STATE OF MINNESOTA
Office of the State Auditor

Julie Blaha
State Auditor

NICOLLET COUNTY
ST. PETER, MINNESOTA

YEAR ENDED DECEMBER 31, 2018

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 100 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 600 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, 2018

Audit Practice Division
Office of the State Auditor
State of Minnesota

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NICOLLET COUNTY
ST. PETER, MINNESOTA

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ST. PETER, MINNESOTA

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NICOLLET COUNTY
ST. PETER, MINNESOTA

ORGANIZATION
DECEMBER 31, 2018

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 2023
5th District	John Luepke	January 2021
Officers Elected		
Attorney	Michelle Zehnder Fischer	January 2023
County Judge	Allison Krehbiel	January 2023
County Judge	Todd Westphal	January 2021
County Recorder	Kathryn Conlon	January 2023
Registrar of Titles	Kathryn Conlon	January 2023
Sheriff	David Lange	January 2023
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
Health and Human Services Director	Cassandra Sassenberg	Indefinite
Property and Public Services Director	Mandy Landkamer	Indefinite
Extension Director	Lisa Dierks	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, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, as listed in the table of contents.

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

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, 2018, 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.

Emphasis of Matter – Change in Accounting Principle

As discussed in Note 1.E. to the financial statements, in 2018, the County adopted new accounting guidance by implementing the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which represents a change in accounting principles. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise 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 Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 17, 2019, 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/Julie Blaha	*/s/Greg Hierlinger*
JULIE BLAHA STATE AUDITOR	GREG HIERLINGER, CPA DEPUTY STATE AUDITOR

July 17, 2019

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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, 2018
(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, 2018. 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 $111,266,052 at the close of 2018. Of this amount, $13,434,643 (unrestricted net position) may be used to meet Nicollet County's ongoing obligations to citizens and creditors.

- At the close of 2018, Nicollet County's governmental funds reported combined ending fund balances of $34,339,538, an increase of $2,792,065 in comparison with the prior year. Of the total fund balance, $10,300,675 is available for spending at the County's discretion and is noted as unassigned fund balance.

- At the close of 2018, the unassigned fund balance for the General Fund was $11,977,310, or 59.2 percent, of total General Fund expenditures.

- Nicollet County's total bonds and capital notes payable increased by $2,860,000. There were three bonds issued in 2018, which consisted of $2,155,000 G.O. Ditch Bonds, Series 2018A; $2,390,000 G.O. Capital Improvement Plan Bonds, Series 2018B; and $3,410,000 G.O. Refunding Bonds, Series 2018C ($3,175,000 road reconstruction portion and $235,000 ditch portion). The Series 2018C Bonds were Refunding Bonds of Series 2008A. There were payments of $115,000 to G.O. Capital Improvement Bonds, Series 2013A; $3,795,000 to Road Reconstruction Bonds, Series 2008A (includes previously mentioned refunding); $300,000 to G.O. Drainage Bonds, Series 2008A (includes previously mentioned refunding); $535,000 to G.O. Capital Improvement Bonds – Human Services Building, Series 2013A; and $350,000 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 changes in its other postemployment benefits liability (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 $111,266,052 at the close of 2018. The largest portion of Nicollet County's net position (76.2 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

	2017 Restated (1)	2018
Assets		
Current and other assets	$ 45,397,494	$ 48,590,842
Capital assets	96,838,529	101,470,278
Total Assets	$ 142,236,023	$ 150,061,120
Deferred Outflows of Resources	$ 6,044,603	$ 4,195,765
Liabilities		
Long-term liabilities outstanding	$ 34,489,566	$ 34,223,662
Other liabilities	2,678,412	2,931,835
Total Liabilities	$ 37,167,978	$ 37,155,497
Deferred Inflows of Resources	$ 5,286,791	$ 5,835,336
Net position		
Net investment in capital assets	$ 80,879,449	$ 84,747,155
Restricted	13,758,526	13,084,254
Unrestricted	11,187,882	13,434,643
Total Net Position	$ 105,825,857	$ 111,266,052

(1) Restatement for change in accounting principles; see Note 1.E.

The unrestricted net position amount of $13,434,643 as of December 31, 2018, may be used to meet the County's ongoing obligations to citizens and creditors.

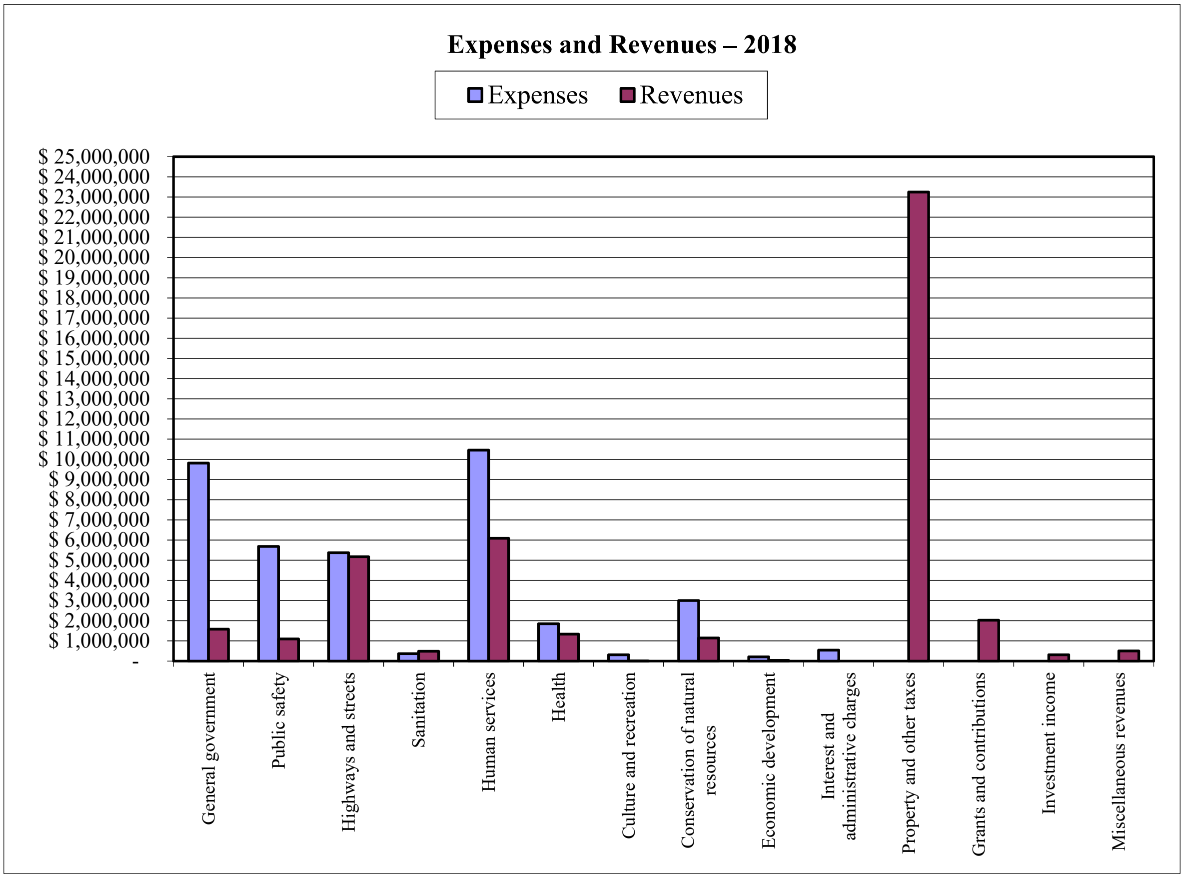
GOVERNMENTAL ACTIVITIES

Nicollet County's activities increased net position by $5,440,195, or 5.1 percent, over the 2017 net position. The following table summarizes the changes in net position for 2018.

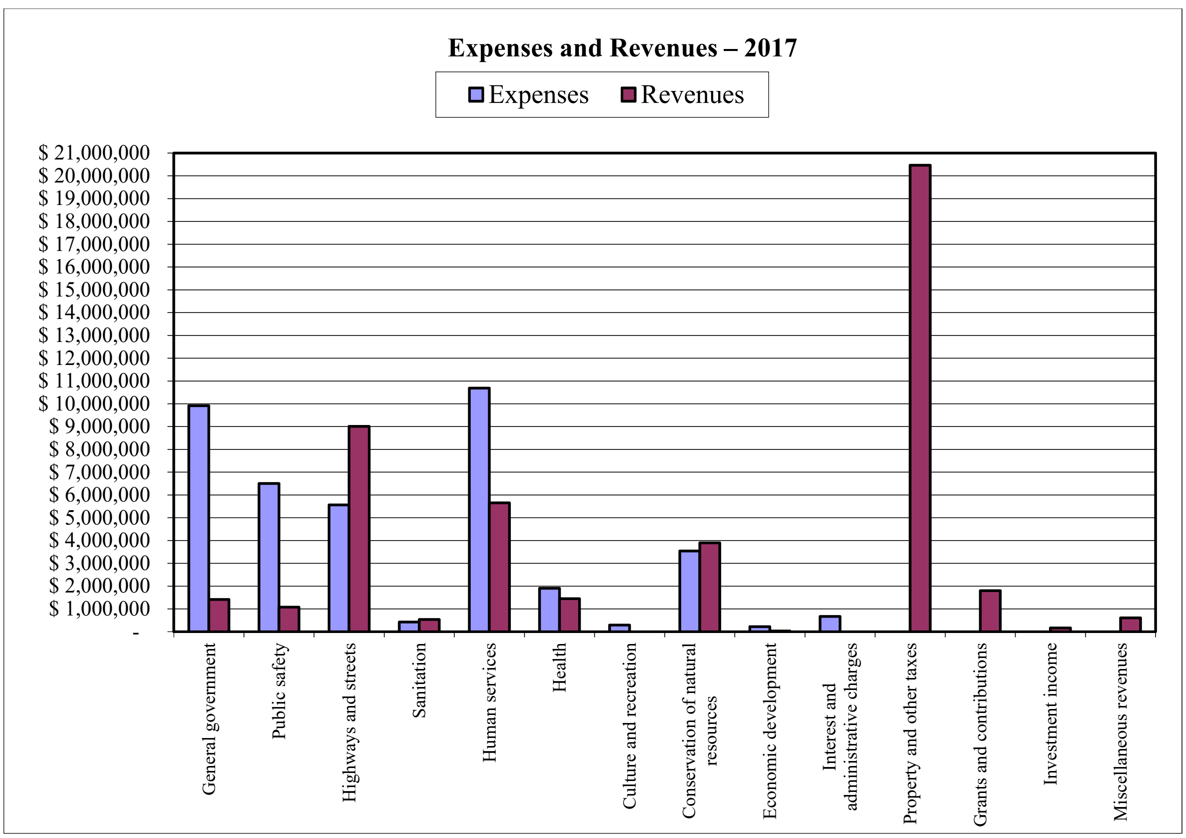
Changes in Government Net Position

	2017 Restated (1)	2018
Revenues		
Program revenues		
Fees, charges, and others	$ 6,957,610	$ 4,161,511
Operating grants and contributions	15,082,072	12,714,066
Capital grants and contributions	1,045,061	86,418
General revenues		
Property taxes	19,987,426	21,053,516
Other	3,051,419	5,041,608
Total Revenues	$ 46,123,588	$ 43,057,119
Expenses		
General government	$ 9,916,727	$ 9,810,794
Public safety	6,504,357	5,681,479
Highways and streets	5,566,446	5,369,921
Sanitation	425,967	369,308
Human services	10,688,774	10,458,783
Health	1,902,959	1,855,475
Culture and recreation	291,703	310,795
Conservation of natural resources	3,539,971	3,005,335
Economic development	221,432	211,992
Interest	672,678	543,042
Total Expenses	$ 39,731,014	$ 37,616,924
Increase in Net Position	$ 6,392,574	$ 5,440,195
Net Position – January 1, as restated (1)	99,433,283	105,825,857
Net Position – December 31	$ 105,825,857	$ 111,266,052

(1) Restatement for change in accounting principles; see Note 1.E.



Expenses and Revenues – 2018
Expenses
Revenues
$ 25,000,000
$ 24,000,000
$ 23,000,000
$ 22,000,000
$ 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 – 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
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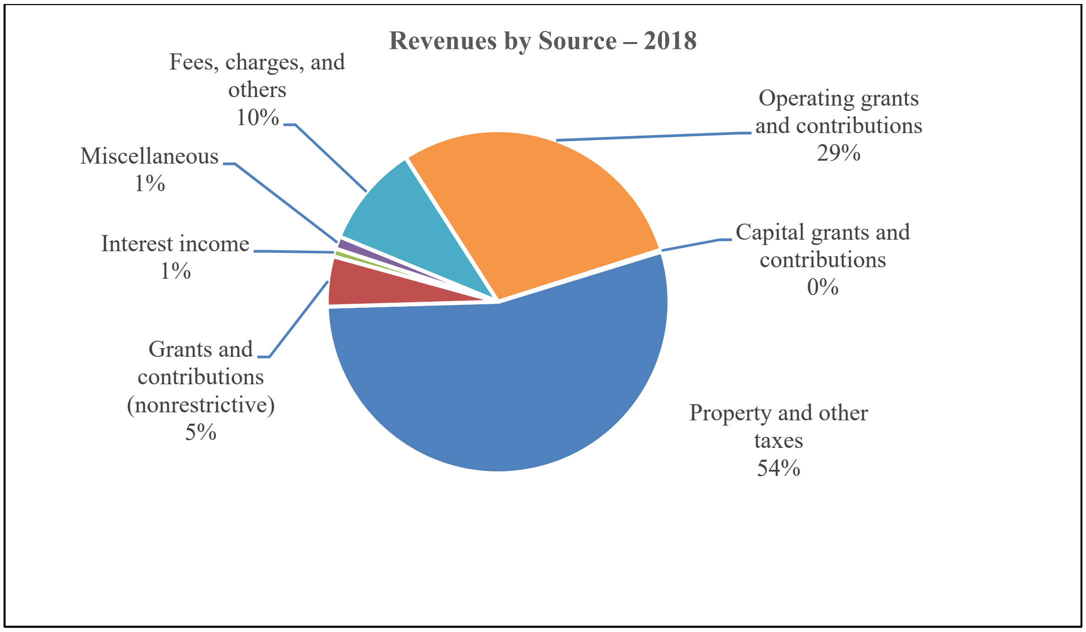
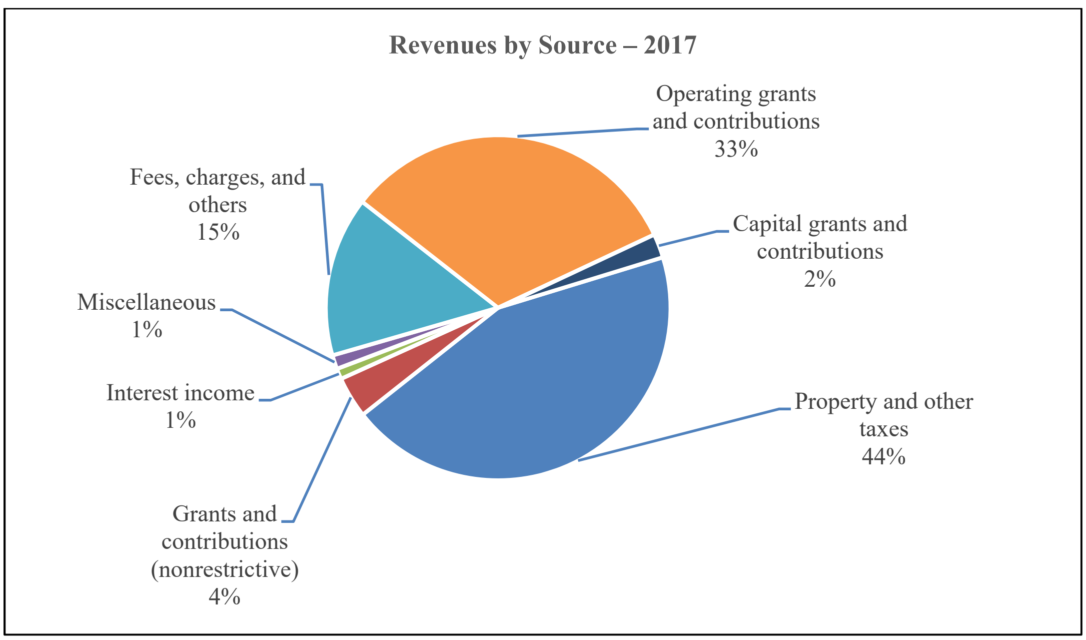
General government
Public safety
Highways and streets
Sanitation
Human services
Health
Culture and recreation
Conservation of natural resources
Economic development
Interest and administrative charges
Property and other taxes
Grants and contributions
Investment income
Miscellaneous revenues


Revenues by Source – 2018
Fees, charges, and others 10%
Operating grants and contributions 29%
Miscellaneous 1%
Interest income 1%
Capital grants and contributions 0%
Grants and contributions (nonrestrictive) 5%
Property and other taxes 54%


Revenues by Source – 2017
Operating grants and contributions 33%
Fees, charges, and others 15%
Capital grants and contributions 2%
Miscellaneous 1%
Interest income 1%
Property and other taxes 44%
Grants and contributions (nonrestrictive) 4%

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 $34,339,538, an increase of $2,792,065 in comparison with the prior year. The majority of this amount ($24,501,652) 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 $11,977,310, while total fund balance was $14,346,598. 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 59.2 percent of total General Fund expenditures, while total fund balance represents 70.9 percent of that same amount. In 2018, the fund balance amount in the General Fund increased by $1,490,909.

The Road and Bridge Special Revenue Fund's fund balance decreased by $835,280 in 2018. Some attributing factors were due to the timing of awarded state aid-approved projects, impacting revenues. The half percent Local Option Transportation Sales & Use Tax was also implemented in 2018.

The Human Services Special Revenue Fund's fund balance increased by $1,086,774 in 2018. Some attributing factors were expense savings impacted by staff planning variances from budget (salaries and benefits), equipment purchases less than budgeted, and some revenue categories favorable variances to budget.

The Revolving Loan Special Revenue Fund's fund balance decreased by $32,002 in 2018.

The Ditch Special Revenue Fund had a negative fund balance of $1,000,449 at year-end 2018. Total fund balance increased by $884,300 in 2018. 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 Fund's restricted fund balance increased by $197,364 in 2018. Tax collections were greater than the debt obligations in 2018.

General Fund Budgetary Highlights

The difference between the original budget expenditures and the final amended budget expenditures was an increase of $2,129,355 during the year. The difference between the original budget revenues and the final amended budget revenues was an increase of $19,355.

The final amended budget expenditures exceeded actual expenditures by $463,907. The actual revenues, transfers in, general obligation bonds issued, and premium on bonds issued exceeded final amended budget revenues and transfers in by $3,235,602. Significant variances during the current year included the following:

- Capital outlay expenditures were under budget by $459,966 due to the timing of some general government capital expenditures.

- General obligation bonds issued of $2,390,000 and the premium on bonds issued of $99,975 were unbudgeted.

- Intergovernmental revenues exceeded the budget by $446,250 for unbudgeted revenue. Contributing factors included higher than budgeted intergovernmental reimbursement for services in Public Health as well as Property Services and Elections grant revenues, which were unbudgeted. In addition, Police aid was favorable to budget.

- Investment earnings exceeded budget by $219,590.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The County's investment in capital assets for its governmental activities as of December 31, 2018, was $101,470,278 (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 five percent.

Capital Assets

	2017	2018
Land	$ 4,900,143	$ 4,900,143
Construction in progress	398,173	2,043,765
Land improvements	74,859	199,514
Buildings	18,656,762	18,148,885
Machinery, vehicles, furniture, and equipment	3,109,446	3,103,665
Infrastructure	69,699,146	73,074,306
Totals	$ 96,838,529	$ 101,470,278

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 $18,385,000, which is backed by the full faith and credit of the government.

Outstanding Debt

	2017	2018
General obligation bonds	$ 14,805,000	$ 18,015,000
General obligation notes	720,000	370,000
Total	$ 15,525,000	$ 18,385,000

The County's debt related to general obligation bonds and general obligation notes increased by $2,860,000 (18.4 percent) during the fiscal year. The primary reason for the increase is due to the 2018 issuance of general obligation bonds.

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 2018, 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 2.4 percent as of the end of 2018. This is moderately below the statewide rate of 3.2 percent. (Source: Minnesota Department of Employment and Economic Development, Unemployment Statistics – LAUS Data.)

- Nicollet County's population remains steady at 34,189. Agricultural land values have remained steady. Overall, residential property values continued to increase, and commercial and industrial property values remained steady or increased by varying degrees based on property type and location.

At the end of 2018, Nicollet County set its 2019 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, 2018

Assets		
Cash and pooled investments	$	36,208,066
Taxes receivable		
Delinquent – net		274,553
Special assessments receivable		
Delinquent – net		14,644
Noncurrent – net		3,124,344
Accounts receivable – net		864,571
Accrued interest receivable		69,265
Due from other governments		7,364,417
Inventories		508,608
Prepaid items		162,374
Capital assets		
Non-depreciable		6,943,908
Depreciable – net of accumulated depreciation		94,526,370
Total Assets	**$**	**150,061,120**
Deferred Outflows of Resources		
Deferred pension outflows	$	4,096,410
Deferred other postemployment benefits outflows		99,355
Total Deferred Outflows of Resources	**$**	**4,195,765**
Liabilities		
Accounts payable	$	804,149
Claims payable		363,425
Salaries payable		474,109
Contracts payable		719,142
Due to other governments		106,636
Accrued interest payable		380,793
Unearned revenue		83,581
Long-term liabilities		
Due within one year		2,894,398
Due in more than one year		18,598,925
Net pension liability		11,056,469
Other postemployment benefits obligations		1,673,870
Total Liabilities	**$**	**37,155,497**

NICOLLET COUNTY
ST. PETER, MINNESOTA

EXHIBIT 1
(Continued)

STATEMENT OF NET POSITION
GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2018

Deferred Inflows of Resources		
Deferred pension inflows	**$**	**5,835,336**
Net Position		
Net investment in capital assets	$	84,747,155
Restricted for		
General government		1,064,806
Public safety		557,771
Highways and streets		8,033,146
Human services		128,616
Conservation of natural resources		610,091
Debt service		2,689,824
Unrestricted		13,434,643
Total Net Position	**$**	**111,266,052**

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

NICOLLET COUNTY
ST. PETER, MINNESOTA

EXHIBIT 2

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

		Program Revenues			
	Expenses	Fees, Charges, Fines, and Other	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Change in Net Position
Functions/Programs					
Governmental activities					
General government	$ 9,810,794	$ 831,331	$ 754,105	$ -	$ (8,225,358)
Public safety	5,681,479	505,603	593,150	-	(4,582,726)
Highways and streets	5,369,921	54,582	5,031,927	86,418	(196,994)
Sanitation	369,308	396,719	95,522	-	122,933
Human services	10,458,783	740,595	5,348,949	-	(4,369,239)
Health	1,855,475	487,491	849,269	-	(518,715)
Culture and recreation	310,795	763	-	-	(310,032)
Conservation of natural resources	3,005,335	1,144,427	1,907	-	(1,859,001)
Economic development	211,992	-	39,237	-	(172,755)
Interest and administrative charges	543,042	-	-	-	(543,042)
Total Governmental Activities	**$ 37,616,924**	**$ 4,161,511**	**$ 12,714,066**	**$ 86,418**	**$ (20,654,929)**

General Revenues	
Property taxes	$ 21,053,516
Mortgage registry and deed tax	148,014
Wheelage tax	569,822
Gravel tax	66,688
Transportation sales tax	1,356,526
Payments in lieu of tax	49,030
Grants and contributions not restricted to specific programs	2,027,282
Unrestricted investment earnings	317,659
Miscellaneous	506,587
Total general revenues	**$ 26,095,124**
Change in net position	**$ 5,440,195**
Net Position – January 1, as restated (Note 1.E.)	**105,825,857**
Net Position – December 31	**$ 111,266,052**

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FUND FINANCIAL STATEMENTS

NICOLLET COUNTY
ST. PETER, MINNESOTA

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2018

	General	Road and Bridge
Assets		
Cash and pooled investments	$ 13,821,230	$ 9,992,996
Taxes receivable		
Delinquent – net	160,421	20,657
Special assessments receivable		
Delinquent – net	6,303	-
Noncurrent – net	-	-
Accounts receivable – net	64,308	16,743
Accrued interest receivable	69,265	-
Interfund receivable	765,116	-
Due from other funds	55,139	130
Due from other governments	348,509	6,107,460
Prepaid items	153,201	1,663
Inventories	-	508,608
Total Assets	**$ 15,443,492**	**$ 16,648,257**
Liabilities, Deferred Inflows of Resources, and Fund Balances		
Liabilities		
Accounts payable	$ 315,983	$ 170,005
Salaries payable	301,706	40,880
Contracts payable	249,685	193,174
Interfund payable	-	-
Due to other funds	-	-
Due to other governments	35,476	4,923
Unearned revenue	83,581	-
Total Liabilities	**$ 986,431**	**$ 408,982**
Deferred Inflows of Resources		
Unavailable revenue	**$ 110,463**	**$ 5,817,786**

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

EXHIBIT 3

Human Services	Revolving Loan	Ditch	Debt Service	Total Governmental Funds
$ 6,618,477	$ 654,491	$ -	$ 2,956,631	$ 34,043,825
64,448	-	-	29,027	274,553
-	4,231	4,110	-	14,644
-	339,952	2,784,392	-	3,124,344
783,520	-	-	-	864,571
-	-	-	-	69,265
-	-	-	-	765,116
-	-	-	-	55,269
857,250	-	51,198	-	7,364,417
7,510	-	-	-	162,374
-	-	-	-	508,608
$ 8,331,205	**$ 998,674**	**$ 2,839,700**	**$ 2,985,658**	**$ 47,246,986**
$ 242,514	$ 32,233	$ 43,414	$ -	$ 804,149
129,945	-	1,578	-	474,109
-	-	276,283	-	719,142
-	-	765,116	-	765,116
55,139	-	130	-	55,269
65,855	-	382	-	106,636
-	-	-	-	83,581
$ 493,453	**$ 32,233**	**$ 1,086,903**	**$ -**	**$ 3,008,002**
$ 858,463	**$ 341,618**	**$ 2,753,246**	**$ 17,870**	**$ 9,899,446**

NICOLLET COUNTY
ST. PETER, MINNESOTA

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2018

Liabilities, Deferred Inflows of Resources, and Fund Balances (Continued)	General	Road and Bridge
Fund Balances		
Nonspendable		
Inventories	$ -	$ 508,608
Prepaid items	153,201	1,663
Restricted for		
Recorder's equipment	617,029	-
Enhanced 911 system	349,115	-
Handgun permit fees – carry program administration	190,505	-
Sheriff's contingency	4,012	-
Sheriff – prostitution law enforcement, training, and education	2,128	-
Forfeited sheriff property	12,011	-
Forfeited attorney property	40,367	-
Attorney – prostitution prosecution, training, and education	452	-
Veteran van	46,836	-
Aquatic invasive species program	179,324	-
Land reclamation	55,325	-
Riparian project	179,292	-
Transportation – sales tax	-	1,356,526
Transportation – wheelage tax	-	871,804
Highway construction	-	24,549
Child protection services	-	-
Debt service	-	-
ISTS loans	-	-
Ditch maintenance and repairs	-	-
Capital purchases	539,691	-
Committed to		
Transportation	-	675,000
Assigned for		
Road and bridge	-	6,983,339
Human services	-	-
Septic/sewer loans	-	-
Unassigned	11,977,310	-
Total Fund Balances	**$ 14,346,598**	**$ 10,421,489**
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	**$ 15,443,492**	**$ 16,648,257**

EXHIBIT 3
(Continued)

Human Services	Revolving Loan	Ditch	Debt Service	Total Governmental Funds
$ -	$ -	$ -	$ -	$ 508,608
7,510	-	-	-	162,374
-	-	-	-	617,029
-	-	-	-	349,115
-	-	-	-	190,505
-	-	-	-	4,012
-	-	-	-	2,128
-	-	-	-	12,011
-	-	-	-	40,367
-	-	-	-	452
-	-	-	-	46,836
-	-	-	-	179,324
-	-	-	-	55,325
-	-	-	-	179,292
-	-	-	-	1,356,526
-	-	-	-	871,804
-	-	-	-	24,549
128,616	-	-	-	128,616
-	-	-	2,967,788	2,967,788
-	250,348	-	-	250,348
-	-	676,186	-	676,186
-	-	-	-	539,691
-	-	-	-	675,000
-	-	-	-	6,983,339
6,843,163	-	-	-	6,843,163
-	374,475	-	-	374,475
-	-	(1,676,635)	-	10,300,675
$ 6,979,289	**$ 624,823**	**$ (1,000,449)**	**$ 2,967,788**	**$ 34,339,538**
$ 8,331,205	**$ 998,674**	**$ 2,839,700**	**$ 2,985,658**	**$ 47,246,986**

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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, 2018**

Fund balances – total governmental funds (Exhibit 3)		**$ 34,339,538**
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		101,470,278
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources – unavailable revenue in the governmental funds.		9,899,446
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	$ 4,096,410	
Deferred inflows related to pensions	(5,835,336)	(1,738,926)
Deferred outflows of resources are created as a result of various differences related to other postemployment benefits not recognized in the governmental funds.		99,355
Governmental funds do not report a liability for accrued interest on long-term liabilities until due and payable.		(380,793)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
General obligation bonds and notes	$ (18,385,000)	
Unamortized premium on bonds payable	(778,348)	
Loans payable	(534,419)	
Compensated absences payable	(1,795,556)	
Net pension liability	(11,056,469)	
Other postemployment benefits obligations	(1,673,870)	(34,223,662)
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.		1,800,816
Net Position of Governmental Activities (Exhibit 1)		**$ 111,266,052**

NICOLLET COUNTY
ST. PETER, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

	General	Road and Bridge
Revenues		
Taxes	$ 12,507,270	$ 3,413,509
Special assessments	290,665	-
Licenses and permits	71,731	-
Intergovernmental	3,737,426	4,549,963
Charges for services	1,256,984	52,574
Fines and forfeits	28,149	-
Gifts and contributions	7,106	-
Investment earnings	329,590	-
Miscellaneous	1,012,183	25,613
Total Revenues	**$ 19,241,104**	**$ 8,041,659**
Expenditures		
Current		
General government	$ 9,031,923	$ -
Public safety	5,786,945	-
Highways and streets	-	8,010,282
Sanitation	287,796	-
Human services	-	-
Health	1,952,840	-
Culture and recreation	124,152	76,823
Conservation of natural resources	416,507	7,833
Economic development	211,992	-
Intergovernmental	100,088	229,638
Capital outlay	2,289,324	654,901
Debt service		
Principal	-	-
Interest	-	-
Bond issuance costs	47,432	-
Administrative charges	-	-
Total Expenditures	**$ 20,248,999**	**$ 8,979,477**
Excess of Revenues Over (Under) Expenditures	**$ (1,007,895)**	**$ (937,818)**
Other Financing Sources (Uses)		
Transfers in	$ 8,829	$ -
Transfers out	-	-
Loans issued	-	-
General obligation bonds issued	2,390,000	-
Premium on bonds issued	99,975	-
Total Other Financing Sources (Uses)	**$ 2,498,804**	**$ -**
Net Change in Fund Balances	**$ 1,490,909**	**$ (937,818)**
Fund Balances – January 1	**12,855,689**	**11,256,769**
Increase (decrease) in inventories	**-**	**102,538**
Fund Balances – December 31	**$ 14,346,598**	**$ 10,421,489**

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

Human Services	Revolving Loan	Ditch	Debt Service	Total Governmental Funds
$ 5,089,553	$ -	$ -	$ 2,152,743	$ 23,163,075
-	96,435	1,207,381	-	1,594,481
-	-	-	-	71,731
5,715,425	-	22,452	28,158	14,053,424
659,806	-	-	-	1,969,364
-	-	-	-	28,149
-	-	-	-	7,106
-	-	-	-	329,590
80,789	-	93,368	-	1,211,953
$ 11,545,573	**$ 96,435**	**$ 1,323,201**	**$ 2,180,901**	**$ 42,428,873**
$ -	$ -	$ -	$ -	$ 9,031,923
-	-	-	-	5,786,945
-	-	-	-	8,010,282
-	77,109	-	-	364,905
10,458,799	-	-	-	10,458,799
-	-	-	-	1,952,840
-	-	-	-	200,975
-	-	2,532,180	-	2,956,520
-	-	-	-	211,992
-	-	-	-	329,726
-	-	-	-	2,944,225
-	110,284	300,000	4,795,000	5,205,284
-	9,324	7,324	542,343	558,991
-	-	55,815	44,394	147,641
-	-	-	500	500
$ 10,458,799	**$ 196,717**	**$ 2,895,319**	**$ 5,382,237**	**$ 48,161,548**
$ 1,086,774	**$ (100,282)**	**$ (1,572,118)**	**$ (3,201,336)**	**$ (5,732,675)**
$ -	$ -	$ -	$ -	$ 8,829
-	(8,829)	-	-	(8,829)
-	77,109	-	-	77,109
-	-	2,390,000	3,175,000	7,955,000
-	-	66,418	223,700	390,093
$ -	**$ 68,280**	**$ 2,456,418**	**$ 3,398,700**	**$ 8,422,202**
$ 1,086,774	**$ (32,002)**	**$ 884,300**	**$ 197,364**	**$ 2,689,527**
5,892,515	**656,825**	**(1,884,749)**	**2,770,424**	**31,547,473**
-	**-**	**-**	**-**	**102,538**
$ 6,979,289	**$ 624,823**	**$ (1,000,449)**	**$ 2,967,788**	**$ 34,339,538**

NICOLLET COUNTY
ST. PETER, MINNESOTA

EXHIBIT 4A

RECONCILIATION OF THE CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2018

Net change in fund balances – total governmental funds (Exhibit 4)			**$**	**2,689,527**
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	$	9,899,446		
Unavailable revenue – January 1		(9,339,731)		559,715
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.				
Expenditures for general capital assets and infrastructure	$	8,261,917		
Current year depreciation		(3,630,168)		4,631,749
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	$	(82,498)		
Bonds issued		(7,955,000)		
Premium on bonds		(390,093)		(8,427,591)
Principal repayments	$	5,205,284		
Amortization of premium on bonds and notes		158,656		5,363,940
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	$	102,538		
Change in deferred pension outflows		(1,948,193)		
Change in deferred other postemployment benefits outflows		99,355		
Change in accrued interest payable		10,823		
Change in compensated absences payable		126,587		
Change in net pension liability		3,242,990		
Change in other postemployment benefits obligations, as restated		(40,022)		
Change in deferred pension inflows		(1,205,240)		388,838
The net income of the Internal Service Fund is reported with governmental activities.				234,017
Change in Net Position of Governmental Activities (Exhibit 2)			**$**	**5,440,195**

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, 2018**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 12,587,832	$ 12,587,832	$ 12,507,270	$ (80,562)
Special assessments	290,000	290,000	290,665	665
Licenses and permits	75,000	75,000	71,731	(3,269)
Intergovernmental	3,271,821	3,291,176	3,737,426	446,250
Charges for services	1,305,455	1,305,455	1,256,984	(48,471)
Fines and forfeits	28,000	28,000	28,149	149
Gifts and contributions	3,700	3,700	7,106	3,406
Investment earnings	110,000	110,000	329,590	219,590
Miscellaneous	805,143	805,143	1,012,183	207,040
Total Revenues	**$ 18,476,951**	**$ 18,496,306**	**$ 19,241,104**	**$ 744,798**
Expenditures				
Current				
General government				
Commissioners	$ 320,959	$ 320,959	$ 346,741	$ (25,782)
Courts	68,500	68,500	47,624	20,876
Courts – CHIPS/TPR	55,000	55,000	55,424	(424)
Drug court	10,000	10,000	10,000	-
Law library	52,600	52,600	39,217	13,383
County administrator	263,179	263,179	257,433	5,746
Finance	424,122	424,122	417,295	6,827
Public services	630,819	630,819	613,006	17,813
Accounting and auditing	65,100	65,100	70,475	(5,375)
Property assessment	730,829	730,829	738,465	(7,636)
Human resources	323,459	323,459	314,292	9,167
Office of technologies	1,503,347	1,503,347	1,599,669	(96,322)
Elections	77,500	77,500	145,793	(68,293)
Other general government	903,560	695,560	565,893	129,667
County attorney	1,063,301	1,063,301	1,076,463	(13,162)
County attorney's forfeited property proceeds	-	-	6,022	(6,022)
Recorder/abstracter	384,927	384,927	379,345	5,582
Recorder – future equipment	105,000	105,000	90,062	14,938
Surveyor	30,000	53,000	75,507	(22,507)
Telephone	192,895	192,895	183,188	9,707
Courthouse operations	784,625	784,625	856,430	(71,805)
North Mankato County office building	14,000	14,000	10,496	3,504
Health and human services building	49,950	49,950	79,743	(29,793)
Veterans service	158,530	158,530	171,197	(12,667)
Property services	915,767	915,767	882,143	33,624
Total general government	**$ 9,127,969**	**$ 8,942,969**	**$ 9,031,923**	**$ (88,954)**

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, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Expenditures				
Current (Continued)				
Public safety				
Sheriff	$ 2,026,783	$ 2,026,783	$ 2,149,563	$ (122,780)
Boat and water safety	2,975	2,975	3,209	(234)
Sheriff's contingency fund	2,500	2,500	5,287	(2,787)
Prisoner commissions account	33,000	33,000	28,700	4,300
Sheriff – snowmobile safety enforcement	-	-	19	(19)
Enhanced 911 system	45,000	45,000	35,062	9,938
Sheriff – forfeited property proceeds	1,500	1,500	9,080	(7,580)
Sheriff – offroad highway grant	2,749	2,749	4,078	(1,329)
Gun permits	25,000	25,000	3,034	21,966
Coroner	42,000	42,000	21,176	20,824
Dispatch center	818,790	818,790	775,437	43,353
Corrections	1,401,676	1,401,676	1,353,775	47,901
Probation department	1,231,020	1,231,020	1,220,618	10,402
Nicollet collaborative	70,464	70,464	72,793	(2,329)
Emergency services	100,831	100,831	105,114	(4,283)
Total public safety	**$ 5,804,288**	**$ 5,804,288**	**$ 5,786,945**	**$ 17,343**
Sanitation				
Solid waste management	**$ 331,461**	**$ 331,461**	**$ 287,796**	**$ 43,665**
Health				
Public health nurse	$ 578,144	$ 578,144	$ 617,298	$ (39,154)
WIC program	127,989	127,989	121,436	6,553
Maternal and child health	265,089	265,089	266,121	(1,032)
Public health emergency preparedness	16,300	16,300	11,899	4,401
Waivered programs	960,050	960,050	918,381	41,669
Loan closet account	1,125	1,125	705	420
Senior citizen transportation	17,000	17,000	17,000	-
Total health	**$ 1,965,697**	**$ 1,965,697**	**$ 1,952,840**	**$ 12,857**
Culture and recreation				
Historical society	$ 111,279	$ 111,279	$ 110,258	$ 1,021
Transit	25,000	17,150	13,894	3,256
Total culture and recreation	**$ 136,279**	**$ 128,429**	**$ 124,152**	**$ 4,277**

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, 2018

	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	-	-	(296)	296
County extension	192,155	192,155	175,285	16,870
Property services	42,000	42,000	-	42,000
Soil and water conservation district	200,000	200,000	196,718	3,282
Tri-county fair	700	700	700	-
Total conservation of natural resources	**$ 478,955**	**$ 478,955**	**$ 416,507**	**$ 62,448**
Economic development				
Economic development	$ 92,379	$ 92,379	$ 92,642	$ (263)
Housing and redevelopment authority	119,350	119,350	119,350	-
Total economic development	**$ 211,729**	**$ 211,729**	**$ 211,992**	**$ (263)**
Intergovernmental				
Culture and recreation – regional library	**$ 100,088**	**$ 100,088**	**$ 100,088**	**$ -**
Capital outlay				
General government	$ 226,585	$ 2,521,585	$ 2,106,695	$ 414,890
Public safety	189,000	208,355	169,579	38,776
Sanitation	11,500	11,500	5,200	6,300
Culture and recreation	-	7,850	7,850	-
Total capital outlay	**$ 427,085**	**$ 2,749,290**	**$ 2,289,324**	**$ 459,966**
Debt service				
Bond issuance costs	**$ -**	**$ -**	**$ 47,432**	**$ (47,432)**
Total Expenditures	**$ 18,583,551**	**$ 20,712,906**	**$ 20,248,999**	**$ 463,907**
Excess of Revenues Over (Under) Expenditures	**$ (106,600)**	**$ (2,216,600)**	**$ (1,007,895)**	**$ 1,208,705**

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, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Other Financing Sources (Uses)				
Transfers in	$ 8,000	$ 8,000	$ 8,829	$ 829
General obligation bonds issued	-	-	2,390,000	2,390,000
Premium on bonds issued	-	-	99,975	99,975
Total Other Financing Sources (Uses)	**$ 8,000**	**$ 8,000**	**$ 2,498,804**	**$ 2,490,804**
Net Change in Fund Balance	**$ (98,600)**	**$ (2,208,600)**	**$ 1,490,909**	**$ 3,699,509**
Fund Balance – January 1	**12,855,689**	**12,855,689**	**12,855,689**	**-**
Fund Balance – December 31	**$ 12,757,089**	**$ 10,647,089**	**$ 14,346,598**	**$ 3,699,509**

NICOLLET COUNTY
ST. PETER, MINNESOTA

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, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 2,871,457	$ 2,871,457	$ 3,413,509	$ 542,052
Intergovernmental	4,959,954	4,959,954	4,549,963	(409,991)
Charges for services	33,652	33,652	52,574	18,922
Gifts and contributions	150	150	-	(150)
Miscellaneous	18,645	18,645	25,613	6,968
Total Revenues	**$ 7,883,858**	**$ 7,883,858**	**$ 8,041,659**	**$ 157,801**
Expenditures				
Current				
Highways and streets				
Administration	$ 368,338	$ 368,338	$ 359,720	$ 8,618
Maintenance	1,708,313	1,708,313	1,740,291	(31,978)
Construction	4,335,205	5,075,205	5,294,893	(219,688)
Equipment maintenance shops	543,899	543,899	615,378	(71,479)
Total highways and streets	**$ 6,955,755**	**$ 7,695,755**	**$ 8,010,282**	**$ (314,527)**
Culture and recreation				
Parks	92,991	92,991	76,823	16,168
Conservation of natural resources				
Agricultural inspection	13,700	13,700	7,833	5,867
Intergovernmental				
Highways and streets	196,412	196,412	229,638	(33,226)
Capital outlay				
Highways and streets	625,000	625,000	654,901	(29,901)
Total Expenditures	**$ 7,883,858**	**$ 8,623,858**	**$ 8,979,477**	**$ (355,619)**
Net Change in Fund Balance	**$ -**	**$ (740,000)**	**$ (937,818)**	**$ (197,818)**
Fund Balance – January 1	**11,256,769**	**11,256,769**	**11,256,769**	**-**
Increase (decrease) in inventories	**-**	**-**	**102,538**	**102,538**
Fund Balance – December 31	**$ 11,256,769**	**$ 10,516,769**	**$ 10,421,489**	**$ (95,280)**

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, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 5,139,781	$ 5,139,781	$ 5,089,553	$ (50,228)
Intergovernmental	5,487,024	5,487,024	5,715,425	228,401
Charges for services	402,050	402,050	659,806	257,756
Miscellaneous	40,100	40,100	80,789	40,689
Total Revenues	**$ 11,068,955**	**$ 11,068,955**	**$ 11,545,573**	**$ 476,618**
Expenditures				
Current				
Human services				
Income maintenance	$ 3,188,535	$ 3,188,535	$ 3,161,460	$ 27,075
Social services	7,953,420	7,953,420	7,297,339	656,081
Total Expenditures	**$ 11,141,955**	**$ 11,141,955**	**$ 10,458,799**	**$ 683,156**
Net Change in Fund Balance	**$ (73,000)**	**$ (73,000)**	**$ 1,086,774**	**$ 1,159,774**
Fund Balance – January 1	**5,892,515**	**5,892,515**	**5,892,515**	**-**
Fund Balance – December 31	**$ 5,819,515**	**$ 5,819,515**	**$ 6,979,289**	**$ 1,159,774**

NICOLLET COUNTY
ST. PETER, MINNESOTA

EXHIBIT 8

STATEMENT OF FUND NET POSITION
GOVERNMENTAL ACTIVITIES
SELF-INSURANCE INTERNAL SERVICE FUND
DECEMBER 31, 2018

Assets		
Current assets		
Cash and pooled investments	$	2,164,241
Liabilities		
Current liabilities		
Claims payable		363,425
Net Position		
Unrestricted	**$**	**1,800,816**

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

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, 2018

Operating Revenues		
Charges for services	$	4,291,308
Operating Expenses		
Professional services		4,057,291
Change in Net Position	**$**	**234,017**
Net Position – January 1		**1,566,799**
Net Position – December 31	**$**	**1,800,816**

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, 2018
Increase (Decrease) in Cash and Cash Equivalents

Cash Flows From Operating Activities		
Receipts from customers and users	$	4,291,308
Payments to service providers		(3,963,395)
Net Increase (Decrease) in Cash and Cash Equivalents	**$**	**327,913**
Cash and Cash Equivalents at January 1		**1,836,328**
Cash and Cash Equivalents at December 31	**$**	**2,164,241**
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities		
Operating income (loss)	$	234,017
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities		
Increase (decrease) in claims payable		93,896
Net Cash Provided by (Used in) Operating Activities	**$**	**327,913**

NICOLLET COUNTY
ST. PETER, MINNESOTA

EXHIBIT 11

STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
DECEMBER 31, 2018

Assets	
Cash and pooled investments	**$ 2,134,588**
Liabilities	
Due to other governments	**$ 2,134,588**

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 4.B. The County also participates in several jointly-governed organizations described in Note 4.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 and proprietary 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 in the proprietary fund 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, 2018. 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 2018 were $329,590.

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 2013 through 2018 and noncurrent special assessments payable in 2019 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 reports deferred outflows of resources only under the full accrual basis of accounting associated with pension plans and other postemployment benefits (OPEB) and, accordingly, they are reported only in the statement of net position.

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 two types of deferred inflows. The governmental funds report unavailable revenue from delinquent taxes and special assessments receivables, grant receivables, and other long-term receivables. Unavailable revenue arises only under the modified accrual basis of accounting and, accordingly, is reported only in the governmental funds balance sheet. The unavailable revenue amount is deferred and recognized as an inflow of resources in the period that the amounts become available. The County also reports deferred inflows of resources associated with pension benefits. These inflows arise only under the full accrual basis of accounting and, accordingly, are reported only in the statement of net position.

1. Summary of Significant Accounting Policies

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

      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.

      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.

1. Summary of Significant Accounting Policies

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

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.

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.

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)

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.

E. Change in Accounting Principles

During the year ended December 31, 2018, the County adopted new accounting guidance by implementing the provisions of GASB Statement 75. GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, changes standards for recognizing and measuring OPEB liabilities and related deferred outflows of resources, deferred inflows of resources, and OPEB expense. This statement also requires additional note disclosures and a schedule in the Required Supplementary Information. Beginning net position has been restated to reflect this change.

1. Summary of Significant Accounting Policies

   E. Change in Accounting Principles (Continued)

	Governmental Activities
Net Position, January 1, 2018, as previously reported	$ 106,495,555
Change in accounting principles	(669,698)
Net Position, January 1, 2018, as restated	$ 105,825,857

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.

2. Stewardship, Compliance, and Accountability (Continued)

B. Deficit Fund Equity

The Ditch Special Revenue Fund has a deficit fund balance of $1,000,449. This deficit will be eliminated by special assessments and disaster grant funding. The following is a summary of the individual ditch systems:

26 ditches with positive fund balances	$ 676,186
58 ditches with deficit fund balances	(1,676,635)
Total Fund Balance	$ (1,000,449)

C. Excess of Expenditures Over Budget

The following funds had expenditures in excess of budget for the year ended December 31, 2018:

	Expenditures	Budget	Excess
Road and Bridge Special Revenue Fund	$ 8,979,477	$ 8,623,858	$ 355,619
Debt Service Fund	5,382,237	5,334,153	48,084

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	$ 34,043,825
Internal Service Fund	
Cash and pooled investments	2,164,241
Fiduciary funds – agency funds	
Cash and pooled investments	2,134,588
Total Cash and Investments	$ 38,342,654

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

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, 2018, none of the County's deposits were exposed to custodial credit risk.

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, 2018, the County had the following investments:

Investment Type	Carrying (Fair) Value	Maturity Dates	
		0 – 1 Year	Over 1 Year
Negotiable certificates of deposit	$ 3,656,241	$ 1,963,845	$ 1,692,396
U.S. government securities (1)	2,353,949	-	2,353,949
Total	$ 6,010,190	$ 1,963,845	$ 4,046,345

(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, 2018, is as follows:

S&P Rating	Fair Value
AA+	$ 2,353,949

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, 2018, 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 represent five percent or more of the County's investments are as follows:

Issuer	Reported Amount
Federal National Mortgage Association (FNMA)	$ 1,113,939
Federal Home Loan Mortgage Corporation (FHLMC)	1,240,010
Total	$ 2,353,949

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. 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, 2018, the County had the following recurring fair value measurements.

		Fair Value Measurements Using		
	December 31, 2018	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	$ 2,353,949	$ -	$ 2,353,949	$ -
Negotiable certificates of deposit	3,656,241	-	3,656,241	-
Total Investments Included in the Fair Value Hierarchy	$ 6,010,190	$ -	$ 6,010,190	$ -

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, 2018, for the County's governmental activities, including the applicable allowances for uncollectible accounts, are as follows:

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental Activities		
Taxes – delinquent	$ 274,553	$ -
Special assessments – delinquent	14,644	-
Special assessments – noncurrent	3,124,344	2,601,777
Accounts	864,571	-
Accrued interest	69,265	-
Due from other governments	7,364,417	-
Total Governmental Activities	$ 11,711,794	$ 2,601,777

3. Capital Assets

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

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	$ 4,900,143	$ -	$ -	$ 4,900,143
Construction in progress	398,173	7,115,744	5,470,152	2,043,765
Total capital assets not depreciated	$ 5,298,316	$ 7,115,744	$ 5,470,152	$ 6,943,908
Capital assets depreciated				
Buildings	$ 27,547,373	$ 194,596	$ -	$ 27,741,969
Land improvements	459,156	152,923	-	612,079
Machinery and equipment	10,278,550	798,654	593,222	10,483,982
Infrastructure	101,936,208	5,470,152	-	107,406,360
Total capital assets depreciated	$ 140,221,287	$ 6,616,325	$ 593,222	$ 146,244,390

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

	Beginning Balance	Increase	Decrease	Ending Balance
Less: accumulated depreciation for				
Buildings	$ 8,890,611	$ 702,473	$ -	$ 9,593,084
Land improvements	384,297	28,268	-	412,565
Machinery and equipment	7,169,104	804,435	593,222	7,380,317
Infrastructure	32,237,062	2,094,992	-	34,332,054
Total accumulated depreciation	$ 48,681,074	$ 3,630,168	$ 593,222	$ 51,718,020
Total capital assets depreciated, net	$ 91,540,213	$ 2,986,157	$ -	$ 94,526,370
Governmental Activities Capital Assets, Net	$ 96,838,529	$ 10,101,901	$ 5,470,152	$ 101,470,278

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

General government	$ 706,904
Public safety	193,355
Highways and streets, including depreciation of infrastructure assets	2,608,106
Human services	115,153
Culture and recreation	1,554
Conservation of natural resources	693
Sanitation	4,403
Total Depreciation Expense	$ 3,630,168

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2018, is as follows:

1. Due To/From Other Funds

Receivable Fund	Payable Fund	Amount	Purpose
General	Human Services	$ 55,139	Utilities and services
Road and Bridge	Ditch	130	Fuel
Total Due To/From Other Funds		$ 55,269	

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	$ 765,116

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, 2018, consisted of a transfer of $8,829 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. Long-Term Debt

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.

In 2018, the County issued $3,410,000 G.O. Refunding Bonds, Series 2018C, to refund the February 1, 2019, through February 1, 2024, maturities of the County's G.O. Bonds, Series 2008A. The County issued the Series 2018C Bonds to obtain an economic gain (difference between the present value of debt service payments on the old and new debt) of $129,266.

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources

1. Long-Term Debt (Continued)

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2018
General obligation bonds					
2013A G.O. Capital Improvement Bonds (Social Services Building)	2029	$540,000 – $1,105,000	3.00 – 5.00	$ 10,530,000	$ 9,935,000
2013A G.O. Capital Improvement Bonds	2019	$125,000	5.00	465,000	125,000
2018A G.O. Ditch Bonds	2033	$125,000 – $155,000	3.00 – 3.10	2,155,000	2,155,000
2018B G.O. Capital Improvement Plan Bonds	2025	$310,000 – $830,000	3.00	2,390,000	2,390,000
2018C G.O. Refunding Bonds	2024	$525,000 – $610,000	3.00 – 5.00	3,410,000	3,410,000
Total general obligation bonds				$ 18,950,000	$ 18,015,000
General obligation notes					
2013A G.O. Capital Improvement Notes	2019	$370,000	5.00	$ 1,380,000	370,000
Plus: unamortized premium					778,348
Total General Obligation Bonds and Notes, Net					$ 19,163,348

Loans Payable

The County entered into loan agreements with the Minnesota Pollution Control Agency for the purpose of funding Clean Water Partnership (CWP) projects and the Minnesota Department of Agriculture for the purpose of providing funding for the repair or replacement of failing septic systems and water wells. The loans are secured by special assessments.

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources

1. Long-Term Debt

Loans Payable (Continued)

Type of Indebtedness	Final Maturity	Installment Amount	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2018
2007 Middle Minnesota Watershed	2020	$ 17,108	2.00	$ 308,726	$ 66,755
2007 Rush River Watershed	2021	10,442	2.00	188,425	60,514
2011 Middle River Watershed	2024	10,838	2.00	195,574	121,981
2014 Rush River Watershed	2027	4,032	2.00	72,764	66,122
2015 Middle Minnesota Watershed	2028	8,240	2.00	148,692	141,938
Agricultural Best Management Practices (AgBMP) Loan Program				77,109	77,109
Total Loans Payable				$ 991,290	$ 534,419

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

2. Debt Service Requirements

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

Year Ending	General Obligation Bonds		General Obligation Notes		Loans*	
December 31	Principal	Interest	Principal	Interest	Principal	Interest
2019	$ 1,330,000	$ 743,240	$ 370,000	$ 9,250	$ 92,634	$ 8,685
2020	1,770,000	583,147	-	-	94,496	6,824
2021	1,835,000	505,122	-	-	62,009	5,095
2022	1,900,000	426,672	-	-	42,266	3,953
2023	1,970,000	354,098	-	-	43,116	3,104
2024 – 2028	7,410,000	914,469	-	-	122,789	5,301
2029 – 2033	1,800,000	74,533	-	-	-	-
Total	$ 18,015,000	$ 3,601,281	$ 370,000	$ 9,250	$ 457,310	$ 32,962

*The debt service requirements for the loans from the Minnesota Department of Agriculture of $77,109 are not known as of December 31, 2018.

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources (Continued)

3. Changes in Long-Term Liabilities

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds and notes payable					
General obligation bonds	$ 14,805,000	$ 7,955,000	$ 4,745,000	$ 18,015,000	$ 1,330,000
General obligation notes	720,000	-	350,000	370,000	370,000
Plus: unamortized premiums	546,911	390,093	158,656	778,348	-
Total bonds and notes payable	$ 16,071,911	$ 8,345,093	$ 5,253,656	$ 19,163,348	$ 1,700,000
Loans payable	562,205	82,498	110,284	534,419	92,634
Compensated absences	1,922,143	779,358	905,945	1,795,556	1,101,764
Total Long-Term Liabilities	$ 18,556,259	$ 9,206,949	$ 6,269,885	$ 21,493,323	$ 2,894,398

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

4. Deferred Inflows of Resources

Deferred inflows of resources as of December 31, 2018, for the County's governmental funds are as follows:

	Deferred Inflows of Resources
Unavailable revenue	
Taxes and special assessments, delinquent and noncurrent	$ 3,215,891
Highway allotments that do not provide current financial resources	5,804,816
Grants	221,893
Charges for services	624,774
Interest	8,158
Miscellaneous	23,914
Total Governmental Funds	$ 9,899,446

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources (Continued)

5. Construction Commitments

The County has the following active construction project as of December 31, 2018:

	Spent-to-Date	Remaining Commitment
Governmental Activities		
Sheriff's Office Building Project	$ 1,955,996	$ 261,774

D. Other Postemployment Benefits (OPEB)

Plan Description

Nicollet County administers an other postemployment benefit plan, a single-employer defined benefit health care plan, to eligible retirees and their dependents.

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, 2018, 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, 2018, the County recognized $20,736 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, 2018, there were approximately 13 retirees receiving health benefits from the County's health plan. The implicit rate subsidy amount was determined by an actuarial study to be $78,619 for 2018. A separate, audited GAAP-basis postemployment plan report is not issued.

3. Detailed Notes on All Funds

D. Other Postemployment Benefits (OPEB)

Plan Description (Continued)

No assets have been accumulated in a trust that meets the criteria in paragraph four of GASB 75. The OPEB plan does not issue a stand-alone financial report.

As of the January 1, 2018, actuarial valuation, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	13
Active plan participants	251
Total	264

Total OPEB Liability

The County's total OPEB liability of $1,673,870 was measured as of January 1, 2018, and was determined by an actuarial valuation as of that date. The OPEB liability is liquidated through the General Fund and other governmental funds that have personal services.

The total OPEB liability in the fiscal year-end December 31, 2018, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50 percent
Salary increases	3.00 percent, average wage inflation plus merit/productivity increases
Health care cost trend	6.50 percent, decreasing 0.25 percent per year to an ultimate rate of 5.00 percent

The current year discount rate is 3.30 percent, which is a change from the prior year rate of 3.50 percent. For the current valuation, the discount rate was selected from a range of the Bond Buyer G.O. 20-year bond Municipal Bond Index, the S&P Municipal Bond 20-year High Grade Rate Index, and the Fidelity 20-year G.O. Municipal Bond Index, where the range is given as the spread between the lowest and highest rate.

3. Detailed Notes on All Funds

D. Other Postemployment Benefits (OPEB)

Total OPEB Liability (Continued)

Mortality rates are based on RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale.

The actuarial assumptions are currently based on a combination of historical information and the most recent actuarial valuation for PERA as of June 30, 2017.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at December 31, 2017	$ 1,633,848
Changes for the year	
Service cost	$ 123,006
Interest	55,706
Benefit payments	(138,690)
Net change	$ 40,022
Balance at December 31, 2018	$ 1,673,870

OPEB Liability Sensitivity

The following presents the total OPEB liability of the County, calculated using the discount rate previously disclosed, as well as what the County's total OPEB liability would be if it were calculated using a discount rate that is 1.00 percentage point lower or 1.00 percentage point higher than the current discount rate:

	Discount Rate	Total OPEB Liability
1% Decrease	2.30%	$ 1,800,377
Current	3.30	1,673,870
1% Increase	4.30	1,556,421

3. Detailed Notes on All Funds

D. Other Postemployment Benefits (OPEB)

OPEB Liability Sensitivity (Continued)

The following presents the total OPEB liability of the County, calculated using the health care cost trend previously disclosed, as well as what the County's total OPEB liability would be if it were calculated using health care cost trend rates that are 1.00 percentage point lower or 1.00 percentage point higher than the current health care cost trend rate:

	Health Care Trend Rate	Total OPEB Liability
1% Decrease	5.50% Decreasing to 4.00%	$ 1,508,274
Current	6.50% Decreasing to 5.00%	1,673,870
1% Increase	7.50% Decreasing to 6.00%	1,871,389

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2018, the County recognized OPEB expense of $59,333. Related to OPEB, the County had no deferred inflows of resources to report and reported deferred outflows of resources from the following sources:

	Deferred Outflows of Resources
Contributions made subsequent to the measurement date	$ 99,355

Changes in Actuarial Assumptions

The following changes in actuarial assumptions occurred in 2018:

- The discount rate used changed from 3.50 percent to 3.30 percent.

- The mortality table was updated from RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale (with Blue Collar adjustment for Police and Fire personnel) to the RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale (with Blue Collar adjustment for Police and Fire personnel).

3. Detailed Notes on All Funds

D. Other Postemployment Benefits (OPEB)

Changes in Actuarial Assumptions (Continued)

- The retirement and withdrawal tables for all employees were updated.

- Claim costs were developed by age adjusting the premium information from Nicollet County. As of January 1, 2016, actual claims and enrollment experience was used.

- The health care trend rates were changed to better anticipate short-term and long-term medical increases.

E. Pension Plans

1. Defined Benefit Pension Plans

a. 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 General Employees Plan), the Public Employees Police and Fire Plan (the Police and Fire Plan), and the Public Employees Local Government Correctional Service Retirement Plan (the 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 Plan (accounted for in the General Employees Fund) has multiple benefit structures with members belonging to the Coordinated Plan, the Basic Plan, or the Minneapolis Employees Retirement Fund. Coordinated Plan members are covered by Social Security and Basic Plan and Minneapolis Employees Retirement Fund members are not. The Basic Plan was closed to new members in 1967. The Minneapolis Employees Retirement Fund was closed to new members during 1978 and merged into the General Employees Plan in 2015. All new members must participate in the Coordinated Plan, for

3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans

a. Plan Description (Continued)

which benefits vest after five years of credited service. No Nicollet County employees belong to either the Basic Plan or the Minneapolis Employees Retirement Fund.

Police officers, firefighters, and peace officers who qualify for membership by statute are covered by the 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 five years and increasing ten percent for each year of service until fully vested after ten years. Benefits for members first hired after June 30, 2014, vest on a prorated basis from 50 percent after ten years and increasing 5.00 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 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 five years and increasing ten percent for each year of service until fully vested after ten years.

b. Benefits Provided

PERA provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefit provisions are established by state statute and can be modified only by the state legislature. Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. General Employees Plan and Police and Fire Plan benefit recipients receive a future annual 1.00 percent for the post-retirement benefit increase, while Correctional Plan benefit recipients receive 2.50 percent. If the funding ratio reaches 90 percent for two consecutive years, the benefit increase will be 2.50 percent. If, after reverting to a

3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans

b. Benefits Provided (Continued)

2.50 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 1.00 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 60 consecutive months of allowable service, age, and years of credit at termination of service. In the General Employees Plan, two methods are used to compute benefits for Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Coordinated Plan member is 1.20 percent of average salary for each of the first ten years of service and 1.70 percent of average salary for each remaining year. Under Method 2, the annuity accrual rate is 1.70 percent for Coordinated Plan members for each year of service. Only Method 2 is used for members hired after June 30, 1989. For Police and Fire Plan members, the annuity accrual rate is 3.00 percent of average salary for each year of service. For Correctional Plan members, the annuity accrual rate is 1.90 percent of average salary for each year of service.

For General Employees 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 Police and Fire Plan and 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. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans (Continued)

c. Contributions

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the state legislature. General Employees Plan members were required to contribute 6.50 percent of their annual covered salary in 2018. Police and Fire Plan members were required to contribute 10.80 percent of their annual covered salary in 2018. Correctional Plan members were required to contribute 5.83 percent of their annual covered salary in 2018.

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

General Employees Plan – Coordinated Plan members	7.50%
Police and Fire Plan	16.20
Correctional Plan	8.75

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

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

General Employees Plan	$	927,814
Police and Fire Plan		191,067
Correctional Plan		74,130

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

3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans (Continued)

d. Pension Costs

General Employees Plan

At December 31, 2018, the County reported a liability of $9,802,592 for its proportionate share of the General Employees Plan's net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2017, through June 30, 2018, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2018, the County's proportion was 0.1767 percent. It was 0.1828 percent measured as of June 30, 2017. The County recognized pension expense of $1,111,081 for its proportionate share of the General Employees Plan's pension expense.

The County also recognized $74,997 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 Plan, which qualifies as a special funding situation. Legislation requires the State of Minnesota to contribute $16 million to the General Employees Plan for the fiscal years ended June 30, 2018 and 2019, and $6 million thereafter, through calendar year 2031.

The County's proportionate share of the net pension liability	$	9,802,592
State of Minnesota's proportionate share of the net pension liability associated with the County		321,606
Total	$	10,124,198

3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs

General Employees Plan (Continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 268,014	$ 284,395
Changes in actuarial assumptions	931,465	1,127,453
Difference between projected and actual investment earnings	-	1,065,582
Changes in proportion	369,787	292,066
Contributions paid to PERA subsequent to the measurement date	466,355	-
Total	$ 2,035,621	$ 2,769,496

The $466,355 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2019	$ 427,093
2020	(513,441)
2021	(909,282)
2022	(204,600)

3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs (Continued)

Police and Fire Plan

At December 31, 2018, the County reported a liability of $1,185,277 for its proportionate share of the Police and Fire Plan's net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2017, through June 30, 2018, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2018, the County's proportion was 0.1112 percent. It was 0.1040 percent measured as of June 30, 2017. The County recognized pension expense of $157,833 for its proportionate share of the Police and Fire Plan's pension expense.

The County also recognized $10,008 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 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.

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

3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs

Police and Fire Plan (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 45,983	$ 258,140
Changes in actuarial assumptions	1,311,923	1,634,473
Difference between projected and actual investment earnings	-	259,960
Changes in proportion	220,461	-
Contributions paid to PERA subsequent to the measurement date	98,202	-
Total	$ 1,676,569	$ 2,152,573

The $98,202 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2019	$ (4,429)
2020	(52,932)
2021	(131,647)
2022	(397,491)
2023	12,293

3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs (Continued)

Correctional Plan

At December 31, 2018, the County reported a liability of $68,600 for its proportionate share of the Correctional Plan's net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2017, through June 30, 2018, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2018, the County's proportion was 0.4171 percent. It was 0.4300 percent measured as of June 30, 2017. The County recognized pension expense of ($80,455) for its proportionate share of the Correctional Plan's pension expense.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 3,583	$ 7,560
Changes in actuarial assumptions	325,848	797,450
Difference between projected and actual investment earnings	-	80,683
Changes in proportion	18,653	27,574
Contributions paid to PERA subsequent to the measurement date	36,136	-
Total	$ 384,220	$ 913,267

3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs

Correctional Plan (Continued)

The $36,136 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2019	$ 32,020
2020	(307,824)
2021	(275,018)
2022	(14,361)

Total Pension Expense

The total pension expense for all plans recognized by the County for the year ended December 31, 2018, was $1,188,459.

e. Actuarial Assumptions

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

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

3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans

e. 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. Cost of living benefit increases for retirees are assumed to be 1.25 percent for the General Employees Plan and 2.00 percent for the Correctional Plan. For the Police and Fire Plan, cost of living benefit increases for retirees are 1.00 percent as set by state statute.

Actuarial assumptions used in the June 30, 2018, valuation were based on the results of actuarial experience studies. The experience study for the General Employees Plan was dated June 30, 2015. The experience study for the Police and Fire Plan was dated August 30, 2016. The experience study for the Correctional Plan was dated February 2012. Economic assumptions were updated in 2017 based on a review of inflation and investment return assumptions.

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	36%	5.10%
International stocks	17	5.30
Bonds (fixed income)	20	0.75
Alternative assets (private markets)	25	5.90
Cash	2	0.00

3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans (Continued)

f. Discount rate

The discount rate used to measure the total pension liability was 7.50 percent in 2018, which remained consistent with 2017. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, the fiduciary net position of the General Employees Plan, the Police and Fire Plan, and the Correctional Plan were projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

g. Changes in Actuarial Assumptions and Plan Provisions

The following changes in actuarial assumptions occurred in 2018:

General Employees Plan

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase rate was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter, to 1.25 percent per year.

Police and Fire Plan

- The mortality projection scale was changed from MP-2016 to MP-2017.
- Post-retirement benefit increases changed to 1.00 percent for all years, with no trigger.

3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans

g. Changes in Actuarial Assumptions and Plan Provisions

Police and Fire Plan (Continued)

- An end date of July 1, 2048, was added to the existing $9.0 million state contribution. Additionally, annual state aid will equal $4.5 million in fiscal years 2019 and 2020, and $9.0 million thereafter, until the plan reaches 100 percent funding, or July 1, 2048, if earlier.

- Member contributions were changed effective January 1, 2019, and January 1, 2020, from 10.80 percent to 11.30 and 11.80 percent of pay, respectively. Employer contributions were changed effective January 1, 2019, and January 1, 2020, from 16.20 percent to 16.95 and 17.70 percent of pay, respectively. Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.

- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.

- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions

Correctional Plan

- The single discount rate was changed from 5.96 percent per annum to 7.50 percent per annum.

- The mortality projection scale was changed from MP-2016 to MP-2017.

- The assumed post-retirement benefit increase was changed from 2.50 percent per year to 2.00 percent per year.

3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans (Continued)

h. 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 1.00 percentage point lower or 1.00 percentage point higher than the current discount rate:

	Proportionate Share of the					
	General Employees Plan		Police and Fire Plan		Correctional Plan	
	Discount Rate	Net Pension Liability	Discount Rate	Net Pension Liability	Discount Rate	Net Pension Liability
1% Decrease	6.50%	$ 15,930,466	6.50%	$ 2,541,309	6.50%	$ 587,102
Current	7.50	9,802,592	7.50	1,185,277	7.50	68,600
1% Increase	8.50	4,744,205	8.50	63,896	8.50	(346,185)

i. 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.

2. 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.

3. Detailed Notes on All Funds

E. Pension Plans

2. 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, 2018, were:

	Employee	Employer
Contribution amount	$ 9,524	$ 9,524
Percentage of covered payroll	5.00%	5.00%

F. 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.

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.

3. Detailed Notes on All Funds

F. Risk Management (Continued)

MCIT participates in the Workers' Compensation Reinsurance Association with coverage at $500,000 per claim in 2018 and 2019. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County 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	
	2018	2017
Unpaid claims, January 1	$ 269,529	$ 350,360
Incurred claims (including IBNRs)	3,658,311	3,489,328
Claims payments	(3,564,415)	(3,570,159)
Unpaid Claims, December 31	$ 363,425	$ 269,529

4. 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.

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, 2017, the most current information available, the Health Services Board had a net position of $460,689.

Complete financial information 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 Fairmont, 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

4. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Minnesota River Valley Drug Task Force (Continued)

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 2018. 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.

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 2018. 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.

4. Summary of Significant Contingencies and Other Items

B. Joint Ventures (Continued)

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.

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 2018, Nicollet County did not contribute to the Board.

Financial information can be obtained at the Blue Earth County Justice Center, 401 Carver Road, Mankato, Minnesota 56002.

South Central Transit

Nicollet County entered into a joint powers agreement with Blue Earth and Le Sueur Counties creating and operating South Central Transit, pursuant to Minn. Stat. § 471.59 and a joint powers agreement, effective July 1, 2017. Management of 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 South Central Transit is to provide centralized planning and transit services in the participating counties.

4. Summary of Significant Contingencies and Other Items

B. Joint Ventures

South Central Transit (Continued)

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 2018, Nicollet County contributed $21,708 to 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.

During 2018, 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.

4. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Tri-County Solid Waste (Continued)

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 $90,526 in 2018. 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 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.

4. Summary of Significant Contingencies and Other Items

C. Jointly-Governed Organizations (Continued)

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. Nicollet County appoints one local elected official to the Board. During the year, Nicollet County did not contribute any funding to 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 $108,539 to the MCCC.

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 2018.

4. Summary of Significant Contingencies and Other Items

   C. Jointly-Governed Organizations (Continued)

   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 the SCEMS Joint Powers Board 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 SCEMS Joint Powers Board. During the year, Nicollet County made no contributions to the SCEMS Joint Powers Board.

   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 $8,574 to the Board.

   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.

5. 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

5. Other Information

A. Special Benefit Tax Levy (Continued)

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 2018 is $119,350. The proportionate shares of the counties may change for years 2019 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.

REQUIRED SUPPLEMENTARY INFORMATION

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NICOLLET COUNTY
ST. PETER, MINNESOTA

EXHIBIT A-1

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
OTHER POSTEMPLOYMENT BENEFITS
DECEMBER 31, 2018

		2018
Total OPEB Liability		
Service cost	$	123,006
Interest		55,706
Benefit payments		(138,690)
Net change in total OPEB liability	**$**	**40,022**
Total OPEB Liability – Beginning		**1,633,848**
Total OPEB Liability – Ending	**$**	**1,673,870**
Covered-employee payroll	$	14,677,321
Total OPEB liability (asset) as a percentage of covered-employee payroll		11.40%

This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

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

NICOLLET COUNTY
ST. PETER, MINNESOTA

EXHIBIT A-2

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA GENERAL EMPLOYEES RETIREMENT PLAN
DECEMBER 31, 2018

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
2018	0.1767 %	$ 9,802,592	$ 321,606	$ 10,124,198	$ 11,872,565	82.57 %	79.53 %
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, 2018

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)
2018	$ 927,814	$ 927,814	$ -	$ 12,370,831	7.50 %
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.

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, 2018

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
2018	0.1112 %	$ 1,185,277	$ 1,172,282	101.11 %	88.84 %
2017	0.1040	1,404,124	1,064,520	131.90	85.43
2016	0.0990	3,973,042	956,843	415.22	63.88
2015	0.0980	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, 2018

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)
2018	$ 191,067	$ 191,067	$ -	$ 1,179,429	16.20 %
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 LOCAL GOVERNMENT CORRECTIONAL SERVICE RETIREMENT PLAN
DECEMBER 31, 2018

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
2018	0.4171 %	$ 68,600	$ 851,894	8.05 %	97.64 %
2017	0.4300	1,225,504	867,982	141.19	67.89
2016	0.4200	1,534,319	792,043	193.72	58.16
2015	0.4100	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 LOCAL GOVERNMENT CORRECTIONAL SERVICE RETIREMENT PLAN
DECEMBER 31, 2018

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)
2018	$ 74,130	$ 74,130	$ -	$ 847,195	8.75 %
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.

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

1. Other Postemployment Benefits Funded Status

In 2018, Nicollet County implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. See Note 3.D. in the notes to the financial statements for additional information regarding the County's other postemployment benefits.

2. Employer Contributions to Other Postemployment Benefits

Assets have not been accumulated in a trust that meets the criteria in paragraph four of GASB Statement 75 to pay related benefits.

The following changes in actuarial assumptions occurred in 2018:

- The discount rate used changed from 3.50 percent to 3.30 percent.
- The health care trend rates were changed to better anticipate short-term and long-term medical increases.
- The mortality table was updated from RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale (with Blue Collar adjustment for Police and Fire personnel) to the RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale (with Blue Collar adjustment for Police and Fire personnel).
- The retirement and withdrawal tables for all employees were updated.
- Claim costs were developed by age adjusting the premium information from Nicollet County. As of January 1, 2016, actual claims and enrollment experience was used.

3. 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:

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

General Employees Retirement Plan

2018

- The mortality projection scale was changed from MP-2015 to MP-2017.

- The assumed benefit increase rate was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter, to 1.25 percent per year.

2017

- The Combined Service Annuity (CSA) loads were changed from 0.80 percent for active members and 60 percent for vested and non-vested deferred members (30 percent for deferred Minneapolis Employees Retirement Fund members). The revised CSA loads are now 0.00 percent for active member liability, 15 percent for vested deferred member liability, and 3.00 percent for non-vested deferred member liability.

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year for all years to 1.00 percent per year through 2044 and 2.50 percent per year thereafter.

- Minneapolis Employees Retirement Fund plan provisions change the employer supplemental contribution to $21,000,000 in calendar years 2017 and 2018 and returns to $31,000,000 through calendar year 2031. The state’s required contribution is $16,000,000 in PERA’s fiscal years 2018 and 2019, and returns to $6,000,000 annually through calendar year 2031.

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.

3. Defined Benefit Pension Plans – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

General Employees Retirement Plan

2016 (Continued)

- 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.

Public Employees Police and Fire Plan

2018

- The mortality projection scale was changed from MP-2016 to MP-2017.

- Post-retirement benefit increases changed to 1.00 percent for all years, with no trigger.

- An end date of July 1, 2048, was added to the existing $9.0 million state contribution. Additionally, annual state aid will equal $4.5 million in fiscal years 2019 and 2020, and $9.0 million thereafter, until the plan reaches 100 percent funding, or July 1, 2048, if earlier.

- Member contributions were changed effective January 1, 2019, and January 1, 2020, from 10.80 percent to 11.30 and 11.80 percent of pay, respectively. Employer contributions were changed effective January 1, 2019, and January 1, 2020, from 16.20 percent to 16.95 and 17.70 percent of pay, respectively. Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.

- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.

- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

3. Defined Benefit Pension Plans – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

Public Employees Police and Fire Plan (Continued)

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 2.00 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 3.00 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.

3. Defined Benefit Pension Plans – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

Public Employees Police and Fire Plan

2017 (Continued)

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

- 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

2018

- The single discount rate was changed from 5.96 percent per annum to 7.50 percent per annum.

- The mortality projection scale was changed from MP-2016 to MP-2017.

- The assumed post-retirement benefit increase was changed from 2.50 percent per year to 2.00 percent per year.

3. Defined Benefit Pension Plans – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

Public Employees Correctional Plan (Continued)

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 1.00 percent for non-vested members.

- 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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NICOLLET COUNTY
ST. PETER, MINNESOTA

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, 2018

	Budgeted Amounts		Actual	Variance with
	Original	**Final**	**Amounts**	**Final Budget**
Revenues				
Taxes	$ 2,171,560	$ 2,171,560	$ 2,152,743	$ (18,817)
Intergovernmental	-	-	28,158	28,158
Total Revenues	**$ 2,171,560**	**$ 2,171,560**	**$ 2,180,901**	**$ 9,341**
Expenditures				
Debt service				
Principal	$ 1,530,000	$ 4,795,000	$ 4,795,000	$ -
Interest	538,153	538,153	542,343	(4,190)
Bond issuance costs	-	-	44,394	(44,394)
Administrative charges	1,000	1,000	500	500
Total Expenditures	**$ 2,069,153**	**$ 5,334,153**	**$ 5,382,237**	**$ (48,084)**
Excess of Revenues Over (Under) Expenditures	**$ 102,407**	**$ (3,162,593)**	**$ (3,201,336)**	**$ (38,743)**
Other Financing Sources (Uses)				
General obligation bonds issued	$ -	$ -	$ 3,175,000	$ 3,175,000
Premium on bonds issued	-	-	223,700	223,700
Total Other Financing Sources (Uses)	**$ -**	**$ -**	**$ 3,398,700**	**$ 3,398,700**
Net Change in Fund Balance	**$ 102,407**	**$ (3,162,593)**	**$ 197,364**	**$ 3,359,957**
Fund Balance – January 1	**2,770,424**	**2,770,424**	**2,770,424**	**-**
Fund Balance – December 31	**$ 2,872,831**	**$ (392,169)**	**$ 2,967,788**	**$ 3,359,957**

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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, 2018

	Balance January 1	Additions	Deductions	Balance December 31
AGENCY FUND				
Assets				
Cash and pooled investments	$ 35,545	$ 268,027	$ 263,634	$ 39,938
Liabilities				
Due to other governments	$ 35,545	$ 268,027	$ 263,634	$ 39,938
SETTLEMENT FUND				
Assets				
Cash and pooled investments	$ 1,687,708	$ 87,263,606	$ 88,215,190	$ 736,124
Liabilities				
Due to other governments	$ 1,687,708	$ 87,263,606	$ 88,215,190	$ 736,124
STATE REVENUE FUND				
Assets				
Cash and pooled investments	$ 223,194	$ 4,505,854	$ 4,441,152	$ 287,896
Liabilities				
Due to other governments	$ 223,194	$ 4,505,854	$ 4,441,152	$ 287,896

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, 2018

	Balance January 1	Additions	Deductions	Balance December 31
WOMEN'S FOUNDATION OF MINNESOTA FUND				
Assets				
Cash and pooled investments	$ 27,860	$ 1,397	$ 5,744	$ 23,513
Liabilities				
Due to other governments	$ 27,860	$ 1,397	$ 5,744	$ 23,513
COMMUNITY HEALTH SERVICE FUND				
Assets				
Cash and pooled investments	$ 596,217	$ 1,552,804	$ 1,568,109	$ 580,912
Liabilities				
Due to other governments	$ 596,217	$ 1,552,804	$ 1,568,109	$ 580,912
FAMILY SERVICES COLLABORATIVE FUND				
Assets				
Cash and pooled investments	$ 346,144	$ 214,086	$ 203,238	$ 356,992
Liabilities				
Due to other governments	$ 346,144	$ 214,086	$ 203,238	$ 356,992

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, 2018

	Balance January 1	Additions	Deductions	Balance December 31
TRI-COUNTY SOLID WASTE FUND				
Assets				
Cash and pooled investments	$ 86,638	$ 293,266	$ 270,691	$ 109,213
Liabilities				
Due to other governments	$ 86,638	$ 293,266	$ 270,691	$ 109,213
TOTAL ALL AGENCY FUNDS				
Assets				
Cash and pooled investments	$ 3,003,306	$ 94,099,040	$ 94,967,758	$ 2,134,588
Liabilities				
Due to other governments	$ 3,003,306	$ 94,099,040	$ 94,967,758	$ 2,134,588

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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, 2018

Appropriations and Shared Revenue		
State		
Highway users tax	$	4,244,871
County program aid		1,534,905
PERA aid		119,281
Disparity reduction aid		11,775
Police aid		130,501
Enhanced 911		110,476
Market value credit		261,714
SCORE		95,522
Aquatic invasive species prevention aid		70,150
Riparian Protection Aid		99,607
Total appropriations and shared revenue	**$**	**6,678,802**
Reimbursement for Services		
State		
Minnesota Department of Human Services	**$**	**1,134,631**
Payments		
Local		
Other contributions	$	86,418
Payments in lieu of taxes		49,030
Total payments	**$**	**135,448**
Grants		
State		
Minnesota Department/Office of		
Public Safety	$	26,759
Secretary of State		52,024
Health		119,267
Natural Resources		50,512
Human Services		1,964,615
Veterans Affairs		20,000
Corrections		289,319
Water and Soil Resources Board		78,885
Pollution Control Agency		43,402
Total state	**$**	**2,644,783**
Federal		
Department of		
Agriculture	$	423,052
Justice		63,576
Education		2,263
Health and Human Services		2,910,047
Homeland Security		60,822
Total federal	**$**	**3,459,760**
Total state and federal grants	**$**	**6,104,543**
Total Intergovernmental Revenue	**$**	**14,053,424**

NICOLLET COUNTY
ST. PETER, MINNESOTA

EXHIBIT D-2

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

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-Through Grant Numbers	Expenditures
U.S. Department of Agriculture			
Passed Through Brown-Nicollet Community Health Services			
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	182MN004W1003	$ 134,551
Passed Through Minnesota Department of Human Services			
SNAP Cluster			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	182MN101S2514	288,501
Total U.S. Department of Agriculture			**$ 423,052**
U.S. Department of Justice			
Passed Through Minnesota Department of Public Safety			
Crime Victim Assistance	16.575	F-CVSP-2018-NICCAO	**$ 63,576**
U.S. Department of Education			
Passed Through Brown-Nicollet Community Health Services			
Special Education – Grants for Infants and Families	84.181	H181A170029	**$ 2,263**
U.S. Department of Health and Human Services			
Passed Through Brown-Nicollet Community Health Services			
Public Health Emergency Preparedness	93.069	U90TP000529	$ 34,181
TANF Cluster			
Temporary Assistance for Needy Families	93.558	2017G996115	30,685
(Total Temporary Assistance for Needy Families 93.558 $406,611)			
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-1701MNFPSS	4,596
TANF Cluster			
Temporary Assistance for Needy Families	93.558	1801MNTANF	375,926
(Total Temporary Assistance for Needy Families 93.558 $406,611)			
Child Support Enforcement	93.563	1804MNCEST	752,431
Refugee and Entrant Assistance – State Administered Programs	93.566	1801MNRCMA	83
Community-Based Child Abuse Prevention Grants	93.590	G-1702MNFRPG	8,292
CCDF Cluster			
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	G1801MNCCDF	21,678
Stephanie Tubbs Jones Child Welfare Services Program	93.645	G-1701MNCWSS	4,056
Foster Care – Title IV-E	93.658	1801MNFOST	236,702
Social Services Block Grant	93.667	G-1801MNSOSR	129,596
Chafee Foster Care Independence Program	93.674	G-1801MNCILP	3,139
Children's Health Insurance Program	93.767	1805MN5R21	282
Medicaid Cluster			
Medical Assistance Program	93.778	1805MN5ADM	1,385,883
Medical Assistance Program	93.778	1805MN5MAP	15,145
(Total Medical Assistance Program 93.778 $1,401,028)			
Total U.S. Department of Health and Human Services			**$ 3,034,109**

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, 2018

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-Through Grant Numbers	Expenditures
U.S. Department of Homeland Security			
Passed Through Minnesota Department of Natural Resources			
Boating Safety Financial Assistance	97.012	R29G40CGFFY17	$ 19,355
Passed Through Minnesota Department of Public Safety			
Disaster Grants – Public Assistance (Presidentially Declared Disasters)	97.036	4182DRMNP0000001	1,430
Emergency Management Performance Grants	97.042	F-EMPG-2018-NICOLLCO-1031	24,628
Total U.S. Department of Homeland Security			**$ 45,413**
Total Federal Awards			**$ 3,568,413**

Totals by Cluster	
Total expenditures for SNAP Cluster	$ 288,501
Total expenditures for TANF Cluster	406,611
Total expenditures for CCDF Cluster	21,678
Total expenditures for Medicaid Cluster	1,401,028

The County did not pass any federal awards through to subrecipients during the year ended December 31, 2018.

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NICOLLET COUNTY
ST. PETER, MINNESOTA

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

1. Reporting Entity

   The Schedule of Expenditures of Federal Awards presents the activities of federal award programs expended by 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, 2018. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of 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 ten 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	$	3,459,760
Grants received more than 60 days after year-end, unavailable in 2018		
Temporary Assistance for Needy Families (CFDA No. 93.558)		101,900
Refugee and Entrant Assistance – State Administered Programs (CFDA No. 93.566)		83
Community-Based Child Abuse Prevention Grants (CFDA No. 93.590)		1,667
Stephanie Tubbs Jones Child Welfare Services Program (CFDA No. 93.645)		250
Disaster Grants – Public Assistance (Presidentially Declared Disasters) (CFDA No. 97.036)		20,463
Unavailable in 2017, recognized as revenue in 2018		
Temporary Assistance for Needy Families (CFDA No. 93.558)		(103,249)
Child Support Enforcement (CFDA No. 93.563)		(24,300)
Disaster Grants – Public Assistance (Presidentially Declared Disasters) (CFDA No. 97.036)		(35,872)
Collaborative Grants (receipted into an agency fund)		
Foster Care – Title IV-E (CFDA No. 93.658)		43,435
Medical Assistance Program (CFDA No. 93.778)		104,276
Expenditures Per Schedule of Expenditures of Federal Awards	$	3,568,413

Management and Compliance Section

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STATE OF MINNESOTA
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, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated July 17, 2019.

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.

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 the attention of those charged with governance.

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. Given these limitations, during our audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. We did identify a deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs as item 2018-001, that we consider to be a significant deficiency.

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 item 1996-001. 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/Julie Blaha	*/s/Greg Hierlinger*
JULIE BLAHA STATE AUDITOR	GREG HIERLINGER, CPA DEPUTY STATE AUDITOR

July 17, 2019

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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, 2018. 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.

Basis for Qualified Opinion on Medical Assistance Program (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, Medical Assistance Program, 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 Medical Assistance Program (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 Medical Assistance Program for the year ended December 31, 2018.

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, 2018.

Nicollet County's response to the noncompliance finding identified in our audit is described in the accompanying Corrective Action Plan. The 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.

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. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit the attention of those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a deficiency in internal control over compliance, described in the accompanying Schedule of Findings and Questioned Costs as item 2017-001, that we consider 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. The 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.

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/Julie Blaha	*/s/Greg Hierlinger*
JULIE BLAHA STATE AUDITOR	GREG HIERLINGER, CPA DEPUTY STATE AUDITOR

July 17, 2019

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NICOLLET COUNTY
ST. PETER, MINNESOTA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2018

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? **No**
- Significant deficiencies identified? **Yes**

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, except for the 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:

SNAP Cluster	
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	CFDA No. 10.561
Medicaid Cluster	
Medical Assistance Program	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**

NICOLLET COUNTY
ST. PETER, MINNESOTA

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

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

INTERNAL CONTROL

ITEM ARISING THIS YEAR

Finding Number 2018-001

Payroll Approvals

Criteria: Management is responsible for designing and implementing internal controls over accounting processes. To obtain greater assurance that errors or fraud in payroll are prevented, detected, and corrected in a timely manner, hours claimed by employees should be attested to by the employee and the employee's supervisor.

Condition: Reviewing a sample of 25 payroll claims, three instances were identified where documentation of approval by the employee and employee's supervisor could not be provided.

Context: The County utilizes an electronic timekeeping system to record employee hours and obtain approvals from the employee and assigned supervisor for those hours. Instances where approval could not be provided originated from the same department and were for a period during which the department supervisor had been placed on administrative leave. The County indicated that during this time, the department's time sheets were rerouted to the department's director for approval.

Effect: Without documented approvals, there is less assurance that controls put in place to detect errors or fraud in time reporting have been performed. Additionally, complications could arise should the accuracy of time information submitted come into question.

Cause: The County indicated that approvals had been obtained from the employee and department director at the time, before payroll was processed, but believed that a combination of the time sheet being rerouted and the subsequent removal of both the supervisor and director from the system resulted in the loss of the approval data.

Recommendation: We recommend the County obtain and maintain employee and supervisor approvals for all hours claimed by employees. To avoid the additional loss of data, the County may consider contacting the payroll system vendor or performing system tests to verify that the cause of the issue has been accurately identified. If the cause is identified, additional procedures should be developed to ensure documentation of approvals is maintained when circumstances are such that there is a risk that they could be lost by the system.

View of Responsible Official: Acknowledged

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

<u>PREVIOUSLY REPORTED ITEM NOT RESOLVED</u>

Finding Number 2017-001

<u>Eligibility</u>

Program: U.S. Department of Health and Human Services' Medical Assistance Program (CFDA No. 93.778), Award Nos. 1805MN5ADM and 1805MN5MAP, 2018

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. In the case files reviewed for eligibility, not all documentation was available, updated, or input correctly in MAXIS to support participant eligibility. The following exceptions were noted in the sample of 40 case files tested:

- For ten case files, the asset information in MAXIS was unsupported or did not match the supporting documentation provided by the participant. In addition, for one of these case files, the income information in MAXIS was not updated.

- For two case files, the signature page of the current application was missing. In addition, for one of these case files, the income information in MAXIS was not updated to the information as indicated on the application.

- One application was not date stamped.

- One case file 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: Program personnel entering case information into MAXIS did not ensure all required information was input or updated correctly. Supervisors did not document when a case file was reviewed for quality control.

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, any review completed by a supervisor should be documented to support the quality control.

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, section 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, 2018, 60 ditch systems had negative cash balances totaling $1,664,040, which is a decrease from 66 ditch systems with a negative cash balance totaling $1,817,850 at the beginning of the year. In 2018, 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 indicated that a policy had been approved to ensure compliance with Minn. Stat. § 103E.655; however, the policy did not go into effect until 2019.

Recommendation: We recommend that the loans to drainage systems be made in accordance with Minn. Stat. § 103E.655.

View of Responsible Official: Acknowledged

V. PREVIOUSLY REPORTED ITEMS RESOLVED

2012-001 Audit Adjustments
2017-002 Insufficient Collateral

REPRESENTATION OF NICOLLET COUNTY
ST. PETER, MINNESOTA

CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED DECEMBER 31, 2018

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 continues to attempt to bring all ditch systems to a positive balance which included General Obligation Ditch Bonding for $2.2M in 2018. Nicollet County established a Drainage System Fund Balance Policy approved at Board on December 18, 2018, which complies with MS 103E.655. This policy outlines process for cash being borrowed/interest paid to maintain a positive cash balance for individual ditches. The policy went into effect in 2019.

Anticipated Completion Date:

Completed

Finding Number: 2017-001
Finding Title: Eligibility
Program: Medical Assistance Program (CFDA No. 93.778)

Name of Contact Person Responsible for Corrective Action:

Tami Simonson
Nicollet County Human Services - 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 has been reviewed at a 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.

Office support staff have been reminded to review documents after scanning to ensure entire documentation has been scanned.

Upon receipt of the list of specific cases and deficiencies, all specific case examples were shared with the affected worker so that they could update those cases as possible.

Supervisory case reviews were implemented when permanent supervisor was hired in January 2019. Two cases from each worker are reviewed quarterly, for a total of 24 cases reviewed quarterly. A review tool has been developed to guide the process. Results are being discussed with each individual upon completion of the case reviews. A log of cases reviewed and findings of each review is being maintained by the supervisor. Extra training will be provided for any problem areas that are discovered.

Anticipated Completion Date:

All of the above items have been completed, or put into place as of this date, July 2, 2019.

Finding Number: 2018-001
Finding Title: Payroll Approvals

Name of Contact Persons Responsible for Corrective Action:

Heather McCormick, Finance Director
Kari Stein, Payroll Accounting Technician
Lynette Idso, Payroll Accounting Technician
Nicollet County Finance Department

Corrective Action Planned:

Nicollet County has internal controls over accounting processes in regards to payroll processes and procedures. Nicollet County utilizes an electronic timekeeping system, High Line, to record employee hours and obtain approvals from the employee and assigned supervisor for those hours. As part of the bi-weekly payroll process, payroll staff cannot move to the next step in the payroll process, without receiving all employees and all assigned supervisor approvals.

The Nicollet County payroll team will continue to investigate with the help of High Line consultants as to why the records in question were not readily available. If a root cause is identified, process changes will be implemented to avoid the risk of loss of approval records in the future.

Nicollet County is in the process of selecting a new Human Resources/Benefits/Payroll system. One of the system requirements identified and communicated to potential vendors is the need for timekeeping audit reports. A new system will be selected in 2019, with the implementation process being completed in 2019-2020.

Anticipated Completion Date:

Investigation of root cause – ongoing
New System implementation - 2020

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REPRESENTATION OF NICOLLET COUNTY
ST. PETER, MINNESOTA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2018

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

Summary of Condition: During 2017, 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.

Summary of Corrective Action Previously Reported: 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.

Status: Not Corrected. Nicollet County continues to attempt to bring all ditch systems to a positive balance which included General Obligation Ditch Bonding for $2.2M in 2018. Nicollet County established a Drainage System Fund Balance Policy approved at Board on December 18, 2018, which complies with MS 103E.655. This policy outlines process for cash being borrowed/interest paid to maintain a positive cash balance for individual ditches. The policy went into effect in 2019.

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 2017 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. 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.

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

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

Summary of 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.

Summary of Corrective Action Previously Reported: 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.

Status: Not Corrected. Supervisory case reviews were implemented when a permanent supervisor was hired in January 2019. The above outlined corrective action plan is still valid, in addition to scanning procedures reminders to staff and sharing specific case deficiency examples with the affected worker so that they could update those cases as possible.

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

Finding Number: 2017-002
Finding Title: Insufficient Collateral

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

Summary of Corrective Action Previously Reported: 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.

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