspaper of general circulation in the county."

Condition: We reviewed the affidavits of publication related to the publishing of a summary of the County Board minutes for 2015 and found that the summaries were not published in the County's official newspaper within the 30-day requirement.

Context: Of the nine published summaries reviewed, none were published within the 30-day requirement.

Effect: Noncompliance with Minn. Stat. § 375.12.

Cause: The County Board minutes are not prepared and presented to the County Board for review and approval in time to meet the publication within the 30-day requirement.

Recommendation: We recommend the County publish its summaries of the County Board minutes in compliance with Minn. Stat. § 375.12.

Client's Response:

Compliance with this statute is difficult due to the fact that the County Board typically meets only twice per month. Full compliance with this statute requires that the Board approve the minutes of the previous meeting at every regular Board meeting. Nonetheless, the County agrees that delayed publication of the Board minutes is not in compliance with statute, and the Auditor-Treasurer-Coordinator will continue to prioritize this task accordingly.



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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Independent Auditor's Report

Board of County Commissioners
Lac qui Parle County
Madison, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Lac qui Parle County, Minnesota, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated June 24, 2016. Our report includes a reference to other auditors who audited the financial statements of the Lac qui Parle County Economic Development Authority, a discretely presented component unit as described in our report on the County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The results of our testing of the Lac qui Parle-Yellow Bank Watershed District component unit's internal control over financial reporting and on compliance and other matters is reported on separately within this Management and Compliance Report.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Recommendations, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness and an item that we consider to be a significant deficiency.

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Recommendations as item 2015-001 to be a material weakness.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Recommendations as item 1999-001 to be a significant deficiency.

Compliance and Other Matters

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

Minnesota Legal Compliance

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

In connection with our audit, nothing came to our attention that caused us to believe that Lac qui Parle County failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Counties*, except as described in the Schedule of Findings and Recommendations as items 2012-005 and 2012-006. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the County's noncompliance with the above referenced provisions.

Lac qui Parle County's Response to Findings

Lac qui Parle County's responses to the internal control and legal compliance findings identified in our audit have been included in the Schedule of Findings and Recommendations. The County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of This Report

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

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

June 24, 2016

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

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**LAC QUI PARLE-YELLOW BANK WATERSHED DISTRICT
MADISON, MINNESOTA**

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECMEBER 31, 2015**

**FINDINGS RELATED TO FINANCIAL STATEMENTS AUDITED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEM NOT RESOLVED

Finding 2007-001

Segregation of Duties

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

Condition: The Lac qui Parle-Yellow Bank Watershed District lacks proper segregation of duties. The District has one staff person who is responsible for billing, collecting, recording, and depositing receipts as well as reconciling bank accounts.

Context: Due to the limited number of office personnel within the District, segregation of the accounting functions necessary to ensure adequate internal accounting control is not possible. This is not unusual in operations the size of the Lac qui Parle-Yellow Bank Watershed District; however, the District's management should constantly be aware of this condition and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from an accounting point of view.

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

Cause: The District indicated that it has a limited number of employees. Due to the limited number of employees, the District cannot adequately segregate accounting duties.

Recommendation: We recommend that the District's Board of Managers and management be aware of the lack of segregation of the accounting functions and, where possible, implement oversight procedures to ensure that the internal control policies and procedures are implemented by staff to the extent possible.

Client's Response:

The Lac qui Parle-Yellow Bank Watershed District's Board of Managers are aware of the lack of segregation of the accounting functions, and where possible, will implement oversight procedures to ensure that the internal control policies and procedures are implemented by staff to the extent possible.

ITEM ARISING THIS YEAR

Finding 2015-001

Prior Period Adjustment

Criteria: A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements of the financial statements on a timely basis. Auditing standards identify one indication of a material weakness in internal control is the restatement of previously issued financial statements to reflect the correction of a material misstatement due to error.

Condition: During our audit, we identified the need to restate the beginning net position of the District's statement of net position. Unearned revenue was recorded on the Clean Water Partnership Continuation grant that had been spent and, therefore, earned in a prior year. The restatement resulted in significant changes to the District's financial statements. The prior period adjustment to restate the District's financial statements was reviewed and approved by the appropriate District staff and is reflected in the financial statements.

Context: The need for prior period adjustments can raise doubts as to the reliability of the District's financial information being presented.

Effect: The January 1, 2015, net position of the governmental activities and the General Fund fund balance were restated (increased) by \$102,225.

Cause: The calculation of unearned revenue was incomplete, as not all of the necessary grant expenditures were considered.

Recommendation: We recommend District staff review their financial statement closing procedures to ensure they have accurate and complete information necessary to fairly present the District's financial statements in accordance with generally accepted accounting principles.

Client's Response:

The Lac qui Parle-Yellow Bank Watershed District's Board of Managers will review the financial statement closing procedures, review policies, and adopt new policies where applicable. This will help ensure staff have procedures in place to have accurate and complete information necessary to fairly present the District's financial statements in accordance with generally accepted accounting principles.

PREVIOUSLY REPORTED ITEM RESOLVED

Audit Adjustments (2011-001)

During prior audits, we identified and proposed audit adjustments that resulted in significant changes to the Lac qui Parle-Yellow Bank Watershed District's financial statements.

Resolution

The District has continued to implement procedures over financial reporting to detect misstatements in the financial statements. We proposed no significant audit adjustments for the 2015 audit.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Independent Auditor's Report

Board of Managers
Lac qui Parle-Yellow Bank Watershed District
Madison, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Lac qui Parle County, Minnesota, which include as supplementary information, the financial statements of the Lac qui Parle-Yellow Bank Watershed District, a discretely presented component unit, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated June 24, 2016.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified.

However, as described in the accompanying Schedule of Findings and Recommendations, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness and an item that we consider to be a significant deficiency.

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Recommendations as item 2015-001 to be a material weakness.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Recommendations as item 2007-001 to be a significant deficiency.

Compliance and Other Matters

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

Minnesota Legal Compliance

The *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, contains six categories of compliance to be tested in connection with the audit of the District's financial statements: contracting and bidding, deposits and investments, conflicts of interest, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit considered all of the listed categories, except that we did not test for compliance with the provisions for tax increment financing because the Lac qui Parle-Yellow Bank Watershed District has no tax increment financing.

In connection with our audit, nothing came to our attention that caused us to believe that the Lac qui Parle-Yellow Bank Watershed District failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions*. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with the above referenced provisions.

Lac qui Parle-Yellow Bank Watershed District's Response to Findings

The Lac qui Parle-Yellow Bank Watershed District's responses to the internal control findings identified in our audit have been included in the Schedule of Findings and Recommendations. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting, compliance, and the provisions of the *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions* and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

June 24, 2016

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR