STATE OF MINNESOTA
Office of the State Auditor

Rebecca Otto
State Auditor

NICOLLET COUNTY
ST. PETER, MINNESOTA

YEAR ENDED DECEMBER 31, 2017

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 650 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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NICOLLET COUNTY
ST. PETER, MINNESOTA

Year Ended December 31, 2017

Audit Practice Division
Office of the State Auditor
State of Minnesota

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NICOLLET COUNTY
ST. PETER, MINNESOTA

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NICOLLET COUNTY
ST. PETER, MINNESOTA

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Introductory Section

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NICOLLET COUNTY
ST. PETER, MINNESOTA

ORGANIZATION
DECEMBER 31, 2017

Office	Name	Term Expires
Commissioners		
1st District	Marie Dranttel*	January 2021
2nd District	James Stenson	January 2019
3rd District	Denny Kemp	January 2021
4th District	Jack Kolars	January 2019
5th District	John Luepke	January 2021
Officers Elected		
Attorney	Michelle Zehnder Fischer	January 2019
County Judge	Allison Krehbiel	January 2023
County Judge	Todd Westphal	January 2021
County Recorder	Kathryn Conlon	January 2019
Registrar of Titles	Kathryn Conlon	January 2019
Sheriff	David Lange	January 2019
Officers Appointed		
Assessor	Lorna Sandvik	December 2020
Finance Director	Heather McCormick	Indefinite
Court Administrator	Carol Weikle	Indefinite
Public Works Director	Seth Greenwood	May 2021
Probation Officer (Court Services Director)	Richard Molitor	Indefinite
Surveyor	Bolton & Menk	Indefinite
Veterans Service Officer	Nathan Tish	December 2020
Coroner	Dr. Michael McGee	December 2020
Administrator	Ryan Krosch	Indefinite
Human Services Director	Joan Tesdahl	Indefinite
Public Health Director	Mary Hildebrandt	Indefinite
Property and Public Services Director	Mandy Landkamer	Indefinite
Extension Director	LuAnn Hiniker	Indefinite
Human Resources Director	Jamie Haefner	Indefinite
Emergency Management Director	Justin Block	Indefinite
Technologies Director	Dayle Moore	Indefinite
Facilities Maintenance Director	Douglas Krueger	Indefinite

*Chair

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Financial Section

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STATE OF MINNESOTA
OFFICE OF THE STATE AUDITOR

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INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Nicollet County
St. Peter, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Nicollet County, Minnesota, as of and for the year ended December 31, 2017, 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 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, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Nicollet County as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons of the General Fund, Road and Bridge Special Revenue Fund, and Human Services Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Nicollet 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 report dated September 5, 2018, on our consideration of Nicollet County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Nicollet County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Nicollet County's internal control over financial reporting and compliance.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (SEFA), as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements. The SEFA 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 SEFA is fairly stated in all material respects in relation to the basic financial statements as a whole.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

September 5, 2018

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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NICOLLET COUNTY
ST. PETER, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017
(Unaudited)

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

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of Nicollet County exceeded its liabilities and deferred inflows of resources by $106,495,555 at the close of 2017. Of this amount, $11,857,580 (unrestricted net position) may be used to meet Nicollet County's ongoing obligations to citizens and creditors.

- At the close of 2017, Nicollet County's governmental funds reported combined ending fund balances of $31,547,473, an increase of $3,225,870 in comparison with the prior year. Of the total fund balance, $9,059,292 is available for spending at the County's discretion and is noted as unassigned fund balance.

- At the close of 2017, the unassigned fund balance for the General Fund was $11,278,933, or 65.4 percent, of total General Fund expenditures.

- Nicollet County's total bonds and capital notes payable decreased by $1,450,000. There were payments of $115,000 to G.O. Capital Improvement Bonds, Series 2013A; $455,000 to Road Reconstruction Bonds, Series 2008A; $55,000 to G.O. Drainage Bonds, Series 2008A; $460,000 to G.O. Capital Improvement Refunding Bonds, Series 2013B; $30,000 to G.O. Capital Improvement Bonds-Human Services Building, Series 2013A; and $335,000 to G.O. Capital Improvement Notes, Series 2013A.

OVERVIEW OF THE FINANCIAL STATEMENTS

This Management's Discussion and Analysis (MD&A) is intended to serve as an introduction to Nicollet County's basic financial statements. The County's basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

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

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

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

The County's government-wide financial statements report functions of the County principally supported by taxes and intergovernmental revenues. The governmental activities of Nicollet County include general government, public safety, highways and streets, sanitation, human services, health, culture and recreation, conservation of natural resources, and economic development.

The government-wide financial statements can be found on Exhibits 1 and 2.

Fund Financial Statements

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

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

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

  Nicollet County reports six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Road and Bridge Special Revenue Fund, the Human Services Special Revenue Fund, the Revolving Loan Special Revenue Fund, the Ditch Special Revenue Fund, and the Debt Service Fund, all of which are considered to be major funds. Governmental fund financial statements are on Exhibits 3 through 7.

- Proprietary funds--Nicollet County maintains one proprietary fund. The Self-Insurance Internal Service Fund is used to account for the accumulation of resources for, and the payment of, insurance costs of the self-insurance program. Because the Self-Insurance Internal Service Fund benefits the governmental function, it has been included within the governmental activities column on the government-wide financial statements. Proprietary fund financial statements are on Exhibits 8 through 10.

- Fiduciary funds--Fiduciary funds are used to account for assets held by the County as an agent for individuals, private organizations, other governments, or other funds. Nicollet County's fiduciary funds consist of seven agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. In addition, the agency funds are not reflected in the government-wide financial statements because those resources are not available to support the County's programs. Fiduciary funds are on Exhibit 11 and Exhibit C-1.

Notes to the Financial Statements

The notes to the financial statements provide additional information essential to a full understanding of the data provided.

Other Information

In addition to the basic financial statements and notes, this report also presents certain required supplementary information concerning Nicollet County's progress in funding its obligation to provide other postemployment benefits to its employees (Exhibit A-1) and schedules of the proportionate share of net pension liability and schedules of contributions (Exhibits A-2 to A-7). In addition, the County also provides supplementary information on intergovernmental revenue and expenditures of federal awards (Exhibits D-1 and D-2).

Nicollet County adopts an annual appropriated budget for the General Fund, the Road and Bridge Special Revenue Fund, the Human Services Special Revenue Fund, and the Debt Service Fund. Budgetary comparison statements have been provided for these major funds to demonstrate compliance with these budgets.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Over time, net position serves as a useful indicator of the County's financial position. Nicollet County's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $106,495,555 at the close of 2017. The largest portion of Nicollet County's net position (75.9 percent) reflects its investment in capital assets (land, buildings, and equipment), less any related debt used to acquire those assets that is still outstanding. However, it should be noted that these assets are not available for future spending.

Governmental Net Position

	2016	2017
Assets		
Current and other assets	$ 37,341,051	$ 45,397,494
Capital assets	96,193,614	96,838,529
Total Assets	$ 133,534,665	$ 142,236,023
Deferred Outflows of Resources	$ 10,233,098	$ 6,044,603
Liabilities		
Long-term liabilities outstanding	$ 40,646,207	$ 33,819,868
Other liabilities	1,815,616	2,678,412
Total Liabilities	$ 42,461,823	$ 36,498,280
Deferred Inflows of Resources	$ 1,872,657	$ 5,286,791
Net position		
Net investment in capital assets	$ 78,927,469	$ 80,879,449
Restricted	8,191,362	13,758,526
Unrestricted	12,314,452	11,857,580
Total Net Position	$ 99,433,283	$ 106,495,555

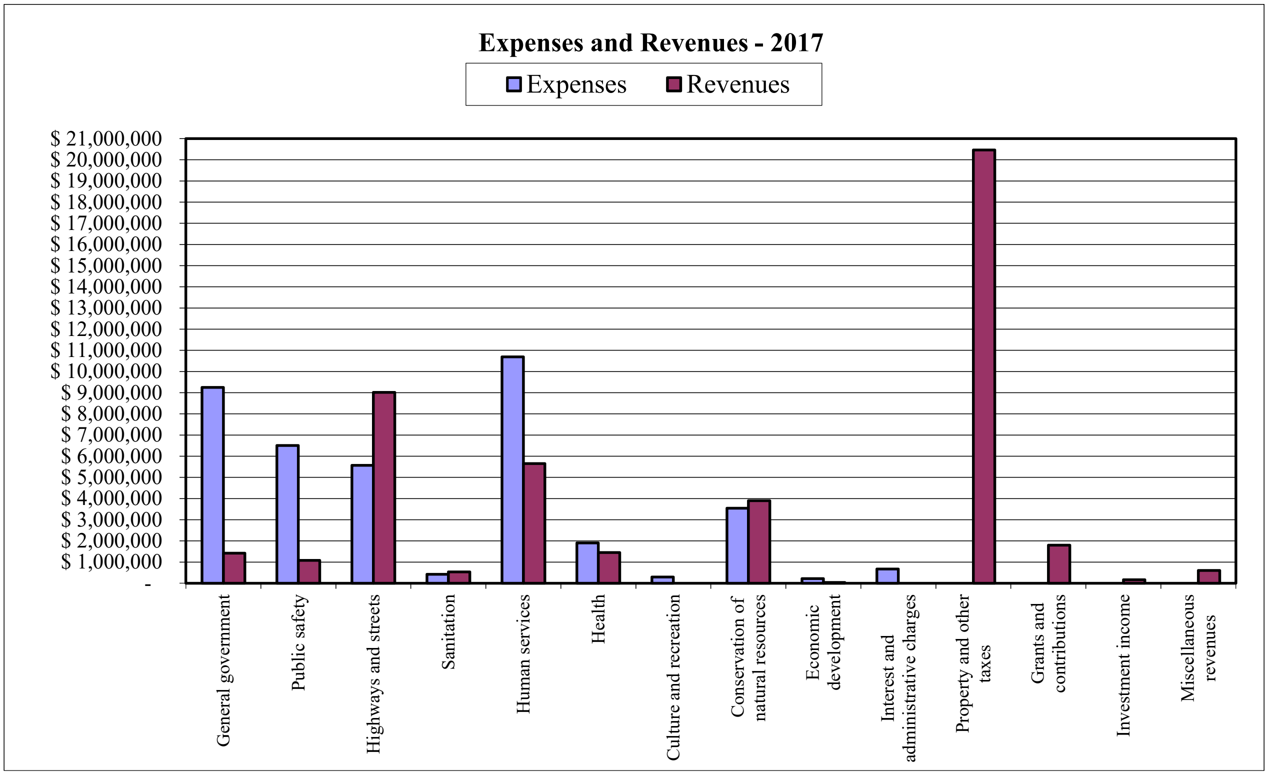
The unrestricted net position amount of $11,857,580 as of December 31, 2017, may be used to meet the County's ongoing obligations to citizens and creditors.

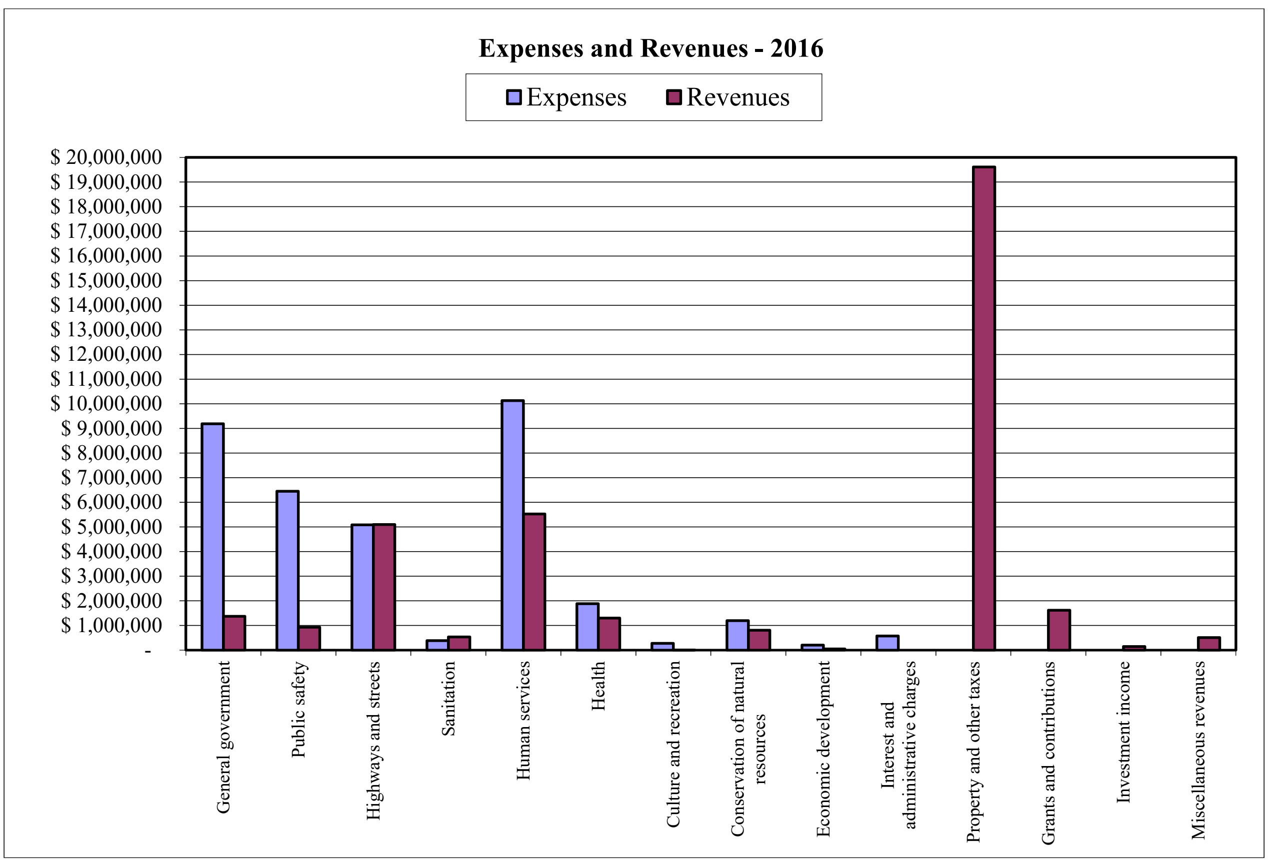
GOVERNMENTAL ACTIVITIES

Nicollet County's activities increased net position by $7,062,272, or 7.1 percent, over the 2016 net position. The following table summarizes the changes in net position for 2017.

Changes in Government Net Position

	2016	2017
Revenues		
Program revenues		
Fees, charges, and others	$ 3,657,727	$ 6,957,610
Operating grants and contributions	11,858,017	15,082,072
Capital grants and contributions	113,345	1,045,061
General revenues		
Property taxes	19,236,810	19,987,426
Other	2,653,940	3,051,419
Total Revenues	$ 37,519,839	$ 46,123,588
Expenses		
General government	$ 9,185,753	$ 9,247,029
Public safety	6,449,911	6,504,357
Highways and streets	5,088,023	5,566,446
Sanitation	387,515	425,967
Human services	10,130,871	10,688,774
Health	1,887,659	1,902,959
Culture and recreation	278,282	291,703
Conservation of natural resources	1,198,003	3,539,971
Economic development	203,034	221,432
Interest	575,313	672,678
Total Expenses	$ 35,384,364	$ 39,061,316
Increase in Net Position	$ 2,135,475	$ 7,062,272
Net Position - January 1	97,297,808	99,433,283
Net Position - December 31	$ 99,433,283	$ 106,495,555


Expenses and Revenues - 2017
Expenses
Revenues
$ 21,000,000
$ 20,000,000
$ 19,000,000
$ 18,000,000
$ 17,000,000
$ 16,000,000
$ 15,000,000
$ 14,000,000
$ 13,000,000
$ 12,000,000
$ 11,000,000
$ 10,000,000
$ 9,000,000
$ 8,000,000
$ 7,000,000
$ 6,000,000
$ 5,000,000
$ 4,000,000
$ 3,000,000
$ 2,000,000
$ 1,000,000
-
General government
Public safety
Highways and streets
Sanitation
Human services
Health
Culture and recreation
Conservation of natural resources
Economic development
Interest and administrative charges
Property and other taxes
Grants and contributions
Investment income
Miscellaneous revenues


Expenses and Revenues - 2016
Expenses
Revenues
$ 20,000,000
$ 19,000,000
$ 18,000,000
$ 17,000,000
$ 16,000,000
$ 15,000,000
$ 14,000,000
$ 13,000,000
$ 12,000,000
$ 11,000,000
$ 10,000,000
$ 9,000,000
$ 8,000,000
$ 7,000,000
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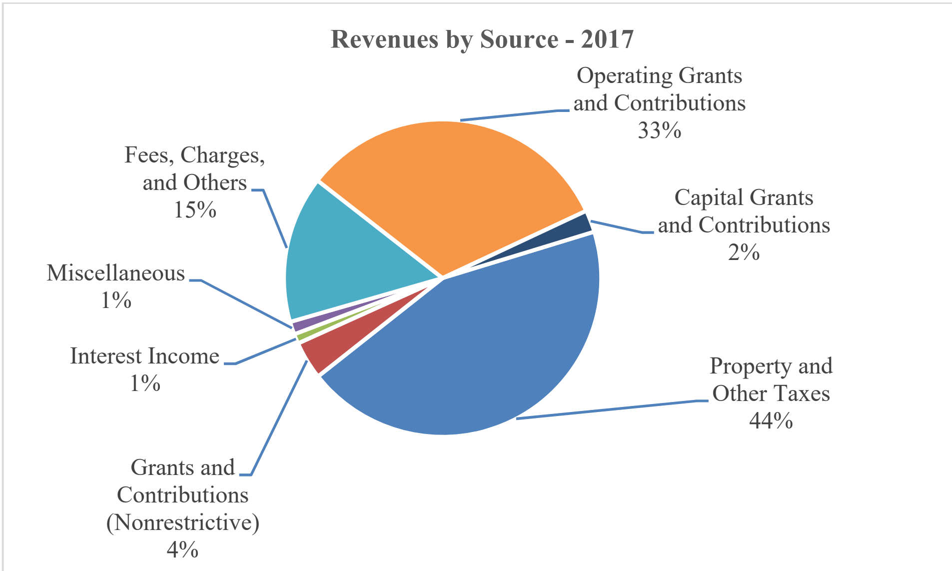
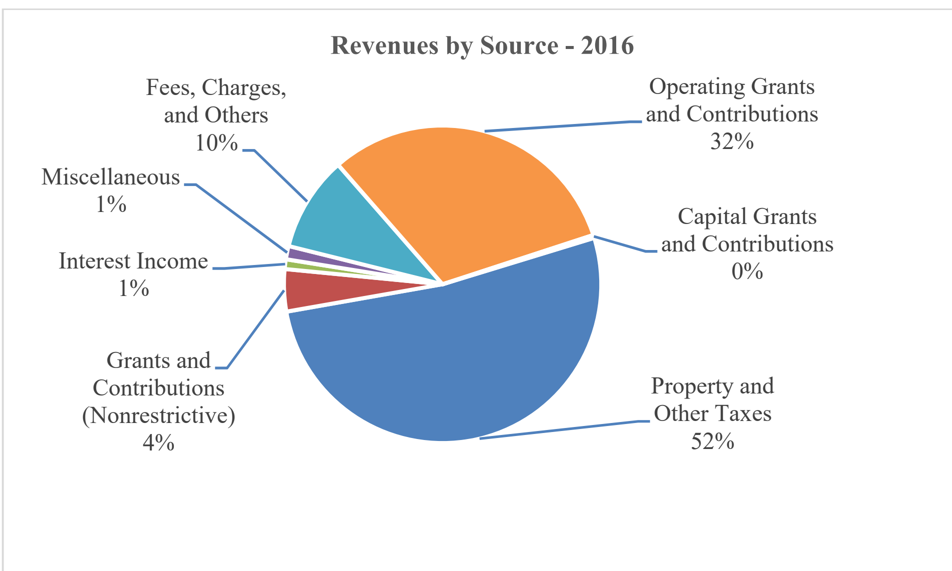
-
General government
Public safety
Highways and streets
Sanitation
Human services
Health
Culture and recreation
Conservation of natural resources
Economic development
Interest and administrative charges
Property and other taxes
Grants and contributions
Investment income
Miscellaneous revenues


Revenues by Source - 2017
Operating Grants and Contributions 33%
Capital Grants and Contributions 2%
Property and Other Taxes 44%
Grants and Contributions (Nonrestrictive) 4%
Interest Income 1%
Miscellaneous 1%
Fees, Charges, and Others 15%


Revenues by Source - 2016
Operating Grants and Contributions 32%
Capital Grants and Contributions 0%
Property and Other Taxes 52%
Grants and Contributions (Nonrestrictive) 4%
Interest Income 1%
Miscellaneous 1%
Fees, Charges, and Others 10%

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

Governmental Funds

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

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of $31,547,473, an increase of $3,225,870 in comparison with the prior year. The majority of this amount ($21,953,446) constitutes assigned and unassigned fund balance, which is available for spending at the County's discretion. The remainder of fund balance is restricted, committed, or nonspendable to indicate that it is not available for new spending because it has already been committed for various reasons.

The General Fund is the chief operating fund of Nicollet County. At the end of the current fiscal year, assigned and unassigned fund balance of the General Fund was $11,278,933, while total fund balance was $12,855,689. As a measure of the General Fund's liquidity, it may be useful to compare the assigned and unassigned fund balance to total fund expenditures. The assigned and unassigned fund balance represents 65 percent of total General Fund expenditures, while total fund balance represents 75 percent of that same amount. In 2017, the fund balance amount in the General Fund increased by $1,178,687.

The Road and Bridge Special Revenue Fund's fund balance increased by $3,611,461 in 2017. Some attributing factors were due to the timing of awarded state aid-approved projects, impacting revenues.

The Human Services Special Revenue Fund's fund balance decreased by $21,896 in 2017.

The Revolving Loan Special Revenue Fund's fund balance decreased by $10,664 in 2017.

The Ditch Special Revenue Fund had a negative fund balance of $1,884,749 at year-end 2017. Total fund balance decreased by $1,704,060 in 2017. In 2018, Series 2018A General Obligation Ditch Bonds were issued in the principal amount of $2,155,000. These bonds were issued for the purpose of the County Ditch 62A improvement of a water drainage system, including the addition of new tile, reconstruction of drainage ditches, and the addition of a water retention pond. The bonds will be paid with special assessments by the land owners who are benefited by the County Ditch 62A system.

The Debt Service Special Revenue Fund's restricted fund balance increased by $172,342 in 2017. Tax collections were greater than the debt obligations in 2017.

General Fund Budgetary Highlights

The difference between the original budget expenditures and the final amended budget expenditures was an increase of $6,977 during the year. The difference between the original budget revenues and the final amended budget revenues was an increase of $7,448.

The final amended budget expenditures exceeded actual expenditures by $524,932. The actual revenues, transfers in, and insurance recoveries exceeded final amended budget revenues and transfers in by $764,984. Significant variances during the current year included the following:

- Departmental expense savings of $300,668 in general government and public safety departments. County Attorney, Property Services, and Dispatch expenses were lower than budget, impacted by staff planning variances from budget (salaries and benefits).

- Capital outlay expenditures were under budget by $105,446 due to the delay and timing of some general government capital expenditures.

- Intergovernmental revenues exceeded the budget by $514,019 for unbudgeted revenue. The most significant sources were higher than budgeted intergovernmental reimbursement for services in Public Health. In addition, there were Property Services grant revenues which were unbudgeted.

- Insurance recoveries of $105,672 were unbudgeted.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The County's investment in capital assets for its governmental activities as of December 31, 2017, was $96,838,529 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, and infrastructure. The total increase in the County's investment in capital assets for the current fiscal year was one percent.

Capital Assets

	2016	2017
Land	$ 4,839,773	$ 4,900,143
Construction in progress	449,024	398,173
Land improvements	90,783	74,859
Buildings	19,154,819	18,656,762
Machinery, vehicles, furniture, and equipment	3,314,724	3,109,446
Infrastructure	68,344,491	69,699,146
Totals	$ 96,193,614	$ 96,838,529

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

Long-Term Debt

At the end of the current fiscal year, the County had total bonded debt outstanding of $15,525,000, which is backed by the full faith and credit of the government.

Outstanding Debt

	2016	2017
General obligation bonds	$ 15,920,000	$ 14,805,000
General obligation notes	1,055,000	720,000
Total	$ 16,975,000	$ 15,525,000

The County's debt related to general obligation bonds and general obligation notes decreased by $1,450,000 (8.5 percent) during the fiscal year. The primary reason for the decrease is due to the capital improvement bonds and notes being retired by the Debt Service Fund.

Nicollet County's bond rating is "Aa2" from Moody's.

Minnesota statutes limit the amount of net debt to three percent of the market value of taxable property in the County. As of the end of 2017, Nicollet County is below the three percent debt limit imposed by state statutes.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

- Nicollet County's unemployment rate was 2.3 percent as of the end of 2017. This is moderately below the statewide rate of 3.4 percent. (Source: Minnesota Department of Employment and Economic Development, Unemployment Statistics - LAUS Data.)

- Nicollet County's population remains steady at 33,892. Agricultural land values have remained steady. Residential property values continued to increase and commercial and industrial property values increased by varying degrees based on location.

At the end of 2017, Nicollet County set its 2018 revenue and expenditure budgets.

REQUESTS FOR INFORMATION

This annual financial report is designed to provide a general overview of the County's finances for all those with an interest in the County's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Nicollet County Finance Department, Nicollet County Courthouse, 501 South Minnesota Avenue, St. Peter, Minnesota 56082.

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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NICOLLET COUNTY
ST. PETER, MINNESOTA

EXHIBIT 1

STATEMENT OF NET POSITION
GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2017

Assets		
Cash and pooled investments	$	31,069,892
Taxes receivable		
Delinquent - net		219,397
Special assessments receivable		
Delinquent - net		6,843
Noncurrent - net		3,443,286
Accounts receivable - net		834,695
Accrued interest receivable		28,739
Due from other governments		9,247,961
Inventories		406,070
Prepaid items		140,611
Capital assets		
Non-depreciable		5,298,316
Depreciable - net of accumulated depreciation		91,540,213
Total Assets	**$**	**142,236,023**
Deferred Outflows of Resources		
Deferred pension outflows	**$**	**6,044,603**
Liabilities		
Accounts payable	$	751,169
Claims payable		269,529
Salaries payable		344,521
Contracts payable		622,390
Due to other governments		187,672
Accrued interest payable		391,616
Unearned revenue		111,515
Long-term liabilities		
Due within one year		2,767,411
Due in more than one year		15,788,848
Net pension liability		14,299,459
Net other postemployment benefits obligations		964,150
Total Liabilities	**$**	**36,498,280**
Deferred Inflows of Resources		
Prepaid property taxes	$	656,695
Deferred pension inflows		4,630,096
Total Deferred Inflows of Resources	**$**	**5,286,791**

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

NICOLLET COUNTY
ST. PETER, MINNESOTA

EXHIBIT 1
(Continued)

STATEMENT OF NET POSITION
GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2017

Net Position		
Net investment in capital assets	$	80,879,449
Restricted for		
General government		972,253
Public safety		481,543
Highways and streets		8,170,884
Human services		132,328
Conservation of natural resources		1,618,085
Debt service		2,383,433
Unrestricted		11,857,580
Total Net Position	**$**	**106,495,555**

NICOLLET COUNTY
ST. PETER, MINNESOTA

EXHIBIT 2

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017

	Expenses	Program Revenues: Fees, Charges, Fines, and Other	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Change in Net Position
Functions/Programs					
Governmental activities					
General government	$ 9,247,029	$ 804,925	$ 613,396	$ -	$ (7,828,708)
Public safety	6,504,357	484,685	592,345	-	(5,427,327)
Highways and streets	5,566,446	115,285	7,851,063	1,045,061	3,444,963
Sanitation	425,967	442,192	97,163	-	113,388
Human services	10,688,774	648,450	5,006,207	-	(5,034,117)
Health	1,902,959	563,964	887,247	-	(451,748)
Culture and recreation	291,703	-	-	-	(291,703)
Conservation of natural resources	3,539,971	3,898,109	-	-	358,138
Economic development	221,432	-	34,651	-	(186,781)
Interest and administrative charges	672,678	-	-	-	(672,678)
Total Governmental Activities	**$ 39,061,316**	**$ 6,957,610**	**$ 15,082,072**	**$ 1,045,061**	**$ (15,976,573)**

General Revenues	
Property taxes	$ 19,987,426
Mortgage registry and deed tax	75,014
Wheelage tax	295,751
Gravel tax	59,623
Payments in lieu of tax	49,832
Grants and contributions not restricted to specific programs	1,801,201
Unrestricted investment earnings	162,642
Miscellaneous	607,356
Total general revenues	**$ 23,038,845**
Change in net position	**$ 7,062,272**
Net Position - January 1	**99,433,283**
Net Position - December 31	**$ 106,495,555**

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

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FUND FINANCIAL STATEMENTS

NICOLLET COUNTY
ST. PETER, MINNESOTA

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2017

	General	Road and Bridge
Assets		
Cash and pooled investments	$ 11,637,839	$ 8,335,042
Taxes receivable		
Delinquent - net	128,983	19,356
Special assessments receivable		
Delinquent - net	4,106	-
Noncurrent - net	-	-
Accounts receivable - net	93,633	76
Accrued interest receivable	28,739	-
Interfund receivable	1,522,075	-
Due from other funds	52,467	-
Due from other governments	405,731	7,909,309
Prepaid items	122,960	10,967
Inventories	-	406,070
Total Assets	**$ 13,996,533**	**$ 16,680,820**
Liabilities, Deferred Inflows of Resources, and Fund Balances		
Liabilities		
Accounts payable	$ 271,462	$ 87,825
Salaries payable	229,027	28,296
Contracts payable	-	148,526
Interfund payable	-	-
Due to other funds	-	26,773
Due to other governments	63,949	3,027
Unearned revenue	111,515	-
Total Liabilities	**$ 675,953**	**$ 294,447**
Deferred Inflows of Resources		
Unavailable revenue	$ 101,977	$ 5,053,631
Prepaid property taxes	362,914	75,973
Total Deferred Inflows of Resources	**$ 464,891**	**$ 5,129,604**

EXHIBIT 3

Human Services	Revolving Loan	Ditch	Debt Service	Total Governmental Funds
$ 5,775,216	$ 659,456	$ -	$ 2,826,011	$ 29,233,564
46,433	-	-	24,625	219,397
-	1,920	817	-	6,843
-	352,212	3,091,074	-	3,443,286
740,986	-	-	-	834,695
-	-	-	-	28,739
-	-	-	-	1,522,075
-	-	26,773	-	79,240
792,647	-	140,274	-	9,247,961
3,017	-	3,667	-	140,611
-	-	-	-	406,070
$ 7,358,299	**$ 1,013,588**	**$ 3,262,605**	**$ 2,850,636**	**$ 45,162,481**
$ 270,327	$ -	$ 121,555	$ -	$ 751,169
85,517	-	1,681	-	344,521
-	-	473,864	-	622,390
-	-	1,522,075	-	1,522,075
48,671	3,796	-	-	79,240
91,161	-	29,535	-	187,672
-	-	-	-	111,515
$ 495,676	**$ 3,796**	**$ 2,148,710**	**$ -**	**$ 3,618,582**
$ 816,973	$ 352,967	$ 2,998,644	$ 15,539	$ 9,339,731
153,135	-	-	64,673	656,695
$ 970,108	**$ 352,967**	**$ 2,998,644**	**$ 80,212**	**$ 9,996,426**

NICOLLET COUNTY
ST. PETER, MINNESOTA

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2017

	General	Road and Bridge
Liabilities, Deferred Inflows of Resources, and Fund Balances (Continued)		
Fund Balances		
Nonspendable		
Inventories	$ -	$ 406,070
Prepaid items	122,960	10,967
Restricted for		
Law library	561	-
Recorder's equipment	605,057	-
Enhanced 911 system	303,034	-
Handgun permit fees - carry program administration	163,804	-
Sheriff's contingency	5,246	-
Sheriff - prostitution law enforcement, training and education	1,844	-
Forfeited sheriff property	7,281	-
Forfeited attorney property	37,808	-
Attorney - prostitution prosecution, training and education	334	-
Veteran van	53,782	-
Aquatic invasive species program	163,572	-
Land reclamation	31,788	-
Riparian project	79,685	-
Transportation	-	584,072
Highway construction	-	2,815,502
Child protection services	-	-
Debt service	-	-
ISTS loans	-	-
Ditch maintenance and repairs	-	-
Committed to		
Transportation	-	675,000
Assigned for		
Road and bridge	-	6,765,158
Human services	-	-
Septic/sewer loans	-	-
Unassigned	11,278,933	-
Total Fund Balances	**$ 12,855,689**	**$ 11,256,769**
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	**$ 13,996,533**	**$ 16,680,820**

EXHIBIT 3
(Continued)

Human Services	Revolving Loan	Ditch	Debt Service	Total Governmental Funds
$ -	$ -	$ -	$ -	$ 406,070
3,017	-	3,667	-	140,611
-	-	-	-	561
-	-	-	-	605,057
-	-	-	-	303,034
-	-	-	-	163,804
-	-	-	-	5,246
-	-	-	-	1,844
-	-	-	-	7,281
-	-	-	-	37,808
-	-	-	-	334
-	-	-	-	53,782
-	-	-	-	163,572
-	-	-	-	31,788
-	-	-	-	79,685
-	-	-	-	584,072
-	-	-	-	2,815,502
132,328	-	-	-	132,328
-	-	-	2,770,424	2,770,424
-	284,999	-	-	284,999
-	-	331,225	-	331,225
-	-	-	-	675,000
-	-	-	-	6,765,158
5,757,170	-	-	-	5,757,170
-	371,826	-	-	371,826
-	-	(2,219,641)	-	9,059,292
$ 5,892,515	**$ 656,825**	**$ (1,884,749)**	**$ 2,770,424**	**$ 31,547,473**
$ 7,358,299	**$ 1,013,588**	**$ 3,262,605**	**$ 2,850,636**	**$ 45,162,481**

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NICOLLET COUNTY
ST. PETER, MINNESOTA

EXHIBIT 3A

RECONCILIATION OF THE FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION DECEMBER 31, 2017

Fund balances - total governmental funds (Exhibit 3)		**$ 31,547,473**
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 funds.		96,838,529
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.		9,339,731
Deferred outflows of resources and deferred inflows of resources are created as a result of various differences related to pensions not recognized in the governmental funds.		
Deferred outflows related to pensions	$ 6,044,603	
Deferred inflows related to pensions	(4,630,096)	1,414,507
Governmental funds do not report a liability for accrued interest on long-term liabilities until due and payable.		(391,616)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.		
General obligation bonds and notes	$ (15,525,000)	
Unamortized premium on bonds and notes payable	(546,911)	
Loans payable	(562,205)	
Compensated absences payable	(1,922,143)	
Net pension liability	(14,299,459)	
Net other postemployment benefits obligations	(964,150)	(33,819,868)
The Internal Service Fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the Internal Service Fund are included with governmental activities in the statement of net position.		1,566,799
Net Position of Governmental Activities (Exhibit 1)		**$ 106,495,555**

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

NICOLLET COUNTY
ST. PETER, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

	General	Road and Bridge
Revenues		
Taxes	$ 12,118,109	$ 2,033,689
Special assessments	292,587	-
Licenses and permits	70,089	-
Intergovernmental	3,385,331	8,163,382
Charges for services	1,254,273	91,441
Fines and forfeits	24,301	-
Gifts and contributions	18,208	1,421
Investment earnings	168,175	-
Miscellaneous	971,772	22,423
Total Revenues	**$ 18,302,845**	**$ 10,312,356**
Expenditures		
Current		
General government	$ 8,242,847	$ -
Public safety	5,500,231	-
Highways and streets	-	5,789,922
Sanitation	324,834	-
Human services	-	-
Health	1,781,389	-
Culture and recreation	130,834	64,241
Conservation of natural resources	404,593	12,423
Economic development	221,432	-
Intergovernmental	100,088	196,412
Capital outlay	539,246	607,879
Debt service		
Principal	-	-
Interest	-	-
Administrative charges	-	-
Total Expenditures	**$ 17,245,494**	**$ 6,670,877**
Excess of Revenues Over (Under) Expenditures	**$ 1,057,351**	**$ 3,641,479**
Other Financing Sources (Uses)		
Transfers in	$ 15,664	$ -
Transfers out	-	-
Loans issued	-	-
Insurance recoveries	105,672	-
Total Other Financing Sources (Uses)	**$ 121,336**	**$ -**
Net Change in Fund Balances	**$ 1,178,687**	**$ 3,641,479**
Fund Balances - January 1	**11,677,002**	**7,645,308**
Increase (decrease) in inventories	**-**	**(30,018)**
Fund Balances - December 31	**$ 12,855,689**	**$ 11,256,769**

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

Human Services	Revolving Loan	Ditch	Debt Service	Total Governmental Funds
$ 4,180,456	$ -	$ -	$ 2,165,555	$ 20,497,809
-	133,446	1,535,994	-	1,962,027
-	-	-	-	70,089
5,347,973	-	-	29,602	16,926,288
565,263	-	-	-	1,910,977
-	-	-	-	24,301
-	-	-	-	19,629
106	-	-	-	168,281
83,187	-	32,559	-	1,109,941
$ 10,176,985	**$ 133,446**	**$ 1,568,553**	**$ 2,195,157**	**$ 42,689,342**
$ -	$ -	$ -	$ -	$ 8,242,847
-	-	-	-	5,500,231
-	-	-	-	5,789,922
-	97,163	-	-	421,997
10,198,881	-	-	-	10,198,881
-	-	-	-	1,781,389
-	-	-	-	195,075
-	-	3,206,243	-	3,623,259
-	-	-	-	221,432
-	-	-	-	296,500
-	-	-	-	1,147,125
-	100,020	55,000	1,395,000	1,550,020
-	8,426	11,370	626,940	646,736
-	-	-	875	875
$ 10,198,881	**$ 205,609**	**$ 3,272,613**	**$ 2,022,815**	**$ 39,616,289**
$ (21,896)	**$ (72,163)**	**$ (1,704,060)**	**$ 172,342**	**$ 3,073,053**
$ -	$ -	$ -	$ -	$ 15,664
-	(15,664)	-	-	(15,664)
-	77,163	-	-	77,163
-	-	-	-	105,672
$ -	**$ 61,499**	**$ -**	**$ -**	**$ 182,835**
$ (21,896)	**$ (10,664)**	**$ (1,704,060)**	**$ 172,342**	**$ 3,255,888**
5,914,411	**667,489**	**(180,689)**	**2,598,082**	**28,321,603**
-	**-**	**-**	**-**	**(30,018)**
$ 5,892,515	**$ 656,825**	**$ (1,884,749)**	**$ 2,770,424**	**$ 31,547,473**

EXHIBIT 4A

RECONCILIATION OF THE CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2017

Net change in fund balances - total governmental funds (Exhibit 4)		**$ 3,255,888**
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.		
Unavailable revenue - December 31	$ 9,339,731	
Unavailable revenue - January 1	(5,932,311)	3,407,420
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 as depreciation expense. Also, in the statement of activities, only the gain or loss on the disposal of assets is reported; whereas, in the governmental funds, the proceeds from the sale increase financial resources. Therefore, the change in net position differs from the change in fund balance by the net book value of the assets disposed.		
Expenditures for general capital assets and infrastructure	$ 4,771,403	
Current year depreciation	(3,770,470)	
Net book value of assets disposed	(356,018)	644,915
Issuing long-term debt provides current financial resources to governmental funds, while the repayment of debt consumes current financial resources. Neither transaction, however, has any effect on net position. Also, governmental funds report the net effect of premiums, discounts, and similar items when debt is first issued; whereas, those amounts are deferred and amortized over the life of the debt in the statement of activities.		
Proceeds of new debt - loans issued	$ (77,163)	
Principal repayments	1,550,020	
Amortization of premium on bonds and notes	90,579	1,563,436
Some expenses reported in the statement of activities do not require the use of current financial resources, so are not reported as expenditures in governmental funds.		
Change in inventories	$ (30,018)	
Change in deferred pension outflows	(4,188,495)	
Change in accrued interest payable	(115,646)	
Change in compensated absences payable	(156,311)	
Change in net pension liability	5,479,531	
Change in net other postemployment benefits obligations	(60,317)	
Change in deferred pension inflows	(2,757,439)	(1,828,695)
The net income of the Internal Service Fund is reported with governmental activities.		19,308
Change in Net Position of Governmental Activities (Exhibit 2)		**$ 7,062,272**

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

NICOLLET COUNTY
ST. PETER, MINNESOTA

EXHIBIT 5

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGETARY COMPARISON STATEMENT
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 12,270,132	$ 12,270,132	$ 12,118,109	$ (152,023)
Special assessments	290,000	290,000	292,587	2,587
Licenses and permits	73,000	73,000	70,089	(2,911)
Intergovernmental	2,863,864	2,871,312	3,385,331	514,019
Charges for services	1,192,792	1,192,792	1,254,273	61,481
Fines and forfeits	28,500	28,500	24,301	(4,199)
Gifts and contributions	14,200	14,200	18,208	4,008
Investment earnings	120,050	120,050	168,175	48,125
Miscellaneous	786,835	786,835	971,772	184,937
Total Revenues	**$ 17,639,373**	**$ 17,646,821**	**$ 18,302,845**	**$ 656,024**
Expenditures				
Current				
General government				
Commissioners	$ 330,619	$ 330,619	$ 311,316	$ 19,303
Courts	67,600	67,600	58,357	9,243
Courts - CHIPS/TPR	55,000	55,000	58,135	(3,135)
Drug court	5,000	5,000	-	5,000
Law library	52,700	52,700	50,796	1,904
County administrator	316,507	316,507	293,064	23,443
Finance	403,939	403,939	398,582	5,357
Public services	601,157	601,157	590,486	10,671
Accounting and auditing	65,100	65,100	57,599	7,501
Property assessment	718,619	718,619	716,220	2,399
Human resources	195,139	195,139	175,400	19,739
Office of technologies	1,484,672	1,484,672	1,512,607	(27,935)
Elections	7,200	7,200	6,830	370
Other general government	774,415	521,415	594,618	(73,203)
County attorney	1,008,399	1,008,399	891,086	117,313
County attorney's forfeited property proceeds	-	-	2,896	(2,896)
Recorder/abstracter	370,879	370,879	366,004	4,875
Recorder - future equipment	105,000	105,000	86,655	18,345
Surveyor	20,000	20,000	31,460	(11,460)
Telephone	190,577	190,577	172,184	18,393
Courthouse operations	760,280	760,280	778,197	(17,917)
North Mankato county office building	12,000	12,000	11,856	144
Health and human services building	56,500	61,950	67,511	(5,561)
Building fund department	-	-	80,540	(80,540)
Veterans service	150,499	158,099	134,240	23,859
Property services	898,188	898,188	796,208	101,980
Total general government	**$ 8,649,989**	**$ 8,410,039**	**$ 8,242,847**	**$ 167,192**

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

NICOLLET COUNTY
ST. PETER, MINNESOTA

EXHIBIT 5
(Continued)

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGETARY COMPARISON STATEMENT
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Expenditures				
Current (Continued)				
Public safety				
Sheriff	$ 1,836,388	$ 1,836,388	$ 1,874,572	$ (38,184)
Boat and water safety	1,324	1,324	3,173	(1,849)
Sheriff's contingency fund	500	500	1,568	(1,068)
Prisoner commissions account	42,000	42,000	23,022	18,978
Sheriff - snowmobile safety enforcement	3,306	3,306	-	3,306
Enhanced 911 system	45,000	45,000	32,256	12,744
Sheriff - forfeited property proceeds	2,000	2,000	3,775	(1,775)
Sheriff - offroad highway grant	4,582	4,582	51	4,531
Gun permits	23,000	23,000	2,938	20,062
Coroner	42,000	42,000	25,649	16,351
Dispatch center	820,997	820,997	739,622	81,375
Corrections	1,376,049	1,446,049	1,423,301	22,748
Probation department	1,194,777	1,194,777	1,150,012	44,765
Nicollet collaborative	77,968	77,968	56,220	21,748
Emergency services	144,522	144,522	164,072	(19,550)
Total public safety	**$ 5,614,413**	**$ 5,684,413**	**$ 5,500,231**	**$ 184,182**
Sanitation				
Solid waste management	**$ 321,561**	**$ 321,561**	**$ 324,834**	**$ (3,273)**
Health				
Public health nurse	$ 583,014	$ 583,014	$ 572,707	$ 10,307
WIC program	119,572	119,572	118,278	1,294
Maternal and child health	254,576	254,576	247,433	7,143
Public health emergency preparedness	28,162	28,162	19,518	8,644
Waivered programs	859,380	841,697	802,189	39,508
Loan closet account	1,020	1,020	519	501
Senior citizen transportation	42,433	42,433	20,745	21,688
Total health	**$ 1,888,157**	**$ 1,870,474**	**$ 1,781,389**	**$ 89,085**
Culture and recreation				
Historical society	$ 109,244	$ 109,244	$ 110,737	$ (1,493)
Transit	62,000	62,000	20,097	41,903
Total culture and recreation	**$ 171,244**	**$ 171,244**	**$ 130,834**	**$ 40,410**

EXHIBIT 5
(Continued)

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGETARY COMPARISON STATEMENT
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Expenditures				
Current (Continued)				
Conservation of natural resources				
Agricultural society	$ 44,100	$ 44,100	$ 44,100	$ -
COOP extension	-	-	(406)	406
County extension	172,995	175,605	182,844	(7,239)
Soil and water conservation district	176,998	176,998	177,355	(357)
Tri-county fair	700	700	700	-
Total conservation of natural resources	**$ 394,793**	**$ 397,403**	**$ 404,593**	**$ (7,190)**
Economic development				
Economic development	$ 53,502	$ 53,502	$ 104,422	$ (50,920)
Housing and redevelopment authority	117,010	117,010	117,010	-
Total economic development	**$ 170,512**	**$ 170,512**	**$ 221,432**	**$ (50,920)**
Intergovernmental				
Culture and recreation - regional library	**$ 100,088**	**$ 100,088**	**$ 100,088**	**$ -**
Capital outlay				
General government	$ 249,008	$ 441,008	$ 282,752	$ 158,256
Public safety	198,184	198,184	251,294	(53,110)
Sanitation	5,500	5,500	5,200	300
Total capital outlay	**$ 452,692**	**$ 644,692**	**$ 539,246**	**$ 105,446**
Total Expenditures	**$ 17,763,449**	**$ 17,770,426**	**$ 17,245,494**	**$ 524,932**
Excess of Revenues Over (Under) Expenditures	**$ (124,076)**	**$ (123,605)**	**$ 1,057,351**	**$ 1,180,956**
Other Financing Sources (Uses)				
Transfers in	$ 12,376	$ 12,376	$ 15,664	$ 3,288
Insurance recoveries	-	-	105,672	105,672
Total Other Financing Sources (Uses)	**$ 12,376**	**$ 12,376**	**$ 121,336**	**$ 108,960**
Net Change in Fund Balance	**$ (111,700)**	**$ (111,229)**	**$ 1,178,687**	**$ 1,289,916**
Fund Balance - January 1	**11,677,002**	**11,677,002**	**11,677,002**	**-**
Fund Balance - December 31	**$ 11,565,302**	**$ 11,565,773**	**$ 12,855,689**	**$ 1,289,916**

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

EXHIBIT 6

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGETARY COMPARISON STATEMENT
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 1,991,529	$ 1,991,529	$ 2,033,689	$ 42,160
Intergovernmental	4,958,252	4,958,252	8,163,382	3,205,130
Charges for services	32,653	32,653	91,441	58,788
Gifts and contributions	150	150	1,421	1,271
Miscellaneous	64,145	64,145	22,423	(41,722)
Total Revenues	**$ 7,046,729**	**$ 7,046,729**	**$ 10,312,356**	**$ 3,265,627**
Expenditures				
Current				
Highways and streets				
Administration	$ 349,730	$ 349,730	$ 338,067	$ 11,663
Maintenance	1,394,617	1,367,416	1,362,606	4,810
Construction	3,647,034	3,655,902	3,541,125	114,777
Equipment maintenance shops	534,690	553,023	548,124	4,899
Total highways and streets	**$ 5,926,071**	**$ 5,926,071**	**$ 5,789,922**	**$ 136,149**
Culture and recreation				
Parks	85,197	85,197	64,241	20,956
Conservation of natural resources				
Agricultural inspection	13,350	13,350	12,423	927
Intergovernmental				
Highways and streets	198,008	198,008	196,412	1,596
Capital outlay				
Highways and streets	824,103	824,103	607,879	216,224
Total Expenditures	**$ 7,046,729**	**$ 7,046,729**	**$ 6,670,877**	**$ 375,852**
Net Change in Fund Balance	**$ -**	**$ -**	**$ 3,641,479**	**$ 3,641,479**
Fund Balance - January 1	**7,645,308**	**7,645,308**	**7,645,308**	**-**
Increase (decrease) in inventories	**-**	**-**	**(30,018)**	**(30,018)**
Fund Balance - December 31	**$ 7,645,308**	**$ 7,645,308**	**$ 11,256,769**	**$ 3,611,461**

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

NICOLLET COUNTY
ST. PETER, MINNESOTA

EXHIBIT 7

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGETARY COMPARISON STATEMENT
HUMAN SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 4,216,504	$ 4,216,504	$ 4,180,456	$ (36,048)
Intergovernmental	5,373,741	5,373,741	5,347,973	(25,768)
Charges for services	401,450	401,450	565,263	163,813
Investment earnings	-	-	106	106
Miscellaneous	42,700	42,700	83,187	40,487
Total Revenues	**$ 10,034,395**	**$ 10,034,395**	**$ 10,176,985**	**$ 142,590**
Expenditures				
Current				
Human services				
Income maintenance	$ 3,149,907	$ 3,146,207	$ 3,006,712	$ 139,495
Social services	6,989,488	7,440,049	7,192,169	247,880
Total Expenditures	**$ 10,139,395**	**$ 10,586,256**	**$ 10,198,881**	**$ 387,375**
Net Change in Fund Balance	**$ (105,000)**	**$ (551,861)**	**$ (21,896)**	**$ 529,965**
Fund Balance - January 1	**5,914,411**	**5,914,411**	**5,914,411**	**-**
Fund Balance - December 31	**$ 5,809,411**	**$ 5,362,550**	**$ 5,892,515**	**$ 529,965**

NICOLLET COUNTY
ST. PETER, MINNESOTA

EXHIBIT 8

STATEMENT OF FUND NET POSITION
GOVERNMENTAL ACTIVITIES
SELF-INSURANCE INTERNAL SERVICE FUND
DECEMBER 31, 2017

Assets		
Current assets		
Cash and pooled investments	$	1,836,328
Liabilities		
Current liabilities		
Claims payable		269,529
Net Position		
Unrestricted	**$**	**1,566,799**

NICOLLET COUNTY
ST. PETER, MINNESOTA

EXHIBIT 9

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
GOVERNMENTAL ACTIVITIES
SELF-INSURANCE INTERNAL SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

Operating Revenues		
Charges for services	$	3,838,776
Operating Expenses		
Professional services		3,819,468
Change in Net Position	**$**	**19,308**
Net Position - January 1		**1,547,491**
Net Position - December 31	**$**	**1,566,799**

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

NICOLLET COUNTY
ST. PETER, MINNESOTA

EXHIBIT 10

STATEMENT OF CASH FLOWS
SELF-INSURANCE INTERNAL SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2017
Increase (Decrease) in Cash and Cash Equivalents

Cash Flows From Operating Activities	
Receipts from customers and users	$ 4,207,088
Payments to service providers	(4,268,611)
Net Increase (Decrease) in Cash and Cash Equivalents	**$ (61,523)**
Cash and Cash Equivalents at January 1	**1,897,851**
Cash and Cash Equivalents at December 31	**$ 1,836,328**
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities	
Operating income (loss)	$ 19,308
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities	
Increase (decrease) in accounts payable	(80,831)
Net Cash Provided by (Used in) Operating Activities	**$ (61,523)**

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

NICOLLET COUNTY
ST. PETER, MINNESOTA

EXHIBIT 11

STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
DECEMBER 31, 2017

Assets	
Cash and pooled investments	**$ 3,003,306**
Liabilities	
Due to other governments	**$ 3,003,306**

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

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1. Summary of Significant Accounting Policies

Nicollet County's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). 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

Nicollet County was established March 5, 1853, and is an organized county having the powers, duties, and privileges granted counties by Minn. Stat. ch. 373. The County is governed by a five-member Board of Commissioners elected from districts within the County. The Board is organized with a chair and vice chair elected at the annual meeting in January of each year. The County Administrator serves as the clerk of the Board of Commissioners but has no vote.

Joint Ventures and Jointly-Governed Organizations

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

B. Basic Financial Statements

1. Government-Wide Statements

The government-wide financial statements (the statement of net position and the statement of activities) display information about the County. 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.

In the government-wide statement of net position, the governmental activities 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

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

1. Government-Wide Statements (Continued)

position is reported in three parts: (1) net investment in capital assets, (2) restricted, and (3) unrestricted. The County first utilizes restricted resources to finance qualifying activities.

The statement of activities demonstrates the degree to which the direct expenses of each function of the County's governmental activities are offset by program revenues. Direct expenses are those clearly identifiable with a specific function or activity. Program revenues include: (1) fees, fines, and charges paid by the recipients of goods, services, or privileges provided by a given function or activity; and (2) grants and contributions restricted to meeting the operational or capital requirements of a particular function or activity. Revenues not classified as program revenues, including all taxes, are presented as general revenues.

2. Fund Financial Statements

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

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or incidental activities.

The County reports the following major governmental funds:

The General Fund is the County's primary operating fund. It is used to account for all financial resources of the general government, except those accounted for in another fund.

1. Summary of Significant Accounting Policies

   B. Basic Financial Statements

      2. Fund Financial Statements (Continued)

The Road and Bridge Special Revenue Fund is used to account for restricted revenues from the federal and state government, as well as assigned property tax revenues used for the construction and maintenance of roads, bridges, and other projects affecting County roadways.

The Human Services Special Revenue Fund is used to account for restricted revenue sources from the federal, state, and other oversight agencies, as well as assigned property tax revenues from the County to be used for economic assistance and community social services programs.

The Revolving Loan Special Revenue Fund is used to account for restricted and assigned special assessment revenue for the financial transactions resulting from loans for the replacement of existing septic systems.

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 benefited property.

The Debt Service Fund is used to account for property tax revenues for the payment of principal, interest, and related costs of County debt.

Additionally, the County reports the following funds:

The Internal Service Fund is used to account for the accumulation of resources for, and the payment of, insurance costs of the self-insurance program.

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.

1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary fund, and fiduciary fund financial statements are reported using the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Shared revenues are generally recognized in the period the appropriation goes into effect. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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. Nicollet County considers all revenues as available if collected within 60 days after the end of the current period. 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 long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent that they have matured. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

1. Cash and Cash Equivalents

The County's cash and pooled investments are considered to be cash equivalents.

1. Summary of Significant Accounting Policies

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

2. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Finance Director for the purpose of increasing earnings through investment activities. Investments are reported at their fair value at December 31, 2017. A market approach is used to value all investments. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments are credited to the General Fund. Pooled investment earnings for 2017 were $168,175.

3. Receivables and Payables

Activities between funds representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds." All other outstanding balances between funds are reported as "due to/from other funds."

All accounts and taxes receivable are shown net of an allowance for uncollectibles.

Accounts receivable are individually analyzed to arrive at the accounts receivable allowance for uncollectibles. The taxes receivable allowance is equal to 1/4 percent of outstanding property taxes at year-end.

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. Unpaid taxes at December 31 become liens on the respective property and are classified in the financial statements as delinquent taxes receivable.

Special assessments receivable consist of delinquent special assessments payable in the years 2012 through 2017 and noncurrent special assessments payable in 2018 and after. All special assessments receivable are shown net of an allowance for uncollectibles. The special assessments receivable allowance is equal to 1/4 percent of outstanding special assessments at year-end.

1. Summary of Significant Accounting Policies

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

4. Inventories and Prepaid Items

All inventories are valued using a weighted average method. Inventory in the Road and Bridge Special Revenue Fund consists of expendable supplies held for consumption. The cost of individual inventory items is recorded as an expenditure at the time the item is purchased. Inventories at the government-wide level are reported as expenses when consumed.

Inventories, as reported in the fund financial statements, are equally offset by nonspendable fund balance, which indicates that they do not constitute available spendable resources.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

5. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (such as roads and bridges), are reported in the government-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost of more than $5,000 ($100,000 for infrastructure) and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value.

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.

1. Summary of Significant Accounting Policies

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

5. Capital Assets (Continued)

Capital assets of the County are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	25 - 40
Land improvements	20 - 30
Infrastructure	50 - 75
Machinery and equipment	5 - 15

6. Compensated Absences

Nicollet County's policy permits employees to accumulate earned but unused vacation, compensatory time, and sick pay benefits. Unused vacation, compensatory time, and vested sick leave are paid to employees upon termination. Unvested sick leave is available to employees in the event of illness-related absences and is not paid to employees upon termination. Compensated absences are reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The government-wide statement of net position reports both current and noncurrent portions of compensated absences using full accrual accounting. The current portion consists of all vacation, compensatory time, and 25 percent of total vested sick leave. The noncurrent portion consists of 75 percent of total vested sick leave.

7. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. 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.

1. Summary of Significant Accounting Policies

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

7. Long-Term Obligations (Continued)

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

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. The County has one item, deferred pension outflows, which qualifies for reporting in this category. The deferred pension outflows consist of pension plan contributions paid subsequent to the measurement date, differences between expected and actual pension plan economic experience, changes in actuarial assumptions, and pension plan changes in proportionate share. No deferred outflows of resources affect the governmental funds financial statements in the current year.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has three items, unavailable revenue, prepaid property taxes, and deferred pension inflows, which qualify for reporting in this category. The County reports unavailable revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Unavailable revenue arises only under a modified accrual basis of accounting and, accordingly, is reported only in the governmental funds balance sheet. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available. The County reports prepaid property taxes for collections levied for subsequent

1. Summary of Significant Accounting Policies

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

8. Deferred Outflows/Inflows of Resources (Continued)

periods. Prepaid property taxes are reported on the modified and full accrual basis of accounting and, accordingly, are reported in the governmental funds balance sheet and the statement of net position. The amount is deferred and recognized when the time requirements have been met. Deferred pension inflows arise only under the full accrual basis of accounting and, accordingly, are reported only in the statement of net position. This amount consists of differences between expected and actual pension plan economic experience, changes in actuarial assumptions, pension plan changes in proportionate share, and differences between projected and actual earnings on pension plan investments.

9. 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.

10. Unearned Revenue

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

11. Classification of Net Position

Net position in the government-wide and proprietary fund financial statements is classified in the following categories:

Net 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.

1. Summary of Significant Accounting Policies

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

11. Classification of Net Position (Continued)

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.

12. Classification of Fund Balances

The County's fund balance policy established a minimum unassigned fund balance equal to 35 percent of total General Fund expenditures. In the event the unassigned fund balance drops below the established minimum level, the County Board will develop a plan to replenish the fund balance to the established level.

Fund balance is divided into five classifications based primarily on the extent to which the County is 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 in which constraints have been placed on the use of resources either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Committed - amounts that can be used only for the specific purposes imposed by formal action (resolution) of the County Board. 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.

1. Summary of Significant Accounting Policies

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

12. Classification of Fund Balances (Continued)

Assigned - amounts the County 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 County Finance Director, who has been delegated that authority by Board resolution.

Unassigned - the residual classification for the General Fund; it 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.

The 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.

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, deferred outflows of resources, liabilities, and deferred inflows of resources; and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. Stewardship, Compliance, and Accountability

A. Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund, Road and Bridge Special Revenue Fund, Human Services Special Revenue Fund, and the Debt Service Fund. The County Board does not approve budgets for the Ditch and the Revolving Loan major special revenue funds. All annual appropriations lapse at year-end.

On or before mid-August of each year, all departments submit requests for appropriations to the County Finance Director so that a budget can be prepared. Before September 15, the proposed budget is presented to the County Board for review. The Board holds public hearings, and a final budget must be prepared and adopted no later than December 31.

The appropriated budget is prepared by fund, function, and department. Transfers of appropriations within a department and between departments require approval of the County Board. The legal level of budgetary control, the level at which expenditures may not legally exceed appropriations, is the fund level.

During the year, the Board amended the budgets.

B. Deficit Fund Equity

The Ditch Special Revenue Fund has a deficit fund balance of $1,884,749. This deficit will be eliminated by special assessments and disaster grant funding. The following is a summary of the individual ditch systems:

23 ditches with positive fund balances	$ 334,892
63 ditches with deficit fund balances	(2,219,641)
Total Fund Balance	$ (1,884,749)

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

The County's total cash and investments are reported as follows:

Governmental funds		
Cash and pooled investments	$	29,233,564
Internal Service Fund		
Cash and pooled investments		1,836,328
Fiduciary funds - agency funds		
Cash and pooled investments		3,003,306
Total Cash and Investments	$	34,073,198

a. Deposits

The County is authorized by Minn. Stat. § 118A.02 to designate depositories for public funds. 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.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits may not be returned to it. It is the County's policy to minimize deposit custodial credit risk by obtaining collateral or bond for all uninsured deposits. As of December 31, 2017, $7,472,116 of the County's deposits were exposed to custodial credit risk. In addition, $301,560 of the County's collateral obtained to protect its deposits is not allowable in accordance with Minn. Stat. § 118A.03, subd. 2.

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

b. Investments

The County may invest in the following types of investments authorized by Minn. Stat. §§ 118A.04 and 118.05:

(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) time deposits fully insured by the Federal Deposit Insurance Corporation or bankers' acceptances of United States banks;

(5) commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less; and

(6) with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. It is the County's policy to minimize interest rate risk by (1) structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and (2) investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the County's cash requirements. At December 31, 2017, the County had the following investments:

Investment Type	Carrying (Fair) Value	Maturity Dates 0 - 1 Year	Over 1 Year
Negotiable certificates of deposit	$ 4,420,183	$ 1,426,029	$ 2,994,154
U.S. government securities (1)	2,102,896	-	2,102,896
Total	$ 6,523,079	$ 1,426,029	$ 5,097,050

(1) These notes have step provisions which could result in the notes being called prior to maturity.

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. The County's exposure to credit risk as of December 31, 2017, is as follows:

S&P Rating	Fair Value
AA+	$ 2,102,896

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

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. It is the County's policy to minimize investment custodial credit risk by permitting brokers to hold County investments only to the extent there is Securities Investor Protection Corporation (SIPC) coverage and excess SIPC coverage available. Securities purchased in excess of available SIPC coverage are transferred to an approved third-party custodian. At December 31, 2017, none of the County's investments were subject to custodial credit risk.

Concentration of Credit Risk

The concentration of credit risk is the risk of loss that may be caused by the County's investment in a single issuer.

It is the County's policy to minimize concentration of credit risk by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. Investments in any one issuer that represents five percent or more of the County's investments are as follows:

Issuer	Reported Amount
Federal National Mortgage Association (FNMA)	$ 1,112,816
Federal Home Loan Mortgage Corporation (FHLMC)	990,080
Total	$ 2,102,896

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

Fair Value Measurement

The County measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- *Level 1:* Quoted prices for identical investments in active markets;
- *Level 2:* Observable inputs other than quoted market prices; and
- *Level 3:* Unobservable inputs.

At December 31, 2017, the County had the following recurring fair value measurements.

		Fair Value Measurements Using		
	December 31, 2017	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Debt securities				
U.S. agencies	$ 2,102,896	$ -	$ 2,102,896	$ -
Negotiable certificates of deposit	4,420,183	-	4,420,183	-
Total Investments Included in the Fair Value Hierarchy	$ 6,523,079	$ -	$ 6,523,079	$ -

Debt securities classified in Level 2 are valued using a yield-based matrix system based on the securities' relationship to benchmark quoted prices.

3. Detailed Notes on All Funds

A. Assets (Continued)

2. Receivables

Receivables as of December 31, 2017, for the County's governmental activities, including the applicable allowances for uncollectible accounts (none in the current year), are as follows:

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental Activities		
Taxes - delinquent	$ 219,397	$ -
Special assessments - delinquent	6,843	-
Special assessments - noncurrent	3,443,286	2,783,090
Accounts	834,695	-
Accrued interest	28,739	-
Due from other governments	9,247,961	-
Total Governmental Activities	$ 13,780,921	$ 2,783,090

3. Capital Assets

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

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	$ 4,839,773	$ 60,370	$ -	$ 4,900,143
Construction in progress	449,024	3,622,248	3,673,099	398,173
Total capital assets not depreciated	$ 5,288,797	$ 3,682,618	$ 3,673,099	$ 5,298,316
Capital assets depreciated				
Buildings	$ 27,348,058	$ 199,315	$ -	$ 27,547,373
Land improvements	459,156	-	-	459,156
Machinery and equipment	9,519,243	889,470	130,163	10,278,550
Infrastructure	98,595,963	3,673,099	332,854	101,936,208
Total capital assets depreciated	$ 135,922,420	$ 4,761,884	$ 463,017	$ 140,221,287

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

	Beginning Balance	Increase	Decrease	Ending Balance
Less: accumulated depreciation for				
Buildings	$ 8,193,239	$ 697,372	$ -	$ 8,890,611
Land improvements	368,373	15,924	-	384,297
Machinery and equipment	6,204,519	1,067,146	102,561	7,169,104
Infrastructure	30,251,472	1,990,028	4,438	32,237,062
Total accumulated depreciation	$ 45,017,603	$ 3,770,470	$ 106,999	$ 48,681,074
Total capital assets depreciated, net	$ 90,904,817	$ 991,414	$ 356,018	$ 91,540,213
Governmental Activities Capital Assets, Net	$ 96,193,614	$ 4,674,032	$ 4,029,117	$ 96,838,529

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

General government	$ 750,726
Public safety	263,293
Highways and streets, including depreciation of infrastructure assets	2,587,236
Human services	162,999
Culture and recreation	1,554
Conservation of natural resources	692
Sanitation	3,970
Total Depreciation Expense	$ 3,770,470

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2017, is as follows:

1. Due To/From Other Funds

Receivable Fund	Payable Fund	Amount	Purpose
General	Human Services	$ 48,671	Utilities and services
	Revolving Loan	3,796	Interest transfer
Total Due to General Fund		$ 52,467	
Ditch	Road and Bridge	26,773	Ditch assessment
Total Due To/From Other Funds		$ 79,240	

3. Detailed Notes on All Funds

B. Interfund Receivables, Payables, and Transfers

1. Due To/From Other Funds (Continued)

The outstanding balances between funds result from the time lag between the dates the interfund goods and services were provided and reimbursable expenditures occurred, and when transactions are recorded in the accounting system and when the funds are repaid. All balances are expected to be liquidated in the subsequent year.

2. Interfund Receivables/Payables

Receivable Fund	Payable Fund	Amount
General	Ditch	$ 1,522,075

The interfund receivable/payable balance is due to the Ditch Special Revenue Fund overdrawing cash from the pooled cash and investments.

3. Interfund Transfers

Interfund transfers for the year ended December 31, 2017, consisted of a transfer of $15,664 of special assessment interest earnings from the Revolving Loan Special Revenue Fund to the General Fund for general operations.

C. Liabilities and Deferred Inflows of Resources

1. Other Postemployment Benefits (OPEB)

Plan Description and Funding Policy

The County offered an early retirement incentive program for County employees in 2014. The early retirement was voluntary and included continued health and dental insurance on an employee's existing plan at 100 percent of single coverage for 36 months after the effective date of retirement or until eligible for other insurance benefits. The County will also contribute $2,500 annually to the individual's Voluntary Employee's Beneficiary Association (VEBA) health savings account. The cost of this program totaled $29,152 in 2017. This includes $6,821 for health insurance, $660 for dental insurance, and $21,671 for VEBA payments.

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources

1. Other Postemployment Benefits (OPEB)

Plan Description and Funding Policy (Continued)

Nicollet County provides postemployment health care benefits for elected officials. Elected County officials and their dependents are eligible for the benefit for a number of years equal to 25 percent of the retiree's years in elective office, with a maximum of five years. The County pays 100 percent of health premiums for them and their families. The County's regular health benefit provider underwrites the retirees' policies. Retirees may not convert the benefit into an in-lieu-of-payment to secure coverage under independent plans. As of December 31, 2017, two retirees were receiving the premium-coverage benefit. The County finances the plan on a pay-as-you-go basis. For the year ended December 31, 2017, the County recognized $36,477 of expenditures. A separate, audited GAAP-basis postemployment plan report is not issued.

The County also provides health insurance benefits for eligible retired employees and their spouses under a single-employer self-insured plan. The County provides benefits for retirees as required by Minn. Stat. § 471.61, subd. 2b. Retirees are required to pay 100 percent of the total premium cost. Since the premium is determined on the entire active and retiree population, the retirees are receiving an implicit rate subsidy. This postemployment benefit is funded on a pay-as-you-go basis, usually paying retiree benefits out of the General Fund. As of January 1, 2016, there were approximately 15 retirees receiving health benefits from the County's health plan. The implicit rate subsidy amount was determined by an actuarial study to be $73,061 for 2017. A separate, audited GAAP-basis postemployment plan report is not issued.

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources

1. Other Postemployment Benefits (OPEB) (Continued)

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	$ 215,678
Interest on net OPEB obligation	31,634
Adjustment to ARC	(48,305)
Annual OPEB cost (expense)	$ 199,007
Contributions made	(138,690)
Increase in net OPEB obligation	$ 60,317
Net OPEB Obligation - Beginning of Year	903,833
Net OPEB Obligation - End of Year	$ 964,150

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, 2015, 2016, and 2017, were as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Contribution	Percentage Contributed	Net OPEB Obligation
December 31, 2015	$ 221,678	$ 188,708	85.13%	$ 851,203
December 31, 2016	199,983	147,353	73.68	903,833
December 31, 2017	199,007	138,690	69.69	964,150

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources

1. Other Postemployment Benefits (OPEB) (Continued)

Funded Status and Funding Progress

As of January 1, 2016, the most recent actuarial valuation date, the plan was 0.0 percent funded. The actuarial accrued liability for benefits was $1,644,646, and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability (UAAL) of $1,644,646. The covered payroll (annual payroll of active employees covered by the plan) was $13,099,789, and the ratio of the UAAL to the covered payroll was 12.6 percent.

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.

Actuarial Methods and Assumptions

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.

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources

1. Other Postemployment Benefits (OPEB)

Actuarial Methods and Assumptions (Continued)

In the January 1, 2016, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 3.5 percent investment rate of return (net of investment expenses), which is Nicollet County's implicit rate of return on the General Fund. The annual health care cost trend is 6.75 percent initially, reduced by decrements to an ultimate rate of 5.0 percent over 7 years. Neither rate includes an inflation assumption. The UAAL is being amortized over 30 years on a closed basis. The remaining amortization period at December 31, 2017, was 21 years.

2. Long-Term Debt

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2017
General obligation bonds					
2008A G.O. Road Reconstruction Bonds	2024	$475,000 - $615,000	3.30 - 3.65	$ 6,985,000	$ 3,795,000
2008A G.O. Drainage Bonds	2023	$45,000 - $55,000	3.30 - 3.60	815,000	300,000
2013A G.O. Capital Improvement Bonds (Social Services Building)	2029	$535,000 - $1,105,000	3.00 - 5.00	10,530,000	10,470,000
2013A G.O. Capital Improvement Bonds	2019	$115,000 - $125,000	5.00	465,000	240,000
Total general obligation bonds				$ 18,795,000	$ 14,805,000
General obligation notes					
2013A G.O. Capital Improvement Notes	2019	$350,000 - $370,000	5.00	$ 1,380,000	720,000
Plus: unamortized premium					546,911
Total General Obligation Bonds and Notes, Net					$ 16,071,911

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources

2. Long-Term Debt (Continued)

Capital improvement bonds and notes and road reconstruction bonds are being retired by the Debt Service Fund, and drainage bonds are paid by the Ditch Special Revenue Fund.

Loans Payable

The County entered into loan agreements with the Minnesota Pollution Control Agency for the purpose of funding Clean Water Partnership (CWP) projects. The loans are secured by special assessments.

Type of Indebtedness	Final Maturity	Installment Amount	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2017
2005 Seven Mile Creek Watershed Continuation CWP Project	2018	$ 10,694	2.00	$ 192,973	$ 21,070
2006 Rush River Watershed	2018	5,141	2.00	92,781	5,091
2007 Middle Minnesota Watershed	2020	17,108	2.00	308,726	99,150
2007 Rush River Watershed	2021	10,442	2.00	188,425	79,896
2011 Middle River Watershed	2024	10,838	2.00	195,574	140,932
2014 Rush River Watershed	2027	8,728	2.00	70,000	70,000
2015 Middle Minnesota Watershed	2027	17,290	2.00	146,066	146,066
Totals				$ 1,194,545	$ 562,205

Payments on the loans are made by the Revolving Loan Special Revenue Fund.

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources (Continued)

3. Debt Service Requirements

Debt service requirements at December 31, 2017, were as follows:

Year Ending December 31	General Obligation Bonds Principal	General Obligation Bonds Interest	General Obligation Notes Principal	General Obligation Notes Interest	Loans* Principal	Loans* Interest
2018	$ 1,180,000	$ 553,660	$ 350,000	$ 27,250	$ 96,889	$ 6,415
2019	1,215,000	502,435	370,000	9,250	72,149	4,626
2020	1,340,000	447,755	-	-	73,599	3,176
2021	1,405,000	388,075	-	-	40,691	1,868
2022	1,465,000	325,172	-	-	20,522	1,154
2023 - 2027	6,035,000	915,083	-	-	42,289	1,062
2028 - 2029	2,165,000	87,500	-	-	-	-
Total	$ 14,805,000	$ 3,219,680	$ 720,000	$ 36,500	$ 346,139	$ 18,301

*The debt service requirements for the loans from the Minnesota Pollution Control Agency of $70,000 and $146,066 are not known as of December 31, 2017.

4. Changes in Long-Term Liabilities

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds and notes payable					
General obligation bonds	$ 15,920,000	$ -	$ 1,115,000	$ 14,805,000	$ 1,180,000
General obligation notes	1,055,000	-	335,000	720,000	350,000
Plus: unamortized premiums	637,490	-	90,579	546,911	-
Total bonds and notes payable	$ 17,612,490	$ -	$ 1,540,579	$ 16,071,911	$ 1,530,000
Loans payable	585,062	77,163	100,020	562,205	96,888
Compensated absences	1,765,832	942,634	786,323	1,922,143	1,140,523
Total Long-Term Liabilities	$ 19,963,384	$ 1,019,797	$ 2,426,922	$ 18,556,259	$ 2,767,411

Compensated absences, other postemployment benefits obligations, and pension liabilities are generally liquidated by the General Fund and the Road and Bridge and Human Services Special Revenue Funds.

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources (Continued)

5. Unearned/Unavailable Revenue

Unearned revenue and unavailable revenue as of December 31, 2017, for the County's governmental funds are as follows:

	Unearned Revenue	Unavailable Revenue
Taxes and special assessments, delinquent and noncurrent	$ -	$ 3,349,874
Highway allotments that do not provide current financial resources	-	5,009,892
Grants	111,515	224,156
Charges for services	-	643,275
Interest	-	20,089
Conservation expense	-	92,445
Total Governmental Funds	$ 111,515	$ 9,339,731

6. Construction Commitments

The County has the following active construction project as of December 31, 2017:

	Spent-to-Date	Remaining Commitment
Governmental Activities		
County Ditch 62A Improvements Project	$ 1,006,818	$ 955,221

D. Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. The County has entered into a joint powers agreement with other Minnesota counties to form the Minnesota Counties Intergovernmental Trust (MCIT). The County is a member of both the MCIT Workers' Compensation and Property and Casualty Divisions. The County self-insures for employee health and dental coverage. For other risk, the County carries commercial insurance. There were no significant reductions in insurance from the prior year. The amount of settlements did not exceed insurance coverage for the past three fiscal years.

3. Detailed Notes on All Funds

D. Risk Management (Continued)

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at $500,000 per claim in 2017 and 2018. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

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

The County established a limited risk management program for health and dental coverages in 1992. Premiums are paid into the Self-Insurance Internal Service Fund by all other funds and are available to pay claims, claim reserves, and administrative costs of the program. The County has retained risk up to a $175,000 stop-loss per family per year ($3,365,143 aggregate) for the health plan. There is a maximum claim limit of $1,000 per person per year for the dental plan.

Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are re-evaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of payouts), and other economic and social factors. Changes in the balances of claims liabilities during the past two years are as follows:

	Year Ended December 31	
	2017	2016
Unpaid claims, January 1	$ 350,360	$ 924,428
Incurred claims (including IBNRs)	3,489,328	2,900,784
Claims payments	(3,570,159)	(3,474,852)
Unpaid Claims, December 31	$ 269,529	$ 350,360

4. Pension Plans

A. Defined Benefit Pension Plans

1. Plan Description

All full-time and certain part-time employees of Nicollet County are covered by defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Plan, the Public Employees Police and Fire Plan, and the Local Government Correctional Service Retirement Plan (the Public Employees Correctional Plan), 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.

The General Employees Retirement Plan (accounted for in the General Employees Fund) has multiple benefit structures with members belonging to 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 Plan (accounted for in the Police and Fire Fund). For members first hired after June 30, 2010, but before July 1, 2014, benefits vest on a prorated basis 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 Plan (accounted for in the Correctional Fund). For members hired after June 30, 2010, benefits vest on a prorated basis starting with 50 percent after 5 years and increasing 10 percent for each year of service until fully vested after 10 years.

4. Pension Plans

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. General Employees Retirement Plan and Public Employees Police and Fire Plan benefit recipients receive a future annual 1.0 percent for the post-retirement benefit increase, while Public Employees Correctional Plan benefit recipients receive 2.5 percent. For the General Employees Retirement Plan and the Public Employees Police and Fire Plan, 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 Plan Coordinated and Basic Plan members. Members hired prior to July 1, 1989, receive the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a 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. Only Method 2 is used for members hired after June 30, 1989. For Public Employees Police and Fire Plan members, the annuity accrual rate is 3.0 percent of average salary for each year of service. For Public Employees Correctional Plan members, the annuity accrual rate is 1.9 percent of average salary for each year of service.

4. Pension Plans

A. Defined Benefit Pension Plans

2. Benefits Provided (Continued)

For General Employees Retirement Plan 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 Plan and Public Employees Correctional Plan members, normal retirement age is 55, and for members who were hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90. Disability benefits are available for vested members and are based on years of service and average high-five salary.

3. Contributions

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the state legislature. General Employees Retirement Plan Basic members and Coordinated members were required to contribute 9.10 percent and 6.50 percent, respectively, of their annual covered salary in 2017. Public Employees Police and Fire Plan members were required to contribute 10.80 percent of their annual covered salary in 2017. Public Employees Correctional Plan members were required to contribute 5.83 percent of their annual covered salary in 2017.

In 2017, the County was required to contribute the following percentages of annual covered salary:

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

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

4. Pension Plans

A. Defined Benefit Pension Plans

3. Contributions (Continued)

The County's contributions for the year ended December 31, 2017, to the pension plans were:

General Employees Retirement Plan	$	857,833
Public Employees Police and Fire Plan		180,891
Public Employees Correctional Plan		72,279

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

4. Pension Costs

General Employees Retirement Plan

At December 31, 2017, the County reported a liability of $11,669,831 for its proportionate share of the General Employees Retirement Plan's net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2016, through June 30, 2017, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the County's proportion was 0.1828 percent. It was 0.1758 percent measured as of June 30, 2016. The County recognized pension expense of $1,807,737 for its proportionate share of the General Employees Retirement Plan's pension expense.

The County also recognized $4,239 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's contribution to the General Employees Retirement Plan, which qualifies as a special funding situation. Legislation required the State of Minnesota to contribute $6 million to the General Employees Retirement Plan for the fiscal year ended June 30, 2017.

4. Pension Plans

A. Defined Benefit Pension Plans

4. Pension Costs

General Employees Retirement Plan (Continued)

The County's proportionate share of the net pension liability	$	11,669,831
State of Minnesota's proportionate share of the net pension liability associated with the County		146,771
Total	$	11,816,602

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 384,602	$ 716,391
Changes in actuarial assumptions	1,862,931	1,169,902
Difference between projected and actual investment earnings	-	19,181
Changes in proportion	597,482	126,891
Contributions paid to PERA subsequent to the measurement date	428,984	-
Total	$ 3,273,999	$ 2,032,365

The $428,984 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, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

4. Pension Plans

A. Defined Benefit Pension Plans

4. Pension Costs

General Employees Retirement Plan (Continued)

Year Ended December 31	Pension Expense Amount
2018	$ 566,521
2019	841,014
2020	(99,521)
2021	(495,364)

Public Employees Police and Fire Plan

At December 31, 2017, the County reported a liability of $1,404,124 for its proportionate share of the Public Employees Police and Fire Plan's net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2016, through June 30, 2017, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the County's proportion was 0.104 percent. It was 0.099 percent measured as of June 30, 2016. The County recognized pension expense of $356,865 for its proportionate share of the Public Employees Police and Fire Plan's pension expense.

The County also recognized $9,360 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 Plan. Legislation requires the State of Minnesota to contribute $9 million to the Police and Fire Plan each year, starting in fiscal year 2014, until the plan is 90 percent funded.

4. Pension Plans

A. Defined Benefit Pension Plans

4. Pension Costs

Public Employees Police and Fire Plan (Continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 32,320	$ 356,225
Changes in actuarial assumptions	1,749,231	1,993,507
Difference between projected and actual investment earnings	-	4,054
Changes in proportion	174,791	-
Contributions paid to PERA subsequent to the measurement date	97,045	-
Total	$ 2,053,387	$ 2,353,786

The $97,045 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, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2018	$ 34,268
2019	34,268
2020	(14,235)
2021	(92,950)
2022	(358,795)

4. Pension Plans

A. Defined Benefit Pension Plans

4. Pension Costs (Continued)

Public Employees Correctional Plan

At December 31, 2017, the County reported a liability of $1,225,504 for its proportionate share of the Public Employees Correctional Plan's net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2016, through June 30, 2017, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the County's proportion was 0.43 percent. It was 0.42 percent measured as of June 30, 2016. The County recognized pension expense of $465,555 for its proportionate share of the Public Employees Correctional Plan's pension expense.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 801	$ 19,429
Changes in actuarial assumptions	651,697	213,323
Difference between projected and actual investment earnings	-	11,193
Changes in proportion	28,172	-
Contributions paid to PERA subsequent to the measurement date	36,547	-
Total	$ 717,217	$ 243,945

4. Pension Plans

A. Defined Benefit Pension Plans

4. Pension Costs

Public Employees Correctional Plan (Continued)

The $36,547 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, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2018	$ 264,835
2019	272,924
2020	(66,920)
2021	(34,114)

Total Pension Expense

The total pension expense for all plans recognized by the County for the year ended December 31, 2017, was $2,630,157.

5. Actuarial Assumptions

The total pension liability in the June 30, 2017, actuarial valuation was determined using the individual entry-age normal actuarial cost method and the following additional actuarial assumptions:

Inflation	2.50 percent per year
Active member payroll growth	3.25 percent per year
Investment rate of return	7.50 percent

4. Pension Plans

A. Defined Benefit Pension Plans

5. Actuarial Assumptions (Continued)

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants for all plans were based on RP-2014 tables for males or females, as appropriate, with slight adjustments. For the General Employees Retirement Plan and the Public Employees Police and Fire Plan, cost of living benefit increases for retirees are assumed to be 1.0 percent through 2044 and 2064, respectively, and 2.5 percent thereafter. Cost of living benefit increases for retirees are assumed to be 2.5 percent for the Public Employees Correctional Plan.

Actuarial assumptions used in the June 30, 2017, valuation were based on the results of actuarial experience studies. The experience study for the General Employees Retirement Plan was dated June 30, 2015. The experience study for the Public Employees Police and Fire Plan was dated August 30, 2016. The experience study for the Public Employees Correctional Plan was dated February 2012.

The long-term expected rate of return on pension plan investments is 7.50 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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic stocks	39%	5.10%
International stocks	19	5.30
Bonds	20	0.75
Alternative assets	20	5.90
Cash	2	0.00

4. Pension Plans

A. Defined Benefit Pension Plans (Continued)

6. Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent in 2017, which remained consistent with 2016. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, the fiduciary net position of the General Employees Retirement Plan and the Public Employees Police and Fire Plan were projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

7. Changes in Actuarial Assumptions

The following changes in actuarial assumptions occurred in 2017:

General Employees Retirement Plan

- The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA loads are now 0.0 percent for active member liability, 15 percent for vested deferred member liability, and 3.0 percent for non-vested deferred member liability.

4. Pension Plans

A. Defined Benefit Pension Plans

7. Changes in Actuarial Assumptions

General Employees Retirement Plan (Continued)

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

Public Employees Police and Fire Plan

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

- The assumed rates of retirement were changed, resulting in fewer retirements.

- The CSA load was 30 percent for vested and non-vested, deferred members. The CSA has been changed to 33 percent for vested members and 2.0 percent for non-vested members.

- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality table assumed for healthy retirees.

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

- The assumed percentage of married female members was decreased from 65 percent to 60 percent.

4. Pension Plans

A. Defined Benefit Pension Plans

7. Changes in Actuarial Assumptions

Public Employees Police and Fire Plan (Continued)

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

- The assumed percentage of female members electing joint and survivor annuities was increased.

- The assumed post-retirement benefit increase rate was changed from 1.0 percent for all years to 1.0 percent per year through 2064 and 2.5 percent thereafter.

- The single discount rate was changed from 5.60 percent per annum to 7.50 percent per annum.

Public Employees Correctional Plan

- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016 and is applied to healthy and disabled members. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the RP-2014 disabled annuitant mortality table (with future mortality improvement according to Scale MP-2016).

- The CSA load was 30 percent for vested and non-vested, deferred members. The CSA has been changed to 35 percent for vested members and 1.0 percent for non-vested members.

- The single discount rate was changed from 5.31 percent per annum to 5.96 percent per annum.

4. Pension Plans

A. Defined Benefit Pension Plans (Continued)

8. Pension Liability Sensitivity

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

	Proportionate Share of the					
	General Employees Retirement Plan		Public Employees Police and Fire Plan		Public Employees Correctional Plan	
	Discount Rate	Net Pension Liability	Discount Rate	Net Pension Liability	Discount Rate	Net Pension Liability
1% Decrease	6.50%	$ 18,100,775	6.50%	$ 2,644,375	4.96%	$ 2,019,478
Current	7.50	11,669,831	7.50	1,404,124	5.96	1,225,504
1% Increase	8.50	6,404,935	8.50	380,228	6.96	605,797

9. 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 elected officials of Nicollet 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.

4. Pension Plans

B. Defined Contribution Plan (Continued)

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. For those qualified personnel who elect to participate, Minn. Stat. § 353D.03 specifies plan provisions, including the employee and employer contribution rates. An eligible elected official who decides to participate contributes 5.00 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.

Total contributions by dollar amount and percentage of covered payroll made by Nicollet County during the year ended December 31, 2017, were:

	Employee	Employer
Contribution amount	$ 9,178	$ 9,178
Percentage of covered payroll	5%	5%

5. Summary of Significant Contingencies and Other Items

A. Contingent Liabilities

Amounts received or receivable from grant 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 County.

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

B. Joint Ventures

Brown-Nicollet Community Health Services Board

The Brown-Nicollet Community Health Services Board was established pursuant to Minn. Stat. ch. 145A and a joint powers agreement effective July 1, 1975. The Health Services Board consists of ten members, five each from Brown and Nicollet Counties. The primary function of the joint venture is to provide health services and to promote efficiency and economy in the delivery of health services. The joint venture is financed primarily from state and federal grants. For the year ended December 31, 2016, the most current information available, the Health Services Board had a net position of $489,239.

Complete financial statements for the Health Services Board can be obtained at 622 South Front Street, St. Peter, Minnesota 56082.

Minnesota River Valley Drug Task Force

The Minnesota River Valley Drug Task Force was established through a joint powers agreement, pursuant to Minn. Stat. § 471.59, to provide a comprehensive and multi-jurisdictional effort to reduce felony-level criminal activity through the coordination of the law enforcement agencies.

The joint powers are Blue Earth, Martin, Nicollet, and Watonwan Counties and the Cities of Madelia, Mankato, North Mankato, St. James, and St. Peter. Control of the Task Force is vested in the Board of Directors composed of the Sheriff or Chief of Police of each of the members, or his or her designee, and one prosecuting attorney. Blue Earth County is the fiscal agent for the Task Force. Funding is provided by grants and matching contributions from participating members. Nicollet County contributed $14,233 to the Task Force in 2017. Current financial statements are not available.

Nicollet County Family Services Collaborative

The Nicollet County Family Services Collaborative was established in 1998 through a joint powers agreement, pursuant to Minn. Stat. § 471.59. The Collaborative includes Nicollet County, St. Peter Public Schools, Nicollet Public Schools, and the Minnesota Valley Action Council. The purpose of the Collaborative is to enhance family strengths and support through service coordination and access to informal communication.

5. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Nicollet County Family Services Collaborative (Continued)

Control of the Collaborative is vested in a five-member governing board consisting of one County Commissioner, one school board member from St. Peter and Nicollet Public Schools, one board member from the Minnesota Valley Action Council, and one parent representative. Nicollet County acts as the fiscal agent for the Collaborative and accounts for it as an agency fund. Funding is provided by state and federal grants and contributions from participating members. Nicollet County contributed $10,000 to the Collaborative in 2017. Current financial statements are not available.

Rush River Clean Water Partnership

Nicollet County entered into a joint powers agreement with Sibley County to create and operate Rush River Clean Water Partnership, pursuant to Minn. Stat. § 471.59 and a joint powers agreement, effective February 26, 2008. Management of Rush River Clean Water Partnership is vested in a Board of Directors, which consists of five representatives, three from the Sibley County Board of Commissioners and two from the Nicollet County Board of Commissioners. The purpose of this joint powers agreement is to organize, govern, train, equip, and maintain clean water projects that promote citizen participation and water quality improvement. The joint powers agreement is financed primarily from state and federal grants. Sibley County is the fiscal agent. During the year, Nicollet County contributed $1,000 to the Partnership. Current financial statements are not available.

South Central Minnesota Regional Emergency Communications Board

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

5. Summary of Significant Contingencies and Other Items

B. Joint Ventures

South Central Minnesota Regional Emergency Communications Board (Continued)

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

Blue Earth County acts as the fiscal agent for the Communications Board. During 2017, Nicollet County made no contributions to the Communications Board. The Chair of the Board is Kip Bruender, and the address is P. O. Box 8608, Mankato, Minnesota 56002-8608.

South Central Transit

Nicollet County entered into a joint powers agreement with Blue Earth and Le Sueur Counties creating and operating the South Central Transit, pursuant to Minn. Stat. § 471.59 and a joint powers agreement, effective July 1, 2017. Management of the South Central Transit is vested in the Joint Powers Board consisting of one member appointed by each County Board of Commissioners. The primary purpose of the South Central Transit is to provide centralized planning and transit services in the participating counties.

Financing is primarily provided from state and federal grants. Member counties are committed to providing the local match necessary to meet the requirements for state and federal funding. For 2017, Nicollet County contributed $17,246 to the South Central Transit. Financial information can be obtained from Vine Faith in Action, 421 East Hickory Street, Mankato, Minnesota 56001.

South Central Workforce Service Area Joint Powers Board

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

5. Summary of Significant Contingencies and Other Items

B. Joint Ventures

South Central Workforce Service Area Joint Powers Board (Continued)

During 2017, Nicollet County did not make financial contributions to this Board. Separate financial information can be obtained from the South Central Workforce Council, 706 North Victory Drive, Mankato, Minnesota 56001.

Tri-County Solid Waste

Nicollet County entered into a joint powers agreement to create and operate Tri-County Solid Waste, pursuant to the Waste Management Act, Minn. Stat. § 471.59, and a joint powers agreement effective November 3, 1987. Management of Tri-County Solid Waste is vested in the Tri-County Solid Waste Joint Powers Board, which consists of six representatives, two from each Board of Commissioners from Le Sueur, Nicollet, and Sibley Counties. The primary function of Tri-County Solid Waste is to coordinate solid waste management programs, excluding the collection and disposal of solid waste, within the multi-county area. Emphasis is placed on planning, recycling, hazardous waste, problem materials, and education.

One-half of the financing is provided by appropriations from the three counties based on the ratio of their population to the total population of the member counties, and one-half is provided by an equal appropriation from the three counties. Nicollet County contributed $87,274 in 2017. Nicollet County is the fiscal agent. Current financial statements are not available.

C. Jointly-Governed Organizations

Sentence to Serve

Nicollet County, in conjunction with other local governments, participates in the State of Minnesota's Sentence to Serve (STS) program. STS is a project of the State Department of Administration's Strive Toward Excellence in Performance (STEP) program. STEP's goal is a statewide effort to make positive improvements in public services. It gives the courts an alternative to jail or fines for the nonviolent offenders who can work on a variety of community or state projects. Private funding, funds from various foundations and

5. Summary of Significant Contingencies and Other Items

C. Jointly-Governed Organizations

Sentence to Serve (Continued)

initiative funds, as well as the Minnesota Departments of Corrections and Natural Resources, provide the funds needed to operate the STS program. Although Nicollet County has no operational or financial control over the STS program, Nicollet County budgets for a percentage of this program.

Joint Airport Zoning Board

The Joint Airport Zoning Board was established by joint action of Blue Earth, Le Sueur, and Nicollet Counties, and the Cities of Mankato and St. Peter, and has representation from each entity on the Board. The purpose of the Board is to create an ordinance to prevent the creation or establishment of airport hazards and to ensure public safety. Nicollet County's responsibility does not extend beyond making the appointments to the Board.

Mankato/North Mankato Area Planning Organization

The Mankato/North Mankato Area Planning Organization's (MAPO) general purpose is to meet and maintain a continuing, cooperative, and comprehensive metropolitan transportation planning process. MAPO membership is composed of Blue Earth County, Nicollet County, and various cities and townships within the two counties. The County appoints one local elected official to the Board. During the year, Nicollet County made no payments to the MAPO.

Minnesota Counties Computer Cooperative

Under Minnesota Joint Powers Law, Minn. Stat. § 471.59, Minnesota counties have created the Minnesota Counties Computer Cooperative (MCCC) to jointly provide for the establishment, operation, and maintenance of data processing systems, facilities, and management information systems. During the year, Nicollet County expended $103,366 to the MCCC.

5. Summary of Significant Contingencies and Other Items

C. Jointly-Governed Organizations (Continued)

Minnesota Criminal Justice Data Communications Network

The Minnesota Criminal Justice Data Communications Network Joint Powers Agreement 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, Nicollet County made no payments to the joint powers.

South Central Community-Based Initiative

The South Central Community-Based Initiative was established pursuant to Minn. Stat. §§ 471.59 and 245.4661 and a joint powers agreement effective June 10, 2008. The purpose of this joint powers agreement is to provide services to persons with mental illness in the most clinically-appropriate, person-centered, least restrictive, and cost-effective ways. The focus is on improved access and outcomes for persons with mental illness as a result of the collaboration between state-operated services programs and community-based treatment. The membership of the Board comprises one representative appointed by Blue Earth, Brown, Faribault, Freeborn, Le Sueur, Martin, Nicollet, Rice, Sibley, and Watonwan Counties. Nicollet County did not contribute to the Board in 2017.

South Central Minnesota Emergency Medical Services Joint Powers Board

The South Central Minnesota Emergency Medical Services (SCEMS) Joint Powers Board consists of Blue Earth, Brown, Faribault, Le Sueur, Martin, Nicollet, Sibley, Waseca, and Watonwan Counties. The purpose of SCEMS is to ensure quality patient care is available throughout the nine-county area by maximizing the response capabilities of emergency medical personnel and to promote public education on injury prevention and appropriate response during a medical emergency. Each County appoints one member for the Joint Powers Board. During the year, Nicollet County made no contributions to SCEMS.

South Central Regional IMMTRACK (Immunization Registry) Joint Powers Board

The South Central Regional IMMTRACK (Immunization Registry) Joint Powers Board promotes implementation and maintenance of a regional immunization information system to ensure age-appropriate immunizations through complete and accurate records. During the year, Nicollet County paid $8,972 to the Board.

5. Summary of Significant Contingencies and Other Items

C. Jointly-Governed Organizations (Continued)

Region One - Southeast Minnesota Homeland Security Emergency Management Organization

The Region One - Southeast Minnesota Homeland Security Emergency Management Organization was established to provide for regional coordination of planning, training, purchase of equipment, and allocating emergency services and staff in order to better respond to emergencies and natural or other disasters with the region. There are 16 counties participating, with one member from each entity being represented on the Joint Powers Board. Nicollet County's responsibility does not extend beyond making this appointment. During the year, Nicollet County contributed $1,000 to the Organization.

D. Subsequent Events

On January 23, 2018, the County Board authorized the sale of three general obligation bonds. On February 27, 2018, the County Board approved the proposals with the settlement of the bonds occurring on March 27, 2018.

Series 2018A General Obligation Ditch Bonds were issued in the principal amount of $2,155,000. These bonds were issued for the purpose of the County Ditch 62A improvement of a water drainage system, including the addition of new tile, reconstruction of drainage ditches, and the addition of a water retention pond. The bonds will be paid with special assessments by the land owners who are benefited by the County Ditch 62A system. The bonds are payable in 15 annual installments, with interest payable on a semi-annual basis, and with interest rates ranging from 3.0 to 3.1 percent.

Series 2018B General Obligation Capital Improvement Plan Bonds were issued in the principal amount of $2,390,000. These bonds were issued for the purpose of the remodeling, design, construction, and equipping of the County Sheriff's Office and Jail, Government Center and Health and Human Services Building expansion space and acquisition, and design and construction of a parking lot at the County Government Campus. The bonds are payable in 6 annual installments, with interest payable on a semi-annual basis, and with an interest rate of 3.0 percent.

5. Summary of Significant Contingencies and Other Items

D. Subsequent Events (Continued)

Series 2018C General Obligation Refunding Bonds were issued in the principal amount of $3,410,000. These bonds were issued for the purpose of refunding of 2008 road reconstruction and ditch improvement bonds for cost savings. The bonds are payable in 6 annual installments, with interest payable on a semi-annual basis, and with interest rates ranging from 3.0 to 5.0 percent.

6. Other Information

A. Special Benefit Tax Levy

In 1993, the South Central Minnesota Multi-County Housing Authority issued $20,315,000 of revenue bonds to construct housing units in Nicollet County and four surrounding counties. The Authority has since defaulted on these bonds. In 2000, the counties entered into a settlement agreement where each of the counties will approve a special benefit tax levy on behalf of the Authority from 2001 through 2024 to cover the operating deficits based on each county's proportionate share of housing units constructed. Nicollet County's proportionate share of the operating deficit for 2017 is $117,010. The proportionate shares of the counties may change for years 2018 through 2024 if there are changes in the taxable market value over the 2001 taxable market value.

B. Agricultural Best Management Loan Program

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

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REQUIRED SUPPLEMENTARY INFORMATION

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NICOLLET COUNTY
ST. PETER, MINNESOTA

EXHIBIT A-1

SCHEDULE OF FUNDING PROGRESS
OTHER POSTEMPLOYMENT BENEFITS
DECEMBER 31, 2017

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	$ -	$ 1,575,848	$ 1,575,848	0.00%	$ 9,263,282	17.01%
January 1, 2014	-	1,856,018	1,856,018	0.00	11,351,116	16.35
January 1, 2016	-	1,644,646	1,644,646	0.00	13,099,789	12.55

See Note 3.C.1., Other Postemployment Benefits, for more information.

NICOLLET COUNTY
ST. PETER, MINNESOTA

EXHIBIT A-2

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA GENERAL EMPLOYEES RETIREMENT PLAN
DECEMBER 31, 2017

Measurement Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability Associated with Nicollet County (b)	Employer's Proportionate Share of the Net Pension Liability and the State's Related Share of the Net Pension Liability (Asset) (a + b)	Covered Payroll (c)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2017	0.1828%	$ 11,669,831	$ 146,771	$ 11,816,602	$ 11,780,825	99.06%	75.90%
2016	0.1758	14,271,629	191,768	14,463,397	10,905,593	130.87	68.91
2015	0.1695	8,782,899	N/A	8,782,899	9,971,196	88.08	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.
N/A - Not Applicable

NICOLLET COUNTY
ST. PETER, MINNESOTA

EXHIBIT A-3

SCHEDULE OF CONTRIBUTIONS
PERA GENERAL EMPLOYEES RETIREMENT PLAN
DECEMBER 31, 2017

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)
2017	$ 857,833	$ 857,833	$ -	$ 11,441,779	7.50%
2016	839,582	839,582	-	11,194,407	7.50
2015	802,319	802,319	-	10,697,561	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.

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

NICOLLET COUNTY
ST. PETER, MINNESOTA

EXHIBIT A-4

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA PUBLIC EMPLOYEES POLICE AND FIRE PLAN
DECEMBER 31, 2017

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
2017	0.104%	$ 1,404,124	$ 1,064,520	131.90%	85.43%
2016	0.099	3,973,042	956,843	415.22	63.88
2015	0.098	1,113,509	898,436	123.94	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.

NICOLLET COUNTY
ST. PETER, MINNESOTA

EXHIBIT A-5

SCHEDULE OF CONTRIBUTIONS
PERA PUBLIC EMPLOYEES POLICE AND FIRE PLAN
DECEMBER 31, 2017

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)
2017	$ 180,891	$ 180,891	$ -	$ 1,116,609	16.20%
2016	157,379	157,379	-	971,478	16.20
2015	155,415	155,415	-	959,354	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.

NICOLLET COUNTY
ST. PETER, MINNESOTA

EXHIBIT A-6

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA PUBLIC EMPLOYEES CORRECTIONAL PLAN
DECEMBER 31, 2017

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
2017	0.43%	$ 1,225,504	$ 867,982	141.19%	67.89%
2016	0.42	1,534,319	792,043	193.72	58.16
2015	0.41	63,386	732,578	8.65	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.

NICOLLET COUNTY
ST. PETER, MINNESOTA

EXHIBIT A-7

SCHEDULE OF CONTRIBUTIONS
PERA PUBLIC EMPLOYEES CORRECTIONAL PLAN
DECEMBER 31, 2017

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)
2017	$ 72,279	$ 72,279	$ -	$ 826,051	8.75%
2016	70,912	70,912	-	810,424	8.75
2015	69,841	69,841	-	798,177	8.75

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

The notes to the required supplementary information are an integral part of these schedules.

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NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2017

Defined Benefit Pension Plans - Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

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

General Employees Retirement Plan

2017

- The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA loads are now 0.0 percent for active member liability, 15 percent for vested deferred member liability, and 3.0 percent for non-vested deferred member liability.

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

2016

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2035 and 2.50 percent per year thereafter, to 1.00 percent for all future years.

- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was also changed from 7.90 percent to 7.50 percent.

- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

Defined Benefit Pension Plans - Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions (Continued)

Public Employees Police and Fire Plan

2017

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

- The assumed rates of retirement were changed, resulting in fewer retirements.

- The CSA load was 30 percent for vested and non-vested, deferred members. The CSA has been changed to 33 percent for vested members and 2.0 percent for non-vested members.

- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality table assumed for healthy retirees.

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

- The assumed percentage of married female members was decreased from 65 percent to 60 percent.

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

- The assumed percentage of female members electing joint and survivor annuities was increased.

- The assumed post-retirement benefit increase rate was changed from 1.0 percent for all years to 1.0 percent per year through 2064 and 2.5 percent thereafter.

Defined Benefit Pension Plans - Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

Public Employees Police and Fire Plan

2017 (Continued)

- The single discount rate was changed from 5.60 percent per annum to 7.50 percent per annum.

2016

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2037 and 2.50 percent per year thereafter, to 1.00 percent for all future years.

- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was changed from 7.90 percent to 5.60 percent.

- The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

Public Employees Correctional Plan

2017

- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016 and is applied to healthy and disabled members. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the RP-2014 disabled annuitant mortality table (with future mortality improvement according to Scale MP-2016).

- The CSA load was 30 percent for vested and non-vested, deferred members. The CSA has been changed to 35 percent for vested members and 1.0 percent for non-vested members.

Defined Benefit Pension Plans - Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

Public Employees Correctional Plan

2017 (Continued)

- The single discount rate was changed from 5.31 percent per annum to 5.96 percent per annum.

2016

- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was changed from 7.90 percent to 5.31 percent.

- The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

SUPPLEMENTARY INFORMATION

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COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES

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DEBT SERVICE FUND

The Debt Service Fund is used to account for property tax revenues for the payment of the principal, interest, and related costs of County debt.

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NICOLLET COUNTY
ST. PETER, MINNESOTA

EXHIBIT B-1

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 2,183,767	$ 2,183,767	$ 2,165,555	$ (18,212)
Intergovernmental	-	-	29,602	29,602
Total Revenues	**$ 2,183,767**	**$ 2,183,767**	**$ 2,195,157**	**$ 11,390**
Expenditures				
Debt service				
Principal	$ 1,395,000	$ 1,395,000	$ 1,395,000	$ -
Interest	626,940	626,940	626,940	-
Administrative charges	1,000	1,000	875	125
Total Expenditures	**$ 2,022,940**	**$ 2,022,940**	**$ 2,022,815**	**$ 125**
Net Change in Fund Balance	**$ 160,827**	**$ 160,827**	**$ 172,342**	**$ 11,515**
Fund Balance - January 1	**2,598,082**	**2,598,082**	**2,598,082**	**-**
Fund Balance - December 31	**$ 2,758,909**	**$ 2,758,909**	**$ 2,770,424**	**$ 11,515**

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NICOLLET COUNTY
ST. PETER, MINNESOTA

AGENCY FUNDS

The Agency Fund is used to account for all assets not accounted for by other agency funds and held by the County as an agent for individuals, private organizations, other governments, or other funds.

The Settlement Fund accounts for all taxes and penalties collected and the distribution of the taxes.

The State Revenue Fund accounts for collections for and disbursements to the State of Minnesota.

The Women's Foundation of Minnesota Fund accounts for collections and disbursements of the restricted local grant funds received by the Women's Foundation of Minnesota.

The Community Health Service Fund accounts for collections and disbursements for Brown-Nicollet Community Health Services.

The Family Services Collaborative Fund accounts for collections and disbursements for the Family Services Collaborative.

The Tri-County Solid Waste Fund accounts for collections and disbursements for the Tri-County Solid Waste joint venture.

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NICOLLET COUNTY
ST. PETER, MINNESOTA

EXHIBIT C-1

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Balance January 1	Additions	Deductions	Balance December 31
AGENCY FUND				
Assets				
Cash and pooled investments	$ 34,611	$ 274,029	$ 273,095	$ 35,545
Liabilities				
Due to other governments	$ 34,611	$ 274,029	$ 273,095	$ 35,545
SETTLEMENT FUND				
Assets				
Cash and pooled investments	$ 825,071	$ 80,461,633	$ 79,598,996	$ 1,687,708
Liabilities				
Due to other governments	$ 825,071	$ 80,461,633	$ 79,598,996	$ 1,687,708
STATE REVENUE FUND				
Assets				
Cash and pooled investments	$ 244,420	$ 4,211,299	$ 4,232,525	$ 223,194
Liabilities				
Due to other governments	$ 244,420	$ 4,211,299	$ 4,232,525	$ 223,194

NICOLLET COUNTY
ST. PETER, MINNESOTA

EXHIBIT C-1
(Continued)

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

	Balance January 1	Additions	Deductions	Balance December 31
WOMEN'S FOUNDATION OF MINNESOTA FUND				
Assets				
Cash and pooled investments	$ 36,914	$ -	$ 9,054	$ 27,860
Liabilities				
Due to other governments	$ 36,914	$ -	$ 9,054	$ 27,860
COMMUNITY HEALTH SERVICE FUND				
Assets				
Cash and pooled investments	$ 595,566	$ 1,598,253	$ 1,597,602	$ 596,217
Liabilities				
Due to other governments	$ 595,566	$ 1,598,253	$ 1,597,602	$ 596,217
FAMILY SERVICES COLLABORATIVE FUND				
Assets				
Cash and pooled investments	$ 279,541	$ 200,295	$ 133,692	$ 346,144
Liabilities				
Due to other governments	$ 279,541	$ 200,295	$ 133,692	$ 346,144

EXHIBIT C-1
(Continued)

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Balance January 1	Additions	Deductions	Balance December 31
TRI-COUNTY SOLID WASTE FUND				
Assets				
Cash and pooled investments	$ 47,903	$ 277,030	$ 238,295	$ 86,638
Liabilities				
Due to other governments	$ 47,903	$ 277,030	$ 238,295	$ 86,638
TOTAL ALL AGENCY FUNDS				
Assets				
Cash and pooled investments	$ 2,064,026	$ 87,022,539	$ 86,083,259	$ 3,003,306
Liabilities				
Due to other governments	$ 2,064,026	$ 87,022,539	$ 86,083,259	$ 3,003,306

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SCHEDULES

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NICOLLET COUNTY
ST. PETER, MINNESOTA

EXHIBIT D-1

SCHEDULE OF INTERGOVERNMENTAL REVENUE - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

Appropriations and Shared Revenue		
State		
Highway users tax	$	6,923,889
County program aid		1,398,541
PERA rate reimbursement		34,276
Disparity reduction aid		11,666
Police aid		113,364
Enhanced 911		110,476
Market value credit		263,434
SCORE		97,163
Aquatic invasive species prevention aid		70,804
Riparian Protection Aid		79,685
Total appropriations and shared revenue	**$**	**9,103,298**
Reimbursement for Services		
State		
Minnesota Department of Human Services	**$**	**1,031,270**
Payments		
Local		
Other contributions	$	1,016,553
Payments in lieu of taxes		49,832
Total payments	**$**	**1,066,385**
Grants		
State		
Minnesota Department of		
Public Safety	$	4,404
Health		127,796
Natural Resources		46,358
Human Services		1,814,238
Corrections		294,227
Water and Soil Resources Board		101,032
Supreme Court		38,248
Pollution Control Agency		55,039
Total state	**$**	**2,481,342**
Federal		
Department of		
Agriculture	$	433,693
Education		2,416
Health and Human Services		2,761,717
Homeland Security		46,167
Total federal	**$**	**3,243,993**
Total state and federal grants	**$**	**5,725,335**
Total Intergovernmental Revenue	**$**	**16,926,288**

NICOLLET COUNTY
ST. PETER, MINNESOTA

EXHIBIT D-2

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2017

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-Through Grant Numbers	Expenditures
U.S. Department of Agriculture			
Passed Through Brown-Nicollet Community Health Services			
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	17MN004W1003	$ 136,283
Passed Through Minnesota Department of Human Services			
SNAP Cluster			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	172MN101S2514	297,410
Total U.S. Department of Agriculture			**$ 433,693**
U.S. Department of Education			
Passed Through Brown-Nicollet Community Health Services			
Special Education - Grants for Infants and Families	84.181	H181A160029	**$ 2,416**
U.S. Department of Health and Human Services			
Passed Through Brown-Nicollet Community Health Services			
Public Health Emergency Preparedness	93.069	U90TP000529	$ 33,884
TANF Cluster			
Temporary Assistance for Needy Families	93.558	2017G996115	37,443
(Total Temporary Assistance for Needy Families 93.558 $453,780)			
Maternal and Child Health Services Block Grant to the States	93.994	B04MC28107	31,434
Passed Through Minnesota Department of Human Services			
Promoting Safe and Stable Families	93.556	G-1601MNFPSS	6,833
TANF Cluster			
Temporary Assistance for Needy Families	93.558	1601MNTANF	416,337
(Total Temporary Assistance for Needy Families 93.558 $453,780)			
Child Support Enforcement	93.563	1704MNCSES	690,556
Refugee and Entrant Assistance - State Administered Programs	93.566	1701MNRCMA	680
CCDF Cluster			
Child Care and Development Block Grant	93.575	G1701MNCCDF	19,991
Community-Based Child Abuse Prevention Grants	93.590	G-1502MNFRPG	17,447
Stephanie Tubbs Jones Child Welfare Services Program	93.645	G-1601MNCWSS	6,169
Foster Care - Title IV-E	93.658	1701MNFOST	296,211
Social Services Block Grant	93.667	17-01MNSOSR	129,964
Chafee Foster Care Independence Program	93.674	G-1701MNCILP	2,067
Children's Health Insurance Program	93.767	1705MN5021	365
Medicaid Cluster			
Medical Assistance Program	93.778	05-1705MN5ADM	1,278,691
Medical Assistance Program	93.778	05-1705MN5MAP	16,408
(Total Medical Assistance Program 93.778 $1,295,099)			
Total U.S. Department of Health and Human Services			**$ 2,984,480**
U.S. Department of Homeland Security			
Passed Through Minnesota Department of Public Safety			
Emergency Management Performance Grants	97.042	F-EMPG-2017-NICOLLCO-1031	**$ 46,167**
Total Federal Awards			**$ 3,466,756**

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

EXHIBIT D-2
(Continued)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2017

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-Through Grant Numbers	Expenditures
Totals by Cluster			
Total expenditures for SNAP Cluster			$ 297,410
Total expenditures for TANF Cluster			453,780
Total expenditures for CCDF Cluster			19,991
Total expenditures for Medicaid Cluster			1,295,099

The County did not pass any federal awards through to subrecipients during the year ended December 31, 2017.

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NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2017

1. Reporting Entity

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

2. Basis of Presentation

   The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Nicollet County under programs of the federal government for the year ended December 31, 2017. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Nicollet County, it is not intended to and does not present the financial position, changes in net position, or cash flows of Nicollet County.

3. Summary of Significant Accounting Policies

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

4. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	$ 3,243,993
Grants received more than 60 days after year-end, unavailable in 2017	
Temporary Assistance for Needy Families (CFDA No. 93.558)	103,249
Child Support Enforcement (CFDA No. 93.563)	24,300
Unavailable in 2016, recognized as revenue in 2017	
Temporary Assistance for Needy Families (CFDA No. 93.558)	(67,660)
Collaborative Grants (receipted into an agency fund)	
Foster Care - Title IV-E (CFDA No. 93.658)	66,497
Medical Assistance Program (CFDA No. 93.778)	96,377
Expenditures Per Schedule of Expenditures of Federal Awards	$ 3,466,756

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Management and Compliance Section

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OFFICE OF THE STATE AUDITOR

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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
Nicollet County
St. Peter, 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, each major fund, and the aggregate remaining fund information of Nicollet County, Minnesota, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 5, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Nicollet 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 Questioned Costs, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness.

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. 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 Questioned Costs as item 2012-001 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Nicollet 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 the County administers no tax increment financing districts.

In connection with our audit, nothing came to our attention that caused us to believe that Nicollet County failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Counties*, except as described in the Schedule of Findings and Questioned Costs as items 1996-001 and 2017-002. 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.

Nicollet County's Response to Findings

Nicollet County's responses to the internal control and legal compliance findings identified in our audit are described in the Corrective Action Plan. 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

September 5, 2018

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REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Independent Auditor's Report

Board of County Commissioners
Nicollet County
St. Peter, Minnesota

Report on Compliance for Each Major Federal Program

We have audited Nicollet County's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2017. Nicollet County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

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

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

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

Basis for Qualified Opinion on Medicaid Cluster (CFDA No. 93.778)

As described in the accompanying Schedule of Findings and Questioned Costs, Nicollet County did not comply with requirements regarding CFDA No. 93.778, Medicaid Cluster, as described in finding number 2017-001 for Eligibility. Compliance with such requirements is necessary, in our opinion, for the County to comply with the requirements applicable to that program.

Qualified Opinion on Medicaid Cluster (CFDA No. 93.778)

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Nicollet County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Medicaid Cluster for the year ended December 31, 2017.

Unmodified Opinion on the Other Major Federal Program

In our opinion, Nicollet County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its other major federal program identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs for the year ended December 31, 2017.

Nicollet County's response to the noncompliance finding identified in our audit is described in the accompanying Corrective Action Plan. Nicollet County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2017-001 to be a material weakness.

Nicollet County's response to the internal control over compliance finding identified in our audit is described in the accompanying Corrective Action Plan. Nicollet County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Purpose of This Report

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

/s/Rebecca Otto	*/s/Greg Hierlinger*
REBECCA OTTO STATE AUDITOR	GREG HIERLINGER, CPA DEPUTY STATE AUDITOR

September 5, 2018

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NICOLLET COUNTY
ST. PETER, MINNESOTA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2017

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: **Unmodified**

Internal control over financial reporting:
- Material weaknesses identified? **Yes**
- Significant deficiencies identified? **None reported**

Noncompliance material to the financial statements noted? **No**

Federal Awards

Internal control over major programs:
- Material weaknesses identified? **Yes**
- Significant deficiencies identified? **None reported**

Type of auditor's report issued on compliance for major federal programs: **Unmodified for all major programs, except for Medicaid Cluster, which is qualified.**

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? **Yes**

The major federal programs are:

Child Support Enforcement	CFDA No. 93.563
Medicaid Cluster	CFDA No. 93.778

The threshold for distinguishing between Types A and B programs was $750,000.

Nicollet County qualified as a low-risk auditee? **No**

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEM NOT RESOLVED

Finding Number 2012-001

Audit Adjustments

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 define a material weakness as 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 entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

Condition: Material audit adjustments were identified that resulted in changes to Nicollet County's financial statements. The adjustments were reviewed and approved by appropriate County staff and are reflected in the financial statements.

Context: The inability to detect misstatements in the financial statements increases the likelihood that the financial statements would not be fairly presented. These adjustments were found in the audit; however, independent external auditors cannot be considered part of the County's internal control.

Effect: The following audit adjustments were made for December 31, 2017:

- An adjustment of $233,411 was made in the Ditch Special Revenue Fund to increase special assessment receivables and revenue for assessments received within the period of availability.
- An adjustment of $363,786 was made in the Ditch Special Revenue Fund to increase contracts payable for project work completed in 2017.
- Ditch Special Revenue Fund deferred inflows of resources were increased $140,274 to adjust for state and federal grants and accrued cross-county billings that were not received in the period of availability.
- Adjustments of $630,507 and $656,695 were made in the Settlement Agency Fund to increase cash and due to other governments, respectively, for prepaid tax collections.

- An adjustment of $325,301 was made in the Self-Insurance Internal Service Fund to reduce operating revenue and expenses for activity that was not related to health or dental insurance.

Cause: The County informed us that it did not have adequate procedures in place which allowed for further review of account balances and supporting documentation.

Recommendation: We recommend that the County review internal controls currently in place and design and implement procedures to improve controls over financial reporting to ensure the County's annual financial statements are fairly presented in accordance with generally accepted accounting principles.

View of Responsible Official: Acknowledged

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

ITEM ARISING THIS YEAR

Finding Number 2017-001

Eligibility

Program: U.S. Department of Health and Human Services' Medicaid Cluster (CFDA No. 93.778), Award No. 05-1705MN5ADM, 2017

Pass-Through Agency: Minnesota Department of Human Services

Criteria: Title 2 U.S. *Code of Federal Regulations* § 200.303 states that the auditee must establish and maintain effective internal control over the federal award that provides reasonable assurance that the auditee is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award.

Condition: The Minnesota Department of Human Services (DHS) maintains the computer system, MAXIS, which is used by the County to support the eligibility determination process. While overall program supervisory case reviews are performed to provide reasonable assurance of compliance with grant eligibility requirements, there was no documentation on file to support supervisory case reviews performed specifically for Medical Assistance case files. Not all documentation was available, updated, or input correctly to support participant eligibility. The following exceptions were noted in the sample of 40 case files tested:

- Eight case files did not meet verification of asset requirements. For three of these case files, the asset information in MAXIS did not match the supporting documentation provided by the participant. For five of these case files, there was no documentation to support the verification of assets.

- Two case files did not have a current application on file.

- Two case files did not have documentation that a cost effective review related to other health insurance was completed.

Questioned Costs: Not applicable. The County administers the program, but benefits to participants in this program are paid by the State of Minnesota.

Context: The State of Minnesota contracts with the County to perform the "intake function" (meeting with the social services client to determine income and categorical eligibility), while the Minnesota DHS maintains MAXIS, which supports the eligibility determination process and actually pays the benefits to the participants.

The sample size was based on guidance from chapter 11 of the AICPA Audit Guide, *Government Auditing Standards and Single Audits.*

Effect: The lack of updated information in MAXIS and verification of key eligibility-determining factors increases the risk that a program participant will receive benefits when they are not eligible.

Cause: The County does not have a policy in place to indicate the frequency or quantity of reviews, including how the reviews and follow-up with case workers should be documented.

Recommendation: We recommend the County implement additional review procedures to provide reasonable assurance that all necessary documentation to support eligibility determinations exists and is properly input or updated in MAXIS and issues are followed up on in a timely manner. In addition, we recommend the County develop a policy that indicates the frequency and quantity of supervisory reviews, key points of review, and procedures for following up on the review points.

View of Responsible Official: Acknowledged

IV. OTHER FINDINGS AND RECOMMENDATIONS

MINNESOTA LEGAL COMPLIANCE

PREVIOUSLY REPORTED ITEM NOT RESOLVED

Finding Number 1996-001

Individual Ditch System Deficits

Criteria: Minnesota Statutes § 103E.655 requires that drainage system costs be paid from the ditch system account for which the costs are being incurred. If money is not available in the drainage system account on which the warrant is drawn, the Board may, by unanimous resolution, loan the necessary funds from other ditch systems with surplus funds or from the General Fund. Such loans must be paid back with interest computed for the time the money is actually needed at the same rate per year charged on drainage liens and assessments.

Condition: During the year, several of the County ditch systems maintained deficit cash balances in the accounting records. Deficit balances represent an implicit loan from ditch systems with surplus funds and/or the General Fund. These loans were not formally approved by the Board, and no interest was charged for them.

Context: At December 31, 2017, 66 ditch systems had negative cash balances totaling $1,817,850, which is an increase from 48 ditch systems with a negative cash balance totaling $414,948 at the beginning of the year. In 2017 the annual interest rate charged on drainage liens and assessments was four percent.

Effect: The County is not in compliance with Minnesota statutes, and ditch systems maintaining deficit cash balances are effectively receiving an interest-free loan from ditch systems with surplus funds and/or the General Fund.

Cause: The County informed us that expenditures had been made for ditch systems with insufficient cash to cover the expenditures. Additionally, special assessments levied for systems had not been sufficient to meet all obligations of the systems.

Recommendation: We recommend that the County develop policies and procedures that ensure that loans to ditch systems are made in accordance with Minn. Stat. § 103E.655.

View of Responsible Official: Acknowledged

ITEM ARISING THIS YEAR

Finding Number 2017-002

Insufficient Collateral

Criteria: Government entities are required by Minn. Stat. § 118A.03, subd. 3, to obtain collateral to secure deposits to the extent funds on deposit exceed available federal deposit insurance at the close of the financial institution's banking day. The market value of the collateral must be at least ten percent more than the uninsured and unbonded amount on deposit, unless the collateral is an irrevocable letter of credit issued by Federal Home Loan Banks, which requires an amount at least equal to the amount on deposit.

Condition: At December 31, 2017, Nicollet County had deposits at Wells Fargo, N.A., that were not adequately covered by collateral.

Context: Deposits in excess of collateral were $7,472,116 on December 31, 2017.

Effect: When there is insufficient collateral with a bank, Nicollet County may not have been able to recover, in the event of bank default, the portion of funds for which there was no collateral.

Cause: In August 2017, unbeknownst to them, Nicollet County experienced changes in the composition of its portfolio at First Investment Center due to changes in authorized County personnel on the account.

Recommendation: We recommend Nicollet County establish procedures to monitor all deposits to determine there is adequate collateral pledged to secure deposits in accordance with Minn. Stat. § 118A.03.

View of Responsible Official: Concur

V. PREVIOUSLY REPORTED ITEMS RESOLVED

2015-001 Ditch Special Revenue Fund Cash Deficit
2016-001 Local Collaborative Time Study Reporting
2016-002 Sale of Personal Property - Advertising for Bids
2016-003 Contract Compliance - Maintaining Quotations

REPRESENTATION OF NICOLLET COUNTY
ST. PETER, MINNESOTA

CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED DECEMBER 31, 2017

Finding Number: 1996-001
Finding Title: Individual Ditch System Deficits

Name of Contact Persons Responsible for Corrective Action:

Heather McCormick, Finance Director
Nicollet County Finance Department

Jaci Kopet, Public Services Manager
Nicollet County Property & Public Services

Corrective Action Planned:

Nicollet County has continued to attempt to bring all ditch systems to a positive balance which included Bonding in 2018. Nicollet County will establish policies and procedures for complying with MS 103E.655. Nicollet County plans to take Board action to approve cash being borrowed/interest paid to maintain a positive cash balance for individual ditches.

Anticipated Completion Date:

Continuous

Finding Number: 2012-001
Finding Title: Audit Adjustments

Name of Contact Person Responsible for Corrective Action:

Heather McCormick, Finance Director
Nicollet County Finance Department

Corrective Action Planned:

Finance Director (Heather McCormick) will share the audit finding with Finance staff. Additional financial statement education will be researched for accounting staff to develop knowledge and expertise. Finance will work with Property & Public Services on ideas for improvements on Ditch financial reporting as the Ditch Fund hit the materiality misstatement level. Changes in process for bank routing will be made to the Insurance Fund. In preparation of the 2018 audit, the year end journal entries and year end procedures will be reviewed to identify necessary improvements to ensure the financial statements are accurate, complete, and fairly represented in accordance with generally accepted accounting principles.

Anticipated Completion Date:

Ongoing

Finding Number: 2017-001
Finding Title: Eligibility
Program: Medicaid Cluster (CFDA No. 93.778)

Name of Contact Person Responsible for Corrective Action:

Tami Simonson
Nicollet County Human Services - Interim Financial Assistance Supervisor

Corrective Action Planned:

Asset verification policy has been reviewed at a staff meeting, including the requirement that what is in STAT matches what is in case notes, and is backed up by the verification on file.

The importance of checking transfer in cases for proper documentation, including a current application will be reviewed at the next staff meeting.

There is already a procedure in place for reviewing other insurance to determine if it is cost effective. Workers will be reminded at the next staff meeting that documentation of the results of this review is required to be entered into case notes.

When a permanent supervisor is hired, supervisory case reviews will be implemented. Two cases from each worker will be reviewed quarterly, for a total of 24 cases to be reviewed quarterly. A review tool will be developed to guide the process. Results will be discussed with each individual upon completion of the case reviews. A log of cases reviewed and findings of each review will be maintained by the supervisor. Extra training will be provided for any problem areas that are discovered.

Anticipated Completion Date:

The first item was completed at a staff meeting on 8/22/18.

Items two and three will be reviewed at the next staff meeting on 9/14/18.

The implementation of the case review process will begin with the hiring of a new supervisor, expected by the end of 2018, and will be included as part of their orientation.

Finding Number: 2017-002
Finding Title: Insufficient Collateral

Name of Contact Person Responsible for Corrective Action:

Heather McCormick, Finance Director
Nicollet County Finance Department

Corrective Action Planned:

Nicollet County has worked with First Investment Center Investment representative to move the County funds back to Treasury Bonds to ensure adequate collateral under U.S. Treasury Obligations. Nicollet County has worked with Hometown Bank to provide a substitution for a GO pledge that was not rated.

Nicollet County will continue communication with Banks outlining the County's expectation of the Banking responsibilities to us as a government entity.

Procedures will be put into place at Nicollet County to monitor unexpected changes such as what occurred in 2017 without direction of the county.

Anticipated Completion Date:

Completed

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REPRESENTATION OF NICOLLET COUNTY
ST. PETER, MINNESOTA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2017

Finding Number: 1996-001
Finding Title: Individual Ditch System Deficits

Summary of Condition: The County had ditch systems with individual deficit cash balances and individual fund deficit balances at December 31, 2016.

Summary of Corrective Action Previously Reported: Nicollet County has continued to attempt to bring all ditch systems to a positive balance. Nicollet County plans to take Board action at the end of 2017 to approve of borrowing from the General Fund to maintain a positive cash balance for individual ditches. The systems that have deficit balances at year end will be replenished with future assessments to the beneficiaries. In addition, Nicollet County will begin the Bonding process for ditch projects in January of 2018.

Status: Partially Corrected. Nicollet County has continued to attempt to bring all ditch systems to a positive balance which included General Obligation Ditch Bonding for $2.2M in 2018. Nicollet County plans to be more aggressive in late 2018 into 2019 to establish policies and procedures for complying with MS 103E.655. Nicollet County plans to take Board action to approve cash being borrowed/interest paid to maintain a positive cash balance for individual ditches.

Was corrective action taken significantly different than the action previously reported?
Yes _______ No ___X___

Finding Number: 2012-001
Finding Title: Audit Adjustments

Summary of Condition: During the 2016 audit, auditors proposed audit adjustments that resulted in changes to Nicollet County's financial statements.

Summary of Corrective Action Previously Reported: Finance Director (Heather McCormick) will share the audit finding with all Finance staff and educate staff on generally accepted accounting principles. Additional financial statement education will be researched for accounting staff to develop knowledge and expertise. In preparation of the 2017 audit, the year end journal entries and year end procedures will be reviewed to identify necessary improvements to ensure the financial statements are accurate, complete, and fairly represented in accordance with generally accepted accounting principles.

Status: Not Corrected. Finance Director (Heather McCormick) will continue to share audit findings with Finance staff and additional financial statement education will continue to be a focus. Finance will work with Property & Public Services on ideas for improvements on Ditch financial reporting as the Ditch Fund hit the materiality misstatement level. Improvements to year end procedures and journal entries will continue to be reviewed to ensure the financial statements are accurate, complete, and fairly represented in accordance with generally accepted accounting principles.

Was corrective action taken significantly different than the action previously reported?
Yes _______ No ___X___

Finding Number: 2015-001
Finding Title: Ditch Special Revenue Fund Cash Deficit

Summary of Condition: As of December 31, 2016, the Ditch Special Revenue Fund had a deficit cash balance.

Summary of Corrective Action Previously Reported: Nicollet County has continued to attempt to bring all ditch systems to a positive balance. It is the intent to continue to work towards a positive balance in the Ditch Revenue Fund, by taking Board action at the end of 2017 to allow for temporary fund transfers to cover the deficits. Nicollet County assesses projects upon completion. Unfortunately, modified accrual accounting does not recognize assessments until collected and offsets the receivable amount with deferred revenue, guaranteeing a deficit fund balance.

Status: Fully Corrected. Corrective action was taken.
Was corrective action taken significantly different than the action previously reported?
Yes _______ No ___X___

Finding Number: 2016-001
Finding Title: Local Collaborative Time Study Reporting
Program: Medicaid Cluster (CFDA No. 93.778)

Summary of Condition: The 2016 quarterly Corrections Department LCTS reports included unallowed direct expenses as well as unsupported allocation of overhead expenses.

Summary of Corrective Action Previously Reported: Fiscal Reporting and Payment Agent (Lelia Leonhardt) will print, review for reasonableness, ensure back-up documentation has been provided to support costs reported and that it reconciles. Previous errors have already been identified and amended reports have been filed.

Status: Fully Corrected. Corrective action was taken.
Was corrective action taken significantly different than the action previously reported?
Yes _______ No ___X___

Finding Number: 2016-002
Finding Title: Sale of Personal Property - Advertising for Bids

Summary of Condition: During 2016, the County sold a plow truck with an estimated value greater than $15,000 using an electronic selling process without contemporaneously publishing a notice in the County's official newspaper.

Summary of Corrective Action Previously Reported: Finance Director (Heather McCormick) will share the audit finding with all department heads and remind managers of State Statute § 331A.03 subdivision 1c which requires Sales of personal property estimated > $15,000 be made only after advertising for bids or proposals in the county's official newspaper and county's website.

Status: Fully Corrected. Corrective action was taken.
Was corrective action taken significantly different than the action previously reported?
Yes _______ No ___X___

Finding Number: 2016-003
Finding Title: Contract Compliance - Maintaining Quotations

Summary of Condition: During 2016 contract testing for compliance with contracting and bid laws, two of the four contracts tested, vendor quotations were not on file.

Summary of Corrective Action Previously Reported: Finance Director (Heather McCormick) will share the audit finding with all department heads and educate managers of State Statute § 471.345 subdivision 4, which states when awarding a contract based on quotations, all quotations obtained shall be kept on file for a period of at least 1 year after receipt thereof. Finance Director will also remind managers of the Nicollet County procurement policy requires that all quotes obtained under $100,000 be in writing and kept on file for at least one year or until completion of the procurement year financial statement, whichever is later.

Status: Fully Corrected. Corrective action was taken.
Was corrective action taken significantly different than the action previously reported?
Yes _______ No ___X___