STATE OF MINNESOTA
Office of the State Auditor

Julie Blaha
State Auditor

FARIBAULT COUNTY
(Including the Faribault County Economic Development Authority)
BLUE EARTH, 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 Minnesota's local 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.

Office of the State Auditor
525 Park Street, Suite 500
Saint Paul, Minnesota 55103
(651) 296-2551
state.auditor@osa.state.mn.us
www.auditor.state.mn.us

This document can be made available in alternative formats upon request. Call 651-296-2551 [voice] or 1-800-627-3529 [relay service] for assistance; or visit the Office of the State Auditor's web site: www.auditor.state.mn.us.

FARIBAULT COUNTY
(Including the Faribault County Economic Development Authority)
BLUE EARTH, MINNESOTA

Year Ended December 31, 2018

Audit Practice Division
Office of the State Auditor
State of Minnesota

This page was left blank intentionally.

FARIBAULT COUNTY
BLUE EARTH, MINNESOTA

TABLE OF CONTENTS

FARIBAULT COUNTY
BLUE EARTH, MINNESOTA

TABLE OF CONTENTS

FARIBAULT COUNTY
BLUE EARTH, MINNESOTA

TABLE OF CONTENTS
(Continued)

This page was left blank intentionally.

This page was left blank intentionally.

FARIBAULT COUNTY
BLUE EARTH, MINNESOTA

ORGANIZATION
DECEMBER 31, 2018

			Term Expires
Elected			
Commissioners			
Board Member	John Roper	District 1	January 2021
Chair	Greg Young	District 2	January 2023
Board Member	William Groskreutz, Jr.	District 3	January 2021
Vice Chair	Tom Loveall	District 4	January 2023
Board Member	Tom Warmka	District 5	January 2021
Attorney	Kathryn Karjala		January 2023
Auditor/Treasurer	John Thompson		January 2023
Judge	Troy Timmerman		January 2021
County Recorder	Sheryl Asmus		January 2023
Registrar of Titles	Sheryl Asmus		January 2023
County Sheriff	Mike Gormley		January 2023
Appointed			
Assessor	Gertrude Paschke		December 2020
County Engineer	Mark Daly		May 1, 2020
Veterans Service Officer	Jenna Schmidtke		Indefinite
Medical Examiner	Aaron Johnson, M.D.		December 31, 2021
Economic Development Authority Board			
Commissioner	John Roper		January 2020
Commissioner	William Groskreutz, Jr.		January 2020
Chair	John Herman	Wells	December 31, 2020
Vice Chair	Lars Bierly	Blue Earth	December 31, 2019
Secretary/Treasurer	Brad Wolf	Winnebago	December 31, 2021
Board Member	Jack Heinitz	Blue Earth	December 31, 2022
Board Member	Tony Trussell*	Kiester	December 31, 2018

*Tony Trussell resigned in June 2018 and was replaced by Vickie Savick in January 2019.

This page was left blank intentionally.

Financial Section

This page was left blank intentionally.

STATE OF MINNESOTA
OFFICE OF THE STATE AUDITOR

JULIE BLAHA
STATE AUDITOR

SUITE 500
525 PARK STREET
SAINT PAUL, MN 55103-2139

(651) 296-2551 (Voice)
(651) 296-4755 (Fax)
state.auditor@state.mn.us (E-mail)
1-800-627-3529 (Relay Service)

INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Faribault County
Blue Earth, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Faribault 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 did not audit the financial statements of the Faribault County Housing and Redevelopment Authority (HRA), which is a discretely presented component unit and represents 0.18 percent, 0.12 percent, and 87.48 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Faribault County HRA component unit, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Faribault County as of December 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 Faribault 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 reports dated January 14, 2020, on our consideration of Faribault County's and the Faribault County EDA component unit's internal control over financial reporting and on our tests of their compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of these reports is 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 Faribault County's and the Faribault County EDA component unit's internal control over financial reporting or on compliance. The reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Faribault County's and the Faribault County EDA component unit's internal control over financial reporting and compliance. They do not include the Faribault County HRA, which was audited by other auditors.

/s/Julie Blaha

JULIE BLAHA
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

January 14, 2020

This page was left blank intentionally.

MANAGEMENT’S DISCUSSION AND ANALYSIS

This page was left blank intentionally.

FARIBAULT COUNTY
BLUE EARTH, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2018
(Unaudited)

Faribault County's Management's Discussion and Analysis (MD&A) provides an overview of the County's financial activities for the fiscal year ended December 31, 2018. Since this information is designed to focus on the current year's activities, resulting changes, and currently known facts, it should be read in conjunction with the County's financial statements.

FINANCIAL HIGHLIGHTS

- Governmental activities' total net position is $59,370,538, of which $56,656,961 is the net investment in capital assets, and $5,596,099 is restricted to specific purposes.

- Business-type activities' total net position is $781,260, of which $700,811 is the net investment in capital assets.

- Faribault County's governmental activities' net position decreased by $502,507 for the year ended December 31, 2018, after the restatement for a change in accounting principles (see Note 1.E.). The net position of the County's business-type activities decreased by $50,853.

- The net cost of governmental activities was $13,002,460 for the current fiscal year. The net cost was funded by general revenues and other items totaling $12,499,953. The net cost of business-type activities was $50,853.

- Governmental funds' fund balances increased by $6,043,654.

OVERVIEW OF THE FINANCIAL STATEMENTS

This MD&A is intended to serve as an introduction to the basic financial statements. Faribault County's basic financial statements consist of three parts: government-wide financial statements, fund financial statements, and notes to the financial statements. The MD&A (this section) and other information are required to accompany the basic financial statements and, therefore, are included as required supplementary information.

There are two government-wide financial statements. The Statement of Net Position and the Statement of Activities (Exhibits 1 and 2) provide information about the activities of the County as a whole and present a longer-term view of the County's finances. Fund financial statements start on Exhibit 3. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the County's operations in more detail than the government-wide statements by providing information about the County's most significant funds. The remaining statement provides financial information about activities for which the County acts solely as a trustee or agent for the benefit of those outside of the government.

Government-Wide Financial Statements—The Statement of Net Position and the Statement of Activities

Our analysis of the County as a whole begins on Exhibit 1. The Statement of Net Position and the Statement of Activities report information about the County as a whole and about its activities in a way that helps the reader determine whether the County's financial condition has improved or declined as a result of the year's activities. These statements include all assets, deferred outflows/inflows of resources, and liabilities using the full accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the County's net position and changes in it. You can think of the County's net position—the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources—as one way to measure the County's financial health or financial position. Over time, increases or decreases in the County's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the County's property tax base and the condition of County roads, to assess the overall health of the County.

In the Statement of Net Position and the Statement of Activities, we divide the County into three kinds of activities:

- Governmental activities—Most of the County's basic services are reported here, including general government, public safety, highways and streets, sanitation, human services, culture and recreation, conservation of natural resources, and economic development. Property taxes and state and federal grants finance most of these activities.

- Business-type activities—The County charges a fee to customers to help it cover all or most of the cost of the services it provides. The Huntley Sewer District activities are reported here.

- Component units—The County includes two separate legal entities in its report. The Faribault County Housing and Redevelopment Authority and the Faribault County Economic Development Authority are presented in separate columns. Although legally separate, these "component units" are important because the County is financially accountable for them.

Fund Financial Statements

Our analysis of the County's major funds begins on Exhibit 3 and provides detailed information about the significant funds—not the County as a whole. Some funds are required to be established by state law and by bond covenants. However, the County Board establishes some funds to help it control and manage money for a particular purpose or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The County's two kinds of funds—governmental and proprietary—use different accounting methods.

- Governmental funds—Most of the County's basic services are reported in governmental funds, which focus on how money flows in and out of those funds and the balances left at year-end available for spending. These funds are reported using an accounting method called modified accrual accounting. This method measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the County's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation following each governmental fund financial statement.

- Proprietary funds—When the County charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the County's enterprise fund presents the same information as the business-type activities in the government-wide statements but provides more detail and additional information, such as cash flows.

Reporting the County's Fiduciary Responsibilities

The County is the trustee, or fiduciary, over assets that can be used only for the trust beneficiaries based on the trust arrangement. All of the County's fiduciary activities are reported in a separate Statement of Fiduciary Net Position. We exclude these activities from the County's other financial statements because the County cannot use these assets to finance its operations. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

THE COUNTY AS A WHOLE

The County's combined net position decreased from $60,705,158, as restated, to $60,151,798. Our analysis focuses on the net position (Table 1) and changes in net position (Table 2) of the County's governmental activities and business-type activities.

Table 1 – Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Assets						
Current and other assets	$ 23,844,475	$ 17,375,976	$ 94,580	$ 94,538	$ 23,939,055	$ 17,470,514
Capital assets	64,208,765	63,586,106	1,023,811	1,079,925	65,232,576	64,666,031
Total Assets	$ 88,053,240	$ 80,962,082	$ 1,118,391	$ 1,174,463	$ 89,171,631	$ 82,136,545
Deferred Outflows of Resources	$ 2,266,922	$ 2,907,667	$ -	$ -	$ 2,266,922	$ 2,907,667
Liabilities						
Long-term liabilities	$ 25,411,744	$ 15,750,778	$ 323,000	$ 328,000	$ 25,734,744	$ 16,078,778
Other liabilities	2,428,067	1,603,801	14,131	14,350	2,442,198	1,618,151
Total Liabilities	$ 27,839,811	$ 17,354,579	$ 337,131	$ 342,350	$ 28,176,942	$ 17,696,929
Deferred Inflows of Resources	$ 3,109,813	$ 2,704,205	$ -	$ -	$ 3,109,813	$ 2,704,205
Net Position						
Net investment in capital assets	$ 56,656,961	$ 56,937,485	$ 700,811	$ 751,925	$ 57,357,772	$ 57,689,410
Restricted	5,596,099	6,845,361	-	-	5,596,099	6,845,361
Unrestricted	(2,882,522)	28,119	80,449	80,188	(2,802,073)	108,307
Total Net Position	$ 59,370,538	$ 63,810,965	$ 781,260	$ 832,113	$ 60,151,798	$ 64,643,078

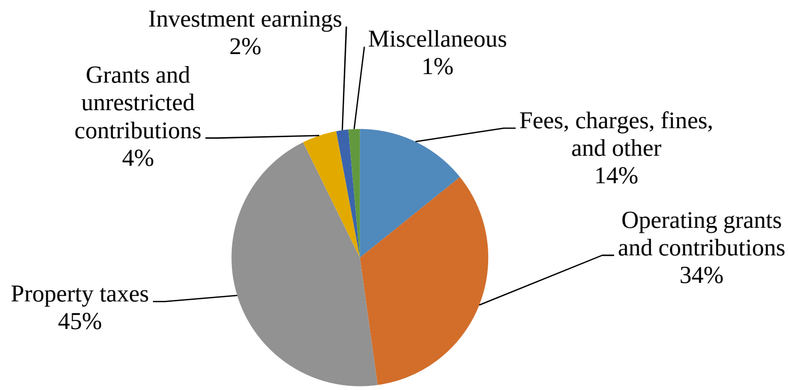
The net position of the County's governmental activities decreased by 7.0 percent ($4,440,427). Unrestricted net position—the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements—changed from $28,119 at December 31, 2017, to ($2,882,522) at the end of this year. Net position of the business-type activities decreased by 6.1 percent ($50,853).

Table 2 – Change in Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Revenues						
Program revenues						
Fees, charges, fines, and other	$ 3,409,139	$ 8,298,976	$ 19,392	$ 21,836	$ 3,428,531	$ 8,320,812
Operating grants and contributions	8,031,655	6,697,094	-	-	8,031,655	6,697,094
Capital grants and contributions	-	137,735	-	-	-	137,735
General revenues						
Property taxes	10,751,879	10,390,845	-	-	10,751,879	10,390,845
Grants and contributions not restricted to specific programs	1,042,329	656,197	-	-	1,042,329	656,197
Unrestricted investment earnings	364,425	135,975	-	-	364,425	135,975
Miscellaneous and other	341,320	350,616	-	-	341,320	350,616
Total Revenues	$ 23,940,747	$ 26,667,438	$ 19,392	$ 21,836	$ 23,960,139	$ 26,689,274

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Expenses						
General government	$ 3,688,184	$ 4,154,423	$ -	$ -	$ 3,688,184	$ 4,154,423
Public safety	3,741,783	4,293,897	-	-	3,741,783	4,293,897
Highways and streets	8,142,810	7,101,483	-	-	8,142,810	7,101,483
Transit	-	3,164	-	-	-	3,164
Sanitation	397,265	348,902	70,245	72,000	467,510	420,902
Human services	2,768,985	2,772,050	-	-	2,768,985	2,772,050
Culture and recreation	340,569	373,442	-	-	340,569	373,442
Conservation of natural resources	4,837,097	4,953,389	-	-	4,837,097	4,953,389
Economic development	55,751	61,484	-	-	55,751	61,484
Interest	470,810	191,050	-	-	470,810	191,050
Total Expenses	$ 24,443,254	$ 24,253,284	$ 70,245	$ 72,000	$ 24,513,499	$ 24,325,284
Change in Net Position	$ (502,507)	$ 2,414,154	$ (50,853)	$ (50,164)	$ (553,360)	$ 2,363,990
Net Position, January 1	$ 63,810,965	$ 61,396,811	$ 832,113	$ 882,277	$ 64,643,078	$ 62,279,.088
Restatement (Note 1.E.)	(3,937,920)	-	-	-	(3,937,920)	-
Net Position, January 1, as restated	$ 59,873,045	$ 61,396,811	$ 832,113	$ 882,277	$ 60,705,158	$ 62,279,088
Net Position, December 31	$ 59,370,538	$ 63,810,965	$ 781,260	$ 832,113	$ 60,151,798	$ 64,643,078

Total County Revenues – Percent of Total



Governmental Activities

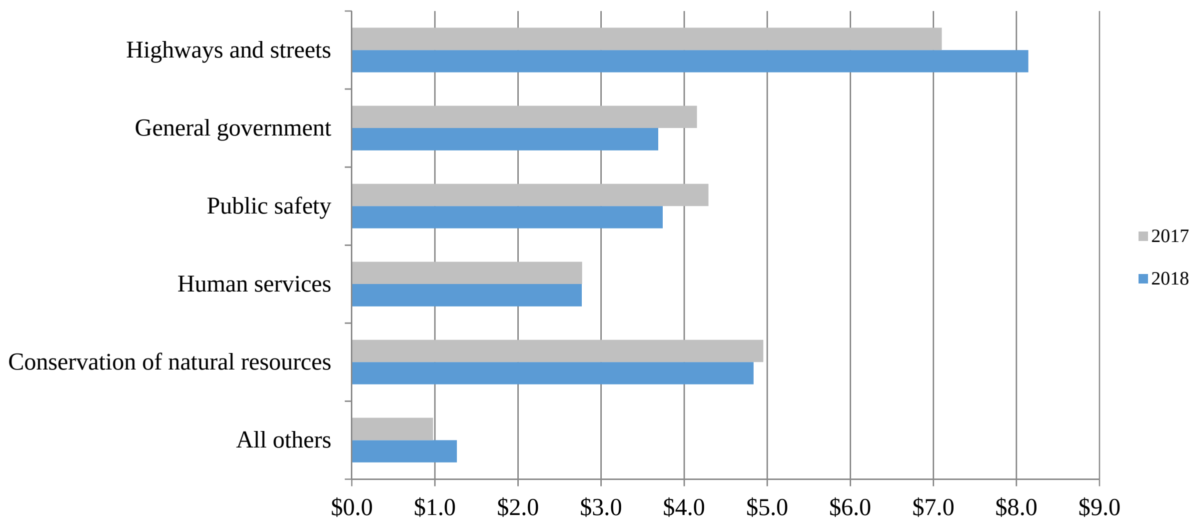
Revenues for the County’s governmental activities were $23,940,747, while total expenses were $24,443,254. However, as shown in the Statement of Activities (Exhibit 2), the amount that taxpayers ultimately financed for these activities through County taxes and other general revenues was $13,002,460, because some of the cost was paid by those who directly benefited from the programs ($3,409,139) or by other governments and organizations that subsidized certain programs with grants and contributions ($8,031,655). Overall, the County’s governmental program revenues, including intergovernmental aid and fees for services, totaled $11,440,794. The County paid for the remaining “public benefit” portion of governmental activities with $12,499,953 in general revenues, which consisted primarily of taxes (some of which could be used only for certain programs) and other revenues, such as interest and general entitlements.

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

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2018	2017	2018	2017
Highways and streets	$ 8,142,810	$ 7,101,483	$ 1,058,735	$ 882,061
Conservation of natural resources	4,837,097	4,953,389	2,679,630	(1,962,629)
Public safety	3,741,783	4,293,897	2,936,158	3,396,211
General government	3,688,184	4,154,423	2,814,801	3,475,193
Human services	2,768,985	2,772,050	2,758,182	2,772,050
All others	1,264,395	978,042	754,954	556,593
Total Expenses	$ 24,443,254	$ 24,253,284	$ 13,002,460	$ 9,119,479

Governmental Activities Expenses
(in millions)



THE COUNTY'S FUNDS

As the County completed the year, its governmental funds (as presented in the Balance Sheet on Exhibit 3) reported a combined fund balance of $12,897,640, which is above last year's total of $6,853,986.

The General Fund showed an increase of $2,062,650. The increase was due to positive variances in intergovernmental, fines and forfeits, gifts and contributions, investment earnings, and miscellaneous revenue compared to budgeted amounts. General government expenditures also saw significantly fewer expenditures than budgeted. An unbudgeted transfer to the General Fund from the Debt Service Fund also contributed to the increase.

The Public Works Special Revenue Fund showed a decrease of $52,200. The majority of the decrease was due to less than anticipated revenues.

The Human Services Special Revenue Fund decreased by $94,669 caused by increased out-of-home placements of juveniles.

The Ditch Special Revenue Fund showed an increase of $3,941,135, as bond proceeds were received for several projects.

The Debt Service Fund increased by $186,738. The increase is due to debt service payments being less than the budget amount.

The General Fund's fund balance is 82.8 percent of the total governmental funds, compared to 125.8 percent at the end of 2017.

General Fund Budgetary Highlights

At year-end 2018, revenues exceeded budgeted amounts by $472,156. The majority of the positive variance in revenues is the $237,043 positive variance for intergovernmental revenue and $252,368 positive variance in investment earnings. General government expenditures were $270,187 below budget, primarily due to fewer than expected expenditures for retiree health insurance premiums. The Recorder Department also showed a positive variance of $90,446 due to a lower allocation than expected to personnel and capital equipment costs. Public safety expenditures exceeded budgeted amounts due to spending for capital equipment before year-end to take advantage of large discount.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2018, the County had $65,232,576 invested in a broad range of capital assets, including land, buildings, highways and streets, and equipment. (See Table 4.) This amount represents a net increase (including additions and deductions) of $566,545, or 0.9 percent, more than last year.

Table 4
Capital Assets at Year-End
(Net of Depreciation)

	2018	2017
Governmental Activities		
Land	$ 1,965,315	$ 1,965,315
Construction in progress	4,348,235	1,173,831
Buildings and improvements	9,187,240	9,529,332
Other improvements	21,983	29,116
Machinery and equipment	2,711,048	2,754,695
Infrastructure	45,974,944	48,133,817
Total	$ 64,208,765	$ 63,586,106
Business-Type Activities		
Land	$ 27,643	$ 27,643
Machinery and equipment	18,666	23,333
Infrastructure	977,502	1,028,949
Total	$ 1,023,811	$ 1,079,925

There is more detailed information on capital assets in the notes to the financial statements.

Debt

At year-end, the County had $14,090,000 in governmental activities bonds outstanding, versus $7,370,000 for last year. Table 5 shows the outstanding debt.

Table 5
Outstanding Debt at Year-End

	2018	2017
Governmental Activities		
Bonds payable	$ 14,090,000	$ 7,370,000
Capital leases	-	4,926
Totals	$ 14,090,000	$ 7,374,926

	2018	2017
Business-Type Activities		
Bonds payable	$ 323,000	$ 328,000

The County's general obligation bond rating was set at an Aa3 rating by Moody's Investors Service as rated in 2018. The state limits the amount of net debt that the County can issue to three percent of the market value of all taxable property in the County. The County's outstanding net debt is significantly below this state-imposed limit. More detailed information about the County's long-term liabilities is presented in the notes to the financial statements.

The County issued $7,515,000 of bonds in February of 2018. Of the bonds, $1,370,000 funded courthouse projects and will be paid from property tax revenues; $6,145,000 of the bonds were used to fund drainage projects and will be paid from special assessments against affected landowners.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The County's elected and appointed officials considered many factors when setting the fiscal year 2019 budget, tax rates, and fees that will be charged.

- The County's General Fund expenditures for 2019 are budgeted to increase 4.75 percent from 2018. Most of this increase is for the addition of a full-time public safety employee.

- Agricultural land prices have stabilized after several years of significant increases. County assessment values were projected to be steady for 2019 payable taxes and will continue that way for taxes payable in 2020. Agricultural land prices are a significant part of the County's tax base and are a reliable source of property tax revenue.

- Property tax levies have increased 2.9 percent for 2019. Significant increases in the Human Services levy and cost of living adjustments affecting the General Fund and the Public Works Special Revenue Fund were the main reasons for the increase.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact County Auditor/Treasurer/Coordinator Darren Esser, Faribault County Courthouse, 415 North Main Street, PO Box 130, Blue Earth, Minnesota 56013.

This page was left blank intentionally.

BASIC FINANCIAL STATEMENTS

This page was left blank intentionally.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

FARIBAULT COUNTY
BLUE EARTH, MINNESOTA

EXHIBIT 1

STATEMENT OF NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2018

	Primary Government			Discretely Presented Component Units	
	Governmental Activities	Business-Type Activities	Total	Housing and Redevelopment Authority	Economic Development Authority
Assets					
Cash and pooled investments	$ 13,033,087	$ 72,923	$ 13,106,010	$ 100	$ 368,960
Petty cash and change funds	2,562	-	2,562	-	-
Cash with fiscal agent	-	-	-	403	-
Taxes receivable					
Delinquent	142,574	-	142,574	-	-
Special assessments receivable					
Delinquent	65,125	14,231	79,356	-	-
Noncurrent	7,582,286	2,149	7,584,435	-	-
Accounts receivable	21,838	-	21,838	463	-
Accrued interest receivable	38,567	-	38,567	-	56
Loans receivable	75,927	-	75,927	-	142,442
Due from other governments	1,244,496	5,277	1,249,773	-	-
Advance to other governments	86,989	-	86,989	-	-
Inventories	1,531,080	-	1,531,080	-	-
Prepaid items	19,944	-	19,944	-	-
Restricted assets					
Investments – temporary	-	-	-	-	10,103
Capital assets					
Non-depreciable	6,313,550	27,643	6,341,193	-	-
Depreciable – net of accumulated depreciation	57,895,215	996,168	58,891,383	-	-
Total Assets	**$ 88,053,240**	**$ 1,118,391**	**$ 89,171,631**	**$ 966**	**$ 521,561**
Deferred Outflows of Resources					
Deferred pension outflows	$ 1,929,452	$ -	$ 1,929,452	$ -	$ -
Deferred other postemployment benefits outflows	337,470	-	337,470	-	-
Total Deferred Inflows of Resources	**$ 2,266,922**	**$ -**	**$ 2,266,922**	**$ -**	**$ -**

FARIBAULT COUNTY
BLUE EARTH, MINNESOTA

EXHIBIT 1
(Continued)

STATEMENT OF NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2018

	Primary Government			Discretely Presented Component Units	
	Governmental Activities	Business-Type Activities	Total	Housing and Redevelopment Authority	Economic Development Authority
Liabilities					
Accounts payable	$ 786,605	$ -	$ 786,605	$ 341	$ -
Salaries payable	240,942	-	240,942	-	-
Contracts payable	515,657	-	515,657	-	-
Due to other governments	597,698	-	597,698	-	-
Accrued interest payable	166,825	14,131	180,956	-	-
Unearned revenue	120,340	-	120,340	-	-
Long-term liabilities					
Due within one year	1,157,609	5,000	1,162,609	-	-
Due in more than one year	14,248,807	318,000	14,566,807	-	-
Other postemployment benefits liability	6,835,686	-	6,835,686	-	-
Net pension liability	3,169,642	-	3,169,642	-	-
Total Liabilities	**$ 27,839,811**	**$ 337,131**	**$ 28,176,942**	**$ 341**	**$ -**
Deferred Inflows of Resources					
Deferred pension inflows	**$ 3,109,813**	**$ -**	**$ 3,109,813**	**$ -**	**$ -**
Net Position					
Net investment in capital assets	$ 56,656,961	$ 700,811	$ 57,357,772	$ -	$ -
Restricted for					
General government	648,291	-	648,291	-	-
Public safety	235,530	-	235,530	-	-
Highways and streets	722,617	-	722,617	-	-
Sanitation	1,166,923	-	1,166,923	-	-
Conservation of natural resources	1,483,850	-	1,483,850	-	-
Debt service	1,338,888	-	1,338,888	-	-
Housing assistance payments	-	-	-	625	-
Commercial rehabilitation loans	-	-	-	-	171,376
Unrestricted	(2,882,522)	80,449	(2,802,073)	-	350,185
Total Net Position	**$ 59,370,538**	**$ 781,260**	**$ 60,151,798**	**$ 625**	**$ 521,561**

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

FARIBAULT COUNTY
BLUE EARTH, MINNESOTA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

	Expenses	Program Revenues: Fees, Charges, Fines, and Other	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Functions/Programs				
Primary government				
Governmental activities				
General government	$ 3,688,184	$ 722,490	$ 150,893	$ -
Public safety	3,741,783	516,760	288,865	-
Highways and streets	8,142,810	130,603	6,953,472	-
Sanitation	397,265	360,275	67,729	-
Human services	2,768,985	-	10,803	-
Culture and recreation	340,569	40,081	41,356	-
Conservation of natural resources	4,837,097	1,638,930	518,537	-
Economic development	55,751	-	-	-
Interest	470,810	-	-	-
Total governmental activities	**$ 24,443,254**	**$ 3,409,139**	**$ 8,031,655**	**$ -**
Business-type activities				
Huntley Sewer District	70,245	19,392	-	-
Total Primary Government	**$ 24,513,499**	**$ 3,428,531**	**$ 8,031,655**	**$ -**
Component units				
Housing and Redevelopment Authority	$ 305,870	$ 12,009	$ 273,274	$ -
Economic Development Authority	546	2,224	38,478	-
Total Component Units	**$ 306,416**	**$ 14,233**	**$ 311,752**	**$ -**

General Revenues
Property taxes
Mortgage registry and deed tax
Payments in lieu of tax
Wheelage tax
Grants and contributions not restricted to specific programs
Unrestricted investment earnings
Miscellaneous

Total general revenues

Change in net position

Net Position – January 1, as previously reported
Restatement (Note 1.E.)

Net Position – January 1, as restated

Net Position – December 31

EXHIBIT 2

Governmental Activities	Business-Type Activities	Total	Housing and Redevelopment Authority	Economic Development Authority
Net (Expense) Revenue and Changes in Net Position				
Primary Government			Discretely Presented Component Units	
$ (2,814,801)	$ -	$ (2,814,801)		
(2,936,158)	-	(2,936,158)		
(1,058,735)	-	(1,058,735)		
30,739	-	30,739		
(2,758,182)	-	(2,758,182)		
(259,132)	-	(259,132)		
(2,679,630)	-	(2,679,630)		
(55,751)	-	(55,751)		
(470,810)	-	(470,810)		
$ (13,002,460)	**$ -**	**$ (13,002,460)**		
-	(50,853)	(50,853)		
$ (13,002,460)	**$ (50,853)**	**$ (13,053,313)**		
			$ (20,587)	$ -
			-	40,156
			$ (20,587)	**$ 40,156**
$ 10,751,879	$ -	$ 10,751,879	$ -	$ -
10,005	-	10,005	-	-
33,394	-	33,394	-	-
170,064	-	170,064	-	-
1,042,329	-	1,042,329	-	-
364,425	-	364,425	-	124
127,857	-	127,857	-	-
$ 12,499,953	**$ -**	**$ 12,499,953**	**$ -**	**$ 124**
$ (502,507)	**$ (50,853)**	**$ (553,360)**	**$ (20,587)**	**$ 40,280**
$ 63,810,965	$ 832,113	$ 64,643,078	$ 21,212	$ 481,281
(3,937,920)	-	(3,937,920)	-	-
$ 59,873,045	**$ 832,113**	**$ 60,705,158**	**$ 21,212**	**$ 481,281**
$ 59,370,538	**$ 781,260**	**$ 60,151,798**	**$ 625**	**$ 521,561**

This page was left blank intentionally.

FUND FINANCIAL STATEMENTS

This page was left blank intentionally.

GOVERNMENTAL FUNDS

FARIBAULT COUNTY
BLUE EARTH, MINNESOTA

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2018

	General	Public Works
Assets		
Cash and pooled investments	$ 9,782,999	$ 1,415,385
Petty cash and change funds	2,265	297
Taxes receivable		
Delinquent	82,639	17,159
Special assessments		
Delinquent	54,731	-
Noncurrent	570,911	-
Accounts receivable	18,886	-
Accrued interest receivable	38,567	-
Interfund receivable	1,224,228	-
Due from other funds	-	2,239
Due from other governments	16,710	1,036,181
Prepaid items	3,024	16,920
Advance to other governments	86,989	-
Inventories	-	1,531,080
Loans receivable	75,927	-
Total Assets	**$ 11,957,876**	**$ 4,019,261**
Liabilities, Deferred Inflows of Resources, and Fund Balances		
Liabilities		
Accounts payable	$ 151,609	$ 93,854
Salaries payable	197,707	43,235
Contracts payable	-	515,657
Interfund payable	-	-
Due to other funds	2,239	126,873
Due to other governments	112,609	4,648
Unearned revenue	120,340	-
Total Liabilities	**$ 584,504**	**$ 784,267**
Deferred Inflows of Resources		
Unavailable revenue	**$ 688,272**	**$ 1,049,792**

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

EXHIBIT 3

Human Services	Ditch	Debt Service	Total Governmental Funds
$ 783,269	$ -	$ 1,051,434	$ 13,033,087
-	-	-	2,562
31,652	-	11,124	142,574
-	10,394	-	65,125
-	7,011,375	-	7,582,286
-	2,952	-	21,838
-	-	-	38,567
-	-	-	1,224,228
-	126,873	-	129,112
-	191,605	-	1,244,496
-	-	-	19,944
-	-	-	86,989
-	-	-	1,531,080
-	-	-	75,927
$ 814,921	**$ 7,343,199**	**$ 1,062,558**	**$ 25,197,815**
$ -	$ 541,142	$ -	$ 786,605
-	-	-	240,942
-	-	-	515,657
-	1,224,228	-	1,224,228
-	-	-	129,112
-	480,441	-	597,698
-	-	-	120,340
$ -	**$ 2,245,811**	**$ -**	**$ 3,614,582**
$ 24,848	**$ 6,913,896**	**$ 8,785**	**$ 8,685,593**

FARIBAULT COUNTY
BLUE EARTH, MINNESOTA

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2018

	General		Public Works	
Liabilities, Deferred Inflows of Resources, and Fund Balances (Continued)				
Fund Balances				
Nonspendable				
Prepaid items	$	3,024	$	16,920
Advances to other governments		86,989		-
Inventories		-		1,531,080
Restricted for				
Law library		24,772		-
Recorder's technology equipment		400,539		-
Recorder's compliance		222,980		-
E-911		177,034		-
Drug abuse resistance education (DARE)		58,496		-
Solid waste projects		1,166,923		-
Aquatic invasive species		51,671		-
Riparian aid		258,513		-
Highway projects		-		30,646
Ditch maintenance and repairs		-		-
Debt service		-		-
Committed for				
Human services		-		-
Assigned to				
Public works		-		606,556
Unassigned		8,234,159		-
Total Fund Balances	**$**	**10,685,100**	**$**	**2,185,202**
Total Liabilities, Deferred Inflows of of Resources, and Fund Balances	**$**	**11,957,876**	**$**	**4,019,261**

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

EXHIBIT 3
(Continued)

Human Services	Ditch	Debt Service	Total Governmental Funds
$ -	$ -	$ -	$ 19,944
-	-	-	86,989
-	-	-	1,531,080
-	-	-	24,772
-	-	-	400,539
-	-	-	222,980
-	-	-	177,034
-	-	-	58,496
-	-	-	1,166,923
-	-	-	51,671
-	-	-	258,513
-	-	-	30,646
-	2,622,924	-	2,622,924
-	-	1,053,773	1,053,773
790,073	-	-	790,073
-	-	-	606,556
-	(4,439,432)	-	3,794,727
$ 790,073	**$ (1,816,508)**	**$ 1,053,773**	**$ 12,897,640**
$ 814,921	**$ 7,343,199**	**$ 1,062,558**	**$ 25,197,815**

This page was left blank intentionally.

FARIBAULT COUNTY
BLUE EARTH, MINNESOTA

EXHIBIT 4

RECONCILIATION OF FUND BALANCES OF GOVERNMENTAL FUNDS TO NET POSITION – GOVERNMENTAL ACTIVITIES DECEMBER 31, 2018

Fund balances – total governmental funds (Exhibit 3)		**$ 12,897,640**
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.		64,208,765
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.		8,685,593
Deferred outflows of resources resulting from pension obligations are not available resources and, therefore, are not reported in governmental funds.		1,929,452
Deferred outflows of resources resulting from the other postemployment benefits liability are not available resources and, therefore, are not reported in governmental funds.		337,470
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	$ (7,675,000)	
Special assessment bonds	(6,415,000)	
Bond discount	2,000	
Bond premium	(348,556)	
Other postemployment benefits liability	(6,835,686)	
Net pension liability	(3,169,642)	
Compensated absences payable	(969,860)	
Accrued interest payable	(166,825)	(25,578,569)
Deferred inflows of resources resulting from pension obligations are not due and payable in the current period and, therefore, are not reported in the governmental funds.		(3,109,813)
Net Position of Governmental Activities (Exhibit 1)		**$ 59,370,538**

FARIBAULT COUNTY
BLUE EARTH, MINNESOTA

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

	General	Public Works
Revenues		
Taxes	$ 6,249,945	$ 1,408,875
Special assessments	603,337	-
Licenses and permits	2,185	-
Intergovernmental	1,555,411	6,825,334
Charges for services	1,143,350	163,746
Fines and forfeits	34,654	-
Gifts and contributions	2,610	-
Investment earnings	362,368	-
Miscellaneous	269,939	6,938
Total Revenues	**$ 10,223,799**	**$ 8,404,893**
Expenditures		
Current		
General government	$ 4,084,390	$ -
Public safety	3,864,100	-
Highways and streets	-	7,630,850
Human services	-	-
Sanitation	397,265	-
Culture and recreation	187,676	153,009
Conservation of natural resources	680,937	-
Economic development	55,751	-
Intergovernmental	-	519,015
Debt service		
Principal	4,926	-
Interest	79	-
Bond issuance costs	-	-
Administrative (fiscal) charges	-	-
Total Expenditures	**$ 9,275,124**	**$ 8,302,874**
Excess of Revenues Over (Under) Expenditures	**$ 948,675**	**$ 102,019**
Other Financing Sources (Uses)		
Transfers in	$ 1,400,000	$ -
Transfers out	(286,025)	-
Bonds issued	-	-
Premium on bonds issued	-	-
Total Other Financing Sources (Uses)	**$ 1,113,975**	**$ -**
Net Change in Fund Balances	**$ 2,062,650**	**$ 102,019**
Fund Balances – January 1	**8,622,450**	**2,237,402**
Increase (decrease) in inventories	**-**	**(154,219)**
Fund Balances – December 31	**$ 10,685,100**	**$ 2,185,202**

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

EXHIBIT 5

Human Services	Ditch	Debt Service	Total Governmental Funds
$ 2,420,578	$ -	$ 822,873	$ 10,902,271
-	1,617,494	-	2,220,831
-	-	-	2,185
253,738	147,969	28,547	8,810,999
-	-	-	1,307,096
-	-	-	34,654
-	-	-	2,610
-	-	-	362,368
-	215,703	-	492,580
$ 2,674,316	**$ 1,981,166**	**$ 851,420**	**$ 24,135,594**
$ -	$ -	$ -	$ 4,084,390
-	-	-	3,864,100
-	-	-	7,630,850
2,768,985	-	-	2,768,985
-	-	-	397,265
-	-	-	340,685
-	4,139,977	-	4,820,914
-	-	-	55,751
-	-	-	519,015
-	45,000	750,000	799,926
-	94,078	201,065	295,222
-	86,529	19,373	105,902
-	694	1,580	2,274
$ 2,768,985	**$ 4,366,278**	**$ 972,018**	**$ 25,685,279**
$ (94,669)	**$ (2,385,112)**	**$ (120,598)**	**$ (1,549,685)**
$ -	$ -	$ 286,025	$ 1,686,025
-	-	(1,400,000)	(1,686,025)
-	6,145,000	1,370,000	7,515,000
-	181,247	51,311	232,558
$ -	**$ 6,326,247**	**$ 307,336**	**$ 7,747,558**
$ (94,669)	**$ 3,941,135**	**$ 186,738**	**$ 6,197,873**
884,742	**(5,757,643)**	**867,035**	**6,853,986**
-	**-**	**-**	**(154,219)**
$ 790,073	**$ (1,816,508)**	**$ 1,053,773**	**$ 12,897,640**

FARIBAULT COUNTY
BLUE EARTH, MINNESOTA

EXHIBIT 6

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

Net change in fund balances – total governmental funds (Exhibit 5)		**$ 6,197,873**
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	$ 8,685,593	
Unavailable revenue – January 1	(8,880,440)	(194,847)
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Also, in the statement of activities, only the gain or loss on the disposal of assets is reported; whereas, in the governmental funds, the proceeds from sales increase financial resources. Therefore, the change in net position differs from the change in fund balance by the net book value of the assets disposed.		
Expenditures for general capital assets and infrastructure	$ 4,250,152	
Current year depreciation	(3,568,668)	
Net book value of assets disposed	(58,825)	622,659
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		
General obligation bonds	$ (7,515,000)	
Premium on bond	(232,558)	(7,747,558)
Principal repayments		
General obligation bonds	$ 750,000	
Special assessment bonds	45,000	
Capital lease payable	4,926	799,926
Amortization of discount on bonds		(10,301)
Amortization of premium on bonds		26,909

EXHIBIT 6
(Continued)

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

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Change in accrued interest payable	$ (84,020)	
Change in compensated absences	(46,241)	
Change in net pension liability	1,706,236	
Change in inventories	(154,219)	
Change in deferred pension outflows	(978,215)	
Change in deferred other postemployment benefits outflows	337,470	
Change in other postemployment benefits liability	(452,017)	
Change in deferred pension inflows	(526,162)	(197,168)
Change in Net Position of Governmental Activities (Exhibit 2)		**$ (502,507)**

This page was left blank intentionally.

PROPRIETARY FUND

This page was left blank intentionally.

EXHIBIT 7

**STATEMENT OF FUND NET POSITION
HUNTLEY SEWER DISTRICT ENTERPRISE (PROPRIETARY) FUND
DECEMBER 31, 2018**

	Business-Type Activities
Assets	
Current assets	
Cash and pooled investments	$ 72,923
Special assessments	
Delinquent	14,231
Noncurrent	2,149
Due from other governments	5,277
Total current assets	**$ 94,580**
Noncurrent assets	
Capital assets	
Nondepreciable	$ 27,643
Depreciable – net of accumulated depreciation	996,168
Total noncurrent assets	**$ 1,023,811**
Total Assets	**$ 1,118,391**
Liabilities	
Current liabilities	
Accrued interest payable	$ 14,131
General obligation bonds payable – current	5,000
Total current liabilities	**$ 19,131**
Noncurrent liabilities	
General obligation bonds payable – long-term	318,000
Total Liabilities	**$ 337,131**
Net Position	
Net investment in capital assets	$ 700,811
Unrestricted	80,449
Total Net Position	**$ 781,260**

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

FARIBAULT COUNTY
BLUE EARTH, MINNESOTA

EXHIBIT 8

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
HUNTLEY SEWER DISTRICT ENTERPRISE (PROPRIETARY) FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

		Business-Type Activities
Operating Revenues		
Charges for services	$	16,881
Special assessments		2,394
Total Operating Revenues	**$**	**19,275**
Operating Expenses		
Depreciation		56,114
Operating Income (Loss)	**$**	**(36,839)**
Nonoperating Revenues (Expenses)		
Special assessments	$	117
Interest expense		(14,131)
Total Nonoperating Revenues (Expenses)	**$**	**(14,014)**
Change in Net Position	**$**	**(50,853)**
Net Position – January 1		**832,113**
Net Position – December 31	**$**	**781,260**

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

FARIBAULT COUNTY
BLUE EARTH, MINNESOTA

EXHIBIT 9

STATEMENT OF CASH FLOWS
HUNTLEY SEWER DISTRICT ENTERPRISE (PROPRIETARY) FUND
FOR THE YEAR ENDED DECEMBER 31, 2018
Increase (Decrease) in Cash and Cash Equivalents

		Business-Type Activities
Cash Flows from Operating Activities		
Receipts from customers	**$**	**31,965**
Cash Flows from Capital and Related Financing Activities		
Special assessments	$	1,524
Principal paid on long-term debt		(5,000)
Interest paid on long-term debt		(14,350)
Net cash provided by (used in) capital and related financing activities	**$**	**(17,826)**
Net Increase (Decrease) in Cash and Cash Equivalents	**$**	**14,139**
Cash and Cash Equivalents at January 1		**58,784**
Cash and Cash Equivalents at December 31	**$**	**72,923**
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities		
Operating income (loss)	**$**	**(36,839)**
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities		
Depreciation expense	$	56,114
(Increase) decrease in special assessments – delinquent		510
(Increase) decrease in special assessments – noncurrent		1,850
(Increase) decrease in due from other governments		10,330
Total adjustments	**$**	**68,804**
Net Cash Provided by (Used in) Operating Activities	**$**	**31,965**

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

This page was left blank intentionally.

FIDUCIARY FUNDS

This page was left blank intentionally.

FARIBAULT COUNTY
BLUE EARTH, MINNESOTA

EXHIBIT 10

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2018

	Agency Funds
Assets	
Cash and pooled investments	$ 333,518
Liabilities	
Due to other governments	$ 333,518

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

This page was left blank intentionally.

1. Summary of Significant Accounting Policies

The County's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as of and for the year ended December 31, 2018. 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

Faribault County was established February 20, 1855, and is an organized county having the powers, duties, and privileges granted counties by Minn. Stat. ch. 373. As required by accounting principles generally accepted in the United States of America, these financial statements present Faribault County (primary government) and its component units for which the County is financially accountable. The County is governed by a five-member Board of Commissioners elected from districts within the County. The Board is organized with a chair and vice chair elected at the annual meeting in January of each year.

Discretely Presented Component Units

While part of the reporting entity, discretely presented component units are presented in separate columns in the government-wide financial statements to emphasize that they are legally separate from the County. The following component units of Faribault County are discretely presented:

Component Unit	Included in Reporting Entity Because	Separate Financial Statements
Faribault County Economic Development Authority (EDA) provides services pursuant to Minn. Stat. §§ 469.090-469.1081.	County appoints all members, and there is a financial benefit or burden relationship with the County.	Separate financial statements are not prepared.
Faribault County Housing and Redevelopment Authority (HRA) provides services pursuant to Minn. Stat. §§ 469.001-469.047.	County appoints the Board members, must approve debt, and can impose its will.	Faribault County HRA Minnesota Valley Action Council 706 North Victory Drive Mankato, Minnesota 56001

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity (Continued)

Joint Ventures and Jointly-Governed Organizations

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

B. Basic Financial Statements

1. Government-Wide Statements

The government-wide financial statements (the statement of net position and the statement of activities) display information about the primary government and its component units. These statements include the financial activities of the overall County government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external parties for support.

In the government-wide statement of net position, both the governmental and business-type activities columns: (a) are presented on a consolidated basis by column; and (b) are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The County's net position is reported in three parts: (1) 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 and the business-type 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.

1. Summary of Significant Accounting Policies

   B. Basic Financial Statements (Continued)

      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 governmental and enterprise funds, with each displayed as separate columns in the fund financial statements.

The proprietary fund distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the enterprise fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for sales and services. Operating expenses for the enterprise fund include the costs of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The County reports the following major governmental funds:

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

- The Public Works 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 establishment, location, vacation, construction, reconstruction, improvement, and maintenance of roads, bridges, and other projects affecting County roadways and parks.

- The Human Services Special Revenue Fund is used to account for committed property tax revenues and the transfer of Faribault County's share of the Faribault-Martin County Human Services Board.

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

- 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 restricted property tax revenues for the payment of principal, interest, and related costs of County debt.

The County considers all governmental funds to be major.

The County reports the following major enterprise fund:

- The Huntley Sewer District Fund is used to account for the operation, maintenance, and development of the Huntley Sewer District. The County established the service district in 2006 to account for the activity of the sewer system built for the unincorporated area in Verona Township known as Huntley.

Additionally, the County reports the following fund type:

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

C. Measurement Focus and Basis of Accounting

The government-wide and 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.

1. Summary of Significant Accounting Policies

C. Measurement Focus and Basis of Accounting (Continued)

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. Faribault County considers all revenues as available if collected within 60 days after the end of the current period. Property and other taxes, shared revenues, 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/Inflows of Resources, and Net Position or Equity

1. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Auditor/Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2018, based on market prices. A market approach is used to value all investments other than external investment pools, which are measured at the net asset value (NAV) or fair value per share. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments are credited to the General Fund.

Faribault County invests in an external investment pool, the Minnesota Association of Governments Investing for Counties (MAGIC) Fund, which is created under a joint powers agreement pursuant to Minn. Stat. § 471.59. The investment in the pool is measured at the NAV per share provided by the pool.

Other funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants. Pooled investment earnings in the General Fund for 2018 were $362,368.

1. Summary of Significant Accounting Policies

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

2. Cash and Cash Equivalents

Each fund's equity in the County's investment pool is treated as a cash equivalent because the funds can deposit or effectively withdraw cash at any time without prior notice or penalty.

3. Receivables and Payables

Activities between funds representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (the current portion of interfund loans) or "advances to/from other funds" (the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balance outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

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

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. Unpaid special assessments at December 31 are classified in the financial statements as delinquent special assessments receivable.

1. Summary of Significant Accounting Policies

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

4. Inventories and Prepaid Items

All inventories are valued at cost using the weighted average method. Inventories in governmental funds are recorded as expenditures when purchased. Inventories at the government-wide level are reported as expenses when consumed.

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.

5. Restricted Assets

Certain funds of the County are classified as restricted assets on the statement of net position because the restriction is either imposed by law through constitutional provisions or enabling legislation or imposed externally by creditors, grantors, contributors, or laws or regulations of other governments. Therefore, their use is limited by applicable laws and regulations.

6. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (for example, roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements and the proprietary fund financial statements. Capital assets have initial useful lives extending beyond two years and a dollar amount for capitalization per asset category as follows: all land and construction in progress are capitalized regardless of cost; machinery and equipment when the cost of individual items exceeds $5,000; other improvements and buildings and improvements when the cost exceeds $25,000; and infrastructure when the cost of projects exceeds $50,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value.

1. Summary of Significant Accounting Policies

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

6. Capital Assets (Continued)

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. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the current period, the County did not have any capitalized interest.

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

Assets	Years
Buildings and improvements	7 - 40
Other improvements	15 - 25
Machinery and equipment	3 - 20
Infrastructure	25 - 30

7. Compensated Absences

The liability for compensated absences reported in the financial statements consists of unpaid, accumulated annual leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. Compensated absences are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The current portion is calculated as 1.3 percent of the total liability. The compensated absences liability is liquidated by the General Fund and the Public Works Special Revenue Fund.

1. Summary of Significant Accounting Policies

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

8. Long-Term Obligations

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

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.

9. 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 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 associated with defined benefit pension plans and other postemployment benefits (OPEB). These outflows arise only under the full accrual basis of accounting and, accordingly, 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 will not be recognized as an inflow of resources (revenue) until that time. The County has two types of deferred inflows. Unavailable revenue is reported in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Unavailable revenue arises

1. Summary of Significant Accounting Policies

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

9. Deferred Outflows/Inflows of Resources (Continued)

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 defined benefit pension plans. These inflows arise only under the full accrual basis of accounting and, accordingly, are reported only in the statement of net position.

10. 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 of Minnesota (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA, except that PERA's fiscal year-end is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Plan investments are reported at fair value. The net pension liability is liquidated through the General Fund and the Public Works Special Revenue Fund.

11. Unearned Revenue

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

12. Classification of Net Position

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

- Net investment in capital assets – the amount of net position representing capital assets, net of accumulated depreciation, and reduced by outstanding debt attributed to the acquisition, construction, or improvement of the assets.

1. Summary of Significant Accounting Policies

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

12. Classification of Net Position (Continued)

- Restricted – 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 – the amount of net position that does not meet the definition of restricted or net investment in capital assets.

13. Classification of Fund Balances

The County's fund balance policy established a minimum unassigned fund balance equal to 35 to 50 percent of total General Fund operating expenditures. Should the actual amount of fund balance fall below the desired range, the Board shall create a plan to restore the appropriate levels.

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 for which constraints have been placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or are 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 these amounts.

1. Summary of Significant Accounting Policies

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

      13. Classification of Fund Balances (Continued)

- Assigned – amounts the County intends to use for specific purposes that do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the County Board or the County Auditor/Treasurer who has been delegated that authority by Board resolution.

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

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

14. 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.

1. Summary of Significant Accounting Policies (Continued)

   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.

	Governmental Activities
Net Position, January 1, 2018, as previously reported	$ 63,810,965
Change in accounting principles	(3,937,920)
Net Position, January 1, 2018, as restated	$ 59,873,045

2. Stewardship, Compliance, and Accountability

Deficit Fund Balance – Ditch Special Revenue Fund

The Ditch Special Revenue Fund has a deficit fund balance of $1,816,508 at December 31, 2018. The deficit will be eliminated with future special assessments against benefited properties. The following is a summary of the individual ditch systems:

74 ditches with positive fund balances	$ 2,622,924
103 ditches with deficit fund balances	(4,439,432)
Total Fund Balance	$ (1,816,508)

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

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

Primary government	
Governmental activities	
Cash and pooled investments	$ 13,033,087
Petty cash and change funds	2,562
Business-type activities	
Cash and pooled investments	72,923
Component unit – EDA	
Cash and pooled investments	368,960
Restricted temporary investment	10,103
Fiduciary funds	
Cash and pooled investments	333,518
Total Cash and Investments	$ 13,821,153

The HRA component unit's cash is held by its fiscal agent (see Note 7).

a. Deposits

The County is authorized by Minn. Stat. § 118A.02 to designate a depository 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 that is not owned or controlled by the financial institution furnishing the collateral.

3. Detailed Notes on All Funds

   A. Assets

      1. Deposits and Investments

         a. Deposits (Continued)

            Custodial Credit Risk

            Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits may not be returned to it. The County does not have a deposit policy for custodial credit risk. As of December 31, 2018, the County's deposits were not exposed to custodial credit risk.

         b. Investments

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

            (1) securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as "high risk" by Minn. Stat. § 118A.04, subd. 6;

            (2) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;

            (3) general obligations of the State of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;

            (4) 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

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

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

Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. The County minimizes its exposure to interest rate risk by limiting long-term investments. County policy states that approximately 30 percent of the County's total portfolio balance as of May 31 of the year reporting may be invested in items that mature in more than one year.

	Maturity Dates	
	0 - 1 Year	Over 1 Year
Negotiable certificates of deposit	$ 992,000	$ 205,000
U.S. government securities (1)	-	150,000
Total Cash and Investments	$ 992,000	$ 355,000

(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.

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. The County's investment policy is to minimize investment custodial credit risk by permitting brokers that obtained investments for the County to hold them only to the extent there is Securities Investor Protection Corporation (SIPC) coverage and excess SIPC coverage available. Securities purchased that exceed available SIPC coverage shall be transferred to the County's custodian. As of December 31, 2018, the County's investments were not 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. The County's policy is to minimize concentration of credit risk by diversifying the investment so that the impact of potential losses from any one type of security will be minimized.

Investments in any one issuer that represent five percent or more of the County's investments are as follows:

Issuer	Moody's Rating	Maturity Date	Market Value
Federal Home Loan Bank	Aaa	12/16/2021	$ 150,000
Cathay Bank	NR	07/18/2019	200,000
Wells Fargo Bank NA	NR	08/13/2019	200,000
World's Foremost Bank	NR	08/13/2019	100,000
Capital One Bank	NR	10/07/2019	245,000
Discover Bank	NR	10/08/2019	247,000
Texas Exchange Bank	NR	08/04/2021	205,000

NR – not rated

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Fair Value Measurements

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	$ 150,000	$ -	$ 150,000	$ -
Negotiable certificates of deposit	1,197,000	-	1,197,000	-
Total Investments Included in the Fair Value Hierarchy	$ 1,347,000	$ -	$ 1,347,000	$ -
Investments measured at the NAV				
MAGIC Portfolio	$ 599			

3. Detailed Notes on All Funds

   A. Assets

      1. Deposits and Investments

         b. Investments

Fair Value Measurements (Continued)

Debt securities classified in Level 2 are valued using the following approaches:

- U.S. agencies: a market approach by utilizing quoted prices for identical securities in markets that are not active; and

- Negotiable certificates of deposit: matrix pricing based on the securities' relationship to benchmark quoted prices.

MAGIC is a local government investment pool which is quoted at the NAV. The County invests in this pool for the purpose of the joint investment of the County's money with those of other counties to enhance the investment earnings accruing to each member.

MAGIC Portfolio is valued using amortized cost. Shares of the MAGIC Portfolio are available to be redeemed upon proper notice without restrictions under normal operating conditions. There are no limits to the number of redemptions that can be made as long as the County has a sufficient number of shares to meet their redemption request. The MAGIC Fund's Board of Trustees can suspend the right of withdrawal or postpone the date of payment if the Trustees determine that there is an emergency that makes the sale of a Portfolio's securities or determination of its NAV not reasonably practical.

3. Detailed Notes on All Funds

A. Assets (Continued)

2. Receivables

Receivables as of December 31, 2018, for the County are as follows:

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental Activities		
Taxes – delinquent	$ 142,574	$ -
Special assessments – delinquent	65,125	-
Special assessments – noncurrent	7,582,286	6,344,428
Accounts receivable	21,838	-
Accrued interest	38,567	-
Loans receivable	75,927	71,484
Due from other governments	1,244,496	-
Advance to other governments	86,989	-
Total Governmental Activities	$ 9,257,802	$ 6,415,912

In July 2015, the County loaned $100,000 to the City of Walters for street overlay. The loan is to be paid back in semi-annual installments of $6,722 until paid in full on July 1, 2025.

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Business-Type Activities		
Special assessments – delinquent	$ 14,231	$ -
Special assessments – noncurrent	2,149	-
Due from other governments	5,277	-
Total Business-Type Activities	$ 21,657	$ -

3. Detailed Notes on All Funds

A. Assets (Continued)

3. Capital Assets

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

Governmental Activities

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	$ 1,965,315	$ -	$ -	$ 1,965,315
Construction in progress	1,173,831	3,174,404	-	4,348,235
Total capital assets not depreciated	$ 3,139,146	$ 3,174,404	$ -	$ 6,313,550
Capital assets depreciated				
Buildings and improvements	$ 14,274,793	$ -	$ -	$ 14,274,793
Other improvements	161,597	-	-	161,597
Machinery and equipment	9,705,440	610,981	191,983	10,124,438
Infrastructure	101,853,148	464,767	-	102,317,915
Total capital assets depreciated	$ 125,994,978	$ 1,075,748	$ 191,983	$ 126,878,743
Less: accumulated depreciation for				
Buildings and improvements	$ 4,745,461	$ 342,092	$ -	$ 5,087,553
Other improvements	132,481	7,133	-	139,614
Machinery and equipment	6,950,745	595,803	133,158	7,413,390
Infrastructure	53,719,331	2,623,640	-	56,342,971
Total accumulated depreciation	$ 65,548,018	$ 3,568,668	$ 133,158	$ 68,983,528
Total capital assets depreciated, net	$ 60,446,960	$ (2,492,920)	$ 58,825	$ 57,895,215
Capital Assets, Net	$ 63,586,106	$ 681,484	$ 58,825	$ 64,208,765

At December 31, 2018, construction in progress consists of Courthouse renovations to the building and security system, and highway projects.

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

Business-Type Activities

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	$ 27,643	$ -	$ -	$ 27,643
Capital assets depreciated				
Machinery and equipment	$ 70,000	$ -	$ -	$ 70,000
Infrastructure	1,543,420	-	-	1,543,420
Total capital assets depreciated	$ 1,613,420	$ -	$ -	$ 1,613,420
Less: accumulated depreciation for				
Machinery and equipment	$ 46,667	$ 4,667	$ -	$ 51,334
Infrastructure	514,471	51,447	-	565,918
Total accumulated depreciation	$ 561,138	$ 56,114	$ -	$ 617,252
Total capital assets depreciated, net	$ 1,052,282	$ (56,114)	$ -	$ 996,168
Capital Assets, Net	$ 1,079,925	$ (56,114)	$ -	$ 1,023,811

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

Governmental Activities	
General government	$ 468,786
Public safety	213,152
Highways and streets, including depreciation of infrastructure assets	2,877,595
Conservation of natural resources	9,135
Total Depreciation Expense – Governmental Activities	$ 3,568,668
Business-Type Activities	
Huntley Sewer District	$ 56,114

3. Detailed Notes on All Funds (Continued)

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
Public Works Special Revenue	General	$ 2,239	Fuel and signs
Ditch Special Revenue	Public Works	126,873	Road billings
Total Due To/From Other Funds		$ 129,112	

These interfund receivables and payables are expected to be paid within one year of December 31, 2018.

2. Interfund Receivables/Payables

Receivable Fund	Payable Fund	Amount
General	Ditch	$ 1,224,228

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 from the General Fund to the Debt Service Fund of $286,025 for debt service payments and from the Debt Service Fund to the General Fund of $1,400,000 to transfer bond proceeds to reimburse the General Fund for building projects.

3. Detailed Notes on All Funds (Continued)

C. Liabilities

1. Long-Term Debt

Governmental Activities

Bonds Payable

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2018
General obligation bonds					
2009 G.O. Waste Disposal Bonds	2020	$150,000	4.55 - 4.70	$ 1,500,000	$ 300,000
2014 G.O. Jail Refunding Bonds	2028	$520,000 - $690,000	2.50 - 2.85	7,480,000	6,005,000
2018 G.O. Courthouse Bonds	2032	$ 75,000 - $180,000	3.00	1,370,000	1,370,000
Total General Obligation Bonds				$ 10,350,000	$ 7,675,000
General obligation special assessment bonds					
2013 G.O. Refunding Ditch Bonds	2024	$ 40,000 - $ 50,000	1.45 - 2.00	$ 485,000	$ 270,000
2018 G.O. Ditch Bonds – County Ditch 21	2038	$145,000 - $260,000	3.00 - 3.30	4,015,000	4,015,000
2018 G.O. Ditch Bonds – County Ditch 41	2033	$ 30,000 - $ 50,000	3.00	600,000	600,000
2018 G.O. Ditch Bonds – Judicial County Ditches 202, 314, 414, and 514	2033	$ 80,000 - $130,000	3.00	1,530,000	1,530,000
Total General Obligation Special Assessment Bonds				$ 6,630,000	$ 6,415,000

3. Detailed Notes on All Funds

C. Liabilities

1. Long-Term Debt (Continued)

Business-Type Activities

Bonds Payable

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2018
2009 G.O. Revenue Bonds	2049	$ 5,000 - $18,000	4.38	$ 360,000	$ 323,000

2. Debt Service Requirements

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

Governmental Activities

Year Ending December 31	General Obligation Bonds Principal	General Obligation Bonds Interest	Special Assessment Bonds Principal	Special Assessment Bonds Interest
2019	$ 850,000	$ 197,205	$ 295,000	$ 186,448
2020	765,000	173,193	315,000	177,956
2021	635,000	153,655	325,000	169,054
2022	655,000	137,130	335,000	159,728
2023	675,000	120,092	350,000	149,928
2024 - 2028	3,680,000	322,224	1,685,000	599,837
2029 - 2033	415,000	25,425	1,880,000	336,887
2034 - 2038	-	-	1,230,000	100,141
Total	$ 7,675,000	$ 1,128,924	$ 6,415,000	$ 1,879,979

3. Detailed Notes on All Funds

C. Liabilities

2. Debt Service Requirements (Continued)

Business-Type Activities

Year Ending December 31	General Obligation Bonds Principal	General Obligation Bonds Interest
2019	$ 5,000	$ 14,131
2020	5,000	13,912
2021	6,000	13,694
2022	6,000	13,431
2023	6,000	13,169
2024 - 2028	34,000	61,644
2029 - 2033	43,000	53,463
2034 - 2038	53,000	43,181
2039 - 2043	66,000	30,538
2044 - 2048	81,000	14,919
2049	18,000	787
Total	$ 323,000	$ 272,869

3. Changes in Long-Term Liabilities

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

Governmental Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Long-term liabilities					
Bonds payable					
General obligation bonds	$ 7,055,000	$ 1,370,000	$ 750,000	$ 7,675,000	$ 850,000
General obligation special assessment bonds	315,000	6,145,000	45,000	6,415,000	295,000
Plus: unamortized premium	142,907	232,558	26,909	348,556	-
Less: unamortized discount	(12,301)	-	(10,301)	(2,000)	-
Total bonds payable	$ 7,500,606	$ 7,747,558	$ 811,608	$ 14,436,556	$ 1,145,000
Capital leases	4,926	-	4,926	-	-
Compensated absences	923,619	449,678	403,437	969,860	12,609
Long-Term Liabilities	$ 8,429,151	$ 8,197,236	$ 1,219,971	$ 15,406,416	$ 1,157,609

3. Detailed Notes on All Funds

C. Liabilities

3. Changes in Long-Term Liabilities (Continued)

Business-Type Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Long-term liabilities					
Bonds payable					
General obligation bonds	$ 328,000	$ -	$ 5,000	$ 323,000	$ 5,000

4. Construction Commitments

The County has active construction projects as of December 31, 2018. The projects include the following:

	Spent-to-Date	Remaining Commitment
Governmental Activities		
Ditch Projects	$ 3,725,500	$ 296,076

D. Deferred Inflows of Resources – Unavailable Revenue

Unavailable revenue as of December 31, 2018, for the County's governmental funds are as follows:

	Unavailable Revenue
Delinquent property taxes	$ 112,600
Special assessments receivable, delinquent and noncurrent	7,532,270
Highway allotments that do not provide current financial resources	1,036,181
Interest	4,542
Total Governmental Funds	$ 8,685,593

3. Detailed Notes on All Funds (Continued)

E. Other Postemployment Benefits (OPEB)

1. Plan Description and Funding Policy

The County provides postretirement health care benefits for certain retirees and their dependents. For employees and officers employed before January 1, 2002, the County pays 100 percent of the single premium and 50 percent of the family premium for life. The County's contribution depends on which bargaining unit the employee was a member of and the plan chosen at retirement. As of year-end, the County has 48 eligible participants. The County finances the plan on a pay-as-you-go basis. During 2018, the County expended $294,648 for these benefits.

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. For 2018, there were approximately 50 retirees receiving health benefits from the County's health plan. The implicit rate subsidy amount was determined by an actuarial study to be $42,822 for 2018.

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 December 31, 2016, actuarial valuation, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	45
Active plan participants	87
Total	132

3. Detailed Notes on All Funds

E. Other Postemployment Benefits (OPEB) (Continued)

2. Total OPEB Liability

The County's total OPEB liability of $6,835,686 was determined by an actuarial valuation as of December 31, 2016, and was rolled forward to a measurement date of December 31, 2017. The OPEB liability is liquidated through the General Fund and the Public Works Special Revenue Fund.

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:

Actuarial cost method	Entry Age Normal, level percent of pay
Inflation	2.50 percent
Salary increases	Based on most recently disclosed assumption for the pension plan in which the employee participates.
Health care cost trend	Actual premium increase rates for fiscal year 2017 and fiscal year 2018 and 6.40 percent for fiscal year 2019, gradually decreasing over several decades to an ultimate rate of 4.00 percent in fiscal year 2076 and later years.

The current year discount rate is 3.31 percent. For the current valuation, the discount rate is the GO AA Index as of the Fidelity 20-year Municipal December 31, 2017, measurement date.

PERA General Employees Plan mortality rates are based on RP-2014 mortality tables with projected mortality improvements based on Scale MP-2015 and other adjustments. PERA Police and Fire Plan and PERA Correctional Plan mortality rates were based on the RP-2000 mortality tables with projected mortality improvements based on Scale AA and other adjustments.

The actuarial assumptions are currently based on a combination of historical information and the actuarial valuation for PERA as of June 30, 2016.

3. Detailed Notes on All Funds

E. Other Postemployment Benefits (OPEB) (Continued)

3. Changes in the Total OPEB Liability

		Total OPEB Liability
Balance at December 31, 2017 (Restated)	$	6,383,669
Changes for the year		
Service cost	$	73,436
Interest		239,843
Changes in assumptions or other inputs		462,753
Benefit payments		(324,015)
Net change	$	452,017
Balance at December 31, 2018	$	6,835,686

4. 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:

	1% Decrease (2.31%)	Discount Rate (3.31%)	1% Increase (4.31%)
Total OPEB liability	$ 7,922,461	$ 6,835,686	$ 5,955,551

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:

3. Detailed Notes on All Funds

E. Other Postemployment Benefits (OPEB)

4. OPEB Liability Sensitivity (Continued)

	1% Decrease (5.40% Decreasing to 3.00%)	Health Care Cost Trend Rate (6.40% Decreasing to 4.00%)	1% Increase (7.40% Decreasing to 5.00%)
Total OPEB liability	$ 5,845,352	$ 6,835,686	$ 8,071,834

5. 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 $392,927. The County reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources
Contributions made subsequent to the measurement date	$ 337,470

The County had no deferred inflows of resources related to OPEB to report.

6. Changes in Actuarial Methods and Assumptions

The following changes in actuarial methods and assumptions occurred in 2018:

- The discount rate used changed from 3.50 percent to 3.31 percent.
- The actuarial cost method changed from the Projected Unit Credit to the Entry Age Normal, level percent of pay.

3. Detailed Notes on All Funds (Continued)

F. Pension Plans

1. Defined Benefit Pension Plans

a. Plan Description

All full-time and certain part-time employees of Faribault 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 which benefits vest after five years of credited service. No Faribault 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.

3. Detailed Notes on All Funds

F. Pension Plans

1. Defined Benefit Pension Plans

a. Plan Description (Continued)

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 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.

3. Detailed Notes on All Funds

F. Pension Plans

1. Defined Benefit Pension Plans

b. Benefits Provided (Continued)

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.

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.

3. Detailed Notes on All Funds

F. Pension Plans

1. Defined Benefit Pension Plans

c. Contributions (Continued)

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	$	217,867
Police and Fire Plan		132,647
Correctional Plan		72,652

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

3. Detailed Notes on All Funds

F. Pension Plans

1. Defined Benefit Pension Plans (Continued)

d. Pension Costs

General Employees Plan

At December 31, 2018, the County reported a liability of $2,318,893 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 0.0418 percent. It was 0.0424 percent measured as of June 30, 2017. The County recognized pension expense of $207,058 for its proportionate share of the General Employees Plan's pension expense.

The County also recognized $17,750 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	$	2,318,893
State of Minnesota's proportionate share of the net pension liability associated with the County		76,115
Total	$	2,395,008

3. Detailed Notes on All Funds

F. 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	$ 62,218	$ 74,428
Changes in actuarial assumptions	243,771	263,112
Difference between projected and actual investment earnings	-	215,234
Changes in proportion	33,687	174,879
Contributions paid to PERA subsequent to the measurement date	109,534	-
Total	$ 449,210	$ 727,653

The $109,534 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	$ 48,739
2020	(207,521)
2021	(208,643)
2022	(20,552)

3. Detailed Notes on All Funds

F. 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 $784,500 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 0.0736 percent. It was 0.0720 percent measured as of June 30, 2017. The County recognized pension expense of $100,410 for its proportionate share of the Police and Fire Plan's pension expense.

The County also recognized $6,624 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

F. 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	$ 31,222	$ 186,397
Changes in actuarial assumptions	940,874	1,130,351
Difference between projected and actual investment earnings	-	166,000
Changes in proportion	62,758	5,681
Contributions paid to PERA subsequent to the measurement date	69,470	-
Total	$ 1,104,324	$ 1,488,429

The $69,470 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	$ (6,967)
2020	(42,602)
2021	(107,422)
2022	(297,596)
2023	1,012

3. Detailed Notes on All Funds

F. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs (Continued)

Correctional Plan

At December 31, 2018, the County reported a liability of $66,249 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 0.4028 percent. It was 0.4200 percent measured as of June 30, 2017. The County recognized pension expense of ($79,538) 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	$ 3,464	$ 7,384
Changes in actuarial assumptions	318,091	771,679
Difference between projected and actual investment earnings	-	77,904
Changes in proportion	18,266	36,764
Contributions paid to PERA subsequent to the measurement date	36,097	-
Total	$ 375,918	$ 893,731

3. Detailed Notes on All Funds

F. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs

Correctional Plan (Continued)

The $36,097 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	$ 30,497
2020	(301,194)
2021	(269,345)
2022	(13,868)

Total Pension Expense

The total pension expense for all plans recognized by the County for the year ended December 31, 2018, was $227,930.

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

F. 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

F. 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

F. 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

F. 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 (Asset)
1% Decrease	6.50%	$ 3,768,497	6.50%	$ 1,682,018	6.50%	$ 566,973
Current	7.50	2,318,893	7.50	784,500	7.50	66,249
1% Increase	8.50	1,122,285	8.50	42,291	8.50	(334,316)

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

Six employees of Faribault 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

F. 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 Faribault County during the year ended December 31, 2018, were:

	Employee	Employer
Contribution amount	$ 9,772	$ 9,772
Percentage of covered payroll	5.00%	5.00%

4. 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 Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at $500,000 per claim in 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.

4. Risk Management (Continued)

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.

In 2018, the County approved to participate in the health insurance program through the Minnesota Public Employees Insurance Program (PEIP). PEIP was created by special legislation under Minn. Stat. § 43A.316. PEIP provides financial risk management services that embody the concept of pooling risk for the purpose of stabilizing and/or reducing costs. Group employee benefits shall include, but not be limited to, health benefits coverage and other services as directed by entity. Members do not pay for deficiencies that arise in the current year.

5. Summary of Significant Contingencies and Other Items

A. Contingent Liabilities

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

B. Joint Ventures

Human Services of Faribault and Martin Counties

Faribault, Martin, and Watonwan Counties entered into a joint powers agreement, pursuant to Minn. Stat. § 471.59, to provide welfare and health services to county residents (Minn. Stat. §§ 402.01-.10). The Faribault-Martin-Watonwan Human Services Board was established on June 30, 1975. As of January 1, 1991, Watonwan County withdrew from the Human Services Board. Faribault and Martin Counties are continuing with the joint powers agreement. The Board has 12 members, six from each county. Each county collects its share of local tax revenues and transfers these funds to the Board to fulfill its ongoing financial responsibility.

5. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Human Services of Faribault and Martin Counties (Continued)

Complete financial information can be obtained from Human Services of Faribault and Martin Counties, 115 West First Street, Fairmont, Minnesota 56031.

Faribault/Martin County Transit Board

In January 2015, Faribault and Martin Counties entered into a joint powers agreement, pursuant to Minn. Stat. § 471.59, to provide a coordinated service delivery and funding source for public transportation. The Transit Board has ten members, five from each county. The Transit Board receives funding primarily from grants and revenues generated from passengers and contracts.

During 2018, Faribault County contributed $29,468 to the Transit Board. Financial information can be obtained by contacting the Martin County Auditor/Treasurer, 201 Lake Avenue, Fairmont, Minnesota 56031.

Prairieland Solid Waste Board (Prairieland)

Faribault County entered into a joint powers agreement with Martin County in 1990 to build and operate a solid waste composting plant, the Prairieland Solid Waste Board. Prairieland continues to place a special assessment on homeowners to offset net losses, equipment, depreciation, and future plans. Fees not sent to Prairieland will be kept in the Solid Waste Fund of the County and are restricted for solid waste programs approved by the County Board.

Prairieland Solid Waste Board reported a change in net position of $433,502 in 2018. The full faith and credit and taxing power of Faribault and Martin Counties is pledged to the payment of each county's proportional share of the principal and interest when due.

Complete financial statements for the Prairieland Solid Waste Board can be obtained at 801 East Fifth Street North, PO Box 100, Truman, Minnesota 56088.

5. Summary of Significant Contingencies and Other Items

B. Joint Ventures (Continued)

Rural Minnesota Energy Board

The Rural Minnesota Energy Board was formed under the authority of Minn. Stat. § 471.59. The Board includes Blue Earth, Brown, Cottonwood, Faribault, Freeborn, Jackson, Lincoln, Lyon, Martin, Mower, Murray, Nobles, Pipestone, Redwood, Renville, Rock, Watonwan, and Yellow Medicine Counties. The Board was established in 2005 to provide policy guidance on issues surrounding energy development in rural Minnesota and to foster the diversification of the economic climate in rural Minnesota. The focus of the Board includes, but is not limited to, renewable energy, wind energy, energy transmission lines, hydrogen energy technology, and bio-diesel and ethanol use.

The governing body is comprise of one voting member and one alternate member from each participating county's Board of Commissioners. The Board shall remain in existence as long as two or more counties remain parties to the agreement. Should the Board cease to exist, assets shall be liquidated, after payment of liabilities, based upon the ratios set out under the equal and proportionate share articles of the agreement.

During the year, Faribault County contributed $2,500 to the Board. Complete financial information can be obtained from the Rural Minnesota Energy Board, Slayton, Minnesota 56172.

South Central Drug Investigation Unit (Drug Task Force)

The South Central Drug Investigation Unit (Drug Task Force) was established to coordinate efforts among participating local governments to apprehend and prosecute drug offenders. During 2018, Faribault County paid $6,500 to the Task Force.

South Central Minnesota Emergency Communications Board

The South Central Minnesota 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

5. Summary of Significant Contingencies and Other Items

B. Joint Ventures

South Central Minnesota Emergency Communications Board (Continued)

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 Board. During 2018, Faribault 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 Workforce Service Area Joint Powers Board

In June 2012, the County entered into a joint powers agreement with Blue Earth, Brown, Le Sueur, Martin, Nicollet, 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 comprised of one voting member and one alternate member from each participating county. The goal of the Board is to develop and maintain a quality workforce for South Central Minnesota.

Faribault County made no payments to this organization in 2018. Separate financial information can be obtained from the South Central Workforce Council, 706 North Victory Drive, Mankato, Minnesota 56001.

C. Jointly-Governed Organizations

Faribault County, in conjunction with other governmental entities and various private organizations, formed the jointly-governed organizations listed below:

5. Summary of Significant Contingencies and Other Items

C. Jointly-Governed Organizations (Continued)

The Greater Blue Earth River Basin Alliance (GBERBA) establishes goals, policies, and objectives to protect and enhance land and water resources in the Greater Blue Earth River Basin. The Board consists of County Commissioners and members of the Soil and Water Conservation Districts. During the year, Faribault County made $7,838 in contributions to the GBERBA.

The Minnesota Counties Computer Cooperative (MCCC) was created under Minnesota Joint Powers Law, Minn. Stat. § 471.59, to jointly provide for the establishment, operation, and maintenance of data processing systems, facilities, and management information systems. During the year, Faribault County expended $4,574 to the MCCC in annual dues.

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, Faribault County made payments of $4,620 to the joint powers.

The South Central Emergency Medical Service (SCEMS) Joint Powers Board consists of Blue Earth, Brown, Faribault, Le Sueur, Martin, Nicollet, Sibley, Waseca, and Watonwan Counties. The purpose of the SCEMS is to ensure quality patient care is available throughout the nine-county area by maximizing the response capabilities of emergency medical personnel and to promote public education on injury prevention and appropriate response during a medical emergency. Each county appoints one member to the Joint Powers Board. During the year, Faribault County did not contribute to the SCEMS.

The South Central Community-Based Initiative was established pursuant to Minn. Stat. §§ 471.59 and 245.4661 and a joint powers agreement effective June 20, 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 is comprised of one representative appointed by Blue Earth, Brown, Faribault, Freeborn, Le Sueur, Martin, Nicollet, Rice, Sibley, and Watonwan Counties. During the year, Faribault County did not contribute to the Joint Powers Board.

5. Summary of Significant Contingencies and Other Items

C. Jointly-Governed Organizations (Continued)

The Region One – Southeast Minnesota Homeland Security Emergency Management Joint Powers Board 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 within the region. There are 16 counties participating, with one member from each entity being represented on the Joint Powers Board. During the year, Faribault County contributed $1,000 to the Joint Powers Board.

The Southwest Minnesota Immunization Information Connection (SW-MIIC) Joint Powers Board promotes an implementation and maintenance of a regional immunization information system to ensure age-appropriate immunizations through complete and accurate records. During the year, Faribault County did not contribute to the SW-MIIC.

Three Rivers Resource Conservation & Development (RC&D) is a locally initiated, sponsored, and directed organization that works to enhance the quality of life by improving the economic, social, and environmental conditions within the area. The RC&D is lead locally by Soil and Water Conservation District Supervisors and County Commissioners from the nine-county area that is served by the RC&D. During the year, Faribault County did not contribute to the RC&D.

D. 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 program.

6. Faribault County Economic Development Authority (EDA)

A. Summary of Significant Accounting Policies

Reporting Entity

In addition to those identified in Note 1, the County's discretely presented EDA component unit has the following significant accounting policies.

The EDA was created in 2002 and began operations in 2003 to take over the operations of the Local Redevelopment Agency. The EDA is governed by a seven-member Board. A minimum of two of the members are members of the Faribault County Board of Commissioners. All members are appointed by the Chair of the County Board of Commissioners, with approval of the Board.

Basis of Presentation

The EDA does not prepare separate financial statements. The EDA presents its one fund as a governmental fund.

Basis of Accounting

The EDA General Fund is accounted for on the modified accrual basis of accounting.

Cash and Pooled Investments

Operating cash of the EDA is on deposit with the Faribault County Auditor/Treasurer and included within its pooled cash and investments.

B. Detailed Notes

Assets

Receivables as of December 31, 2018, consist of $56 accrued interest receivable and $142,442 in loans made to individuals and businesses for development.

6. Faribault County Economic Development Authority (EDA) (Continued)

C. Summary of Significant Contingencies

Nonexchange Financial Guarantees

The EDA has entered into nonexchange financial guarantees with lenders to guarantee payments if the guarantor does not make loan payments. The guarantee is located in the jurisdiction of the guarantor, the EDA. Upon default of the loan, the lender will request payment for the guarantee's portion from the guarantor.

Nonexchange financial guarantees at December 31, 2018, were as follows:

Guarantee	Lender	Year of Guarantee	Outstanding Balance at December 31, 2018
Hardware Store	First National Bank	2008	$ 10,103
Everwood Log to Home, LLC	Peoples State Bank	2011	1,161
Kiester Market	First State Bank of Kiester	2013	7,424
Scotty Biggs BBQ Company, LLC	First National Bank	2017	10,802

7. Housing and Redevelopment Authority (HRA)

Summary of Significant Accounting Policies

In addition to those identified in Note 1, the County's discretely presented HRA component unit has the following significant accounting policies.

Reporting Entity

The HRA is governed by a five-member Board of Directors who are appointed by the County Board. All programs of the HRA are administered by the Minnesota Valley Action Council, Inc. (MVAC). The purpose of the HRA is to promote economic development and to administer the public housing programs authorized by the U.S. Housing Act of 1937, as amended. These programs are subsidized by the federal government through the U.S. Department of Housing and Urban Development.

7. Housing and Redevelopment Authority (HRA)

Summary of Significant Accounting Policies (Continued)

Basis of Presentation

The HRA prepares separate financial statements. The HRA presents its one fund as an enterprise fund.

Basis of Accounting

The HRA fund is accounted for on the accrual basis of accounting.

Cash and Pooled Investments

All cash of the HRA is on deposit with MVAC and included within its pooled cash and investments.

This page was left blank intentionally.

REQUIRED SUPPLEMENTARY INFORMATION

This page was left blank intentionally.

FARIBAULT COUNTY
BLUE EARTH, MINNESOTA

EXHIBIT A-1

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 6,302,106	$ 6,302,106	$ 6,249,945	$ (52,161)
Special assessments	622,766	622,766	603,337	(19,429)
Licenses and permits	2,200	2,200	2,185	(15)
Intergovernmental	1,318,368	1,318,368	1,555,411	237,043
Charges for services	1,220,403	1,220,403	1,143,350	(77,053)
Fines and forfeits	18,500	18,500	34,654	16,154
Gifts and contributions	-	-	2,610	2,610
Investment earnings	110,000	110,000	362,368	252,368
Miscellaneous	157,300	157,300	269,939	112,639
Total Revenues	**$ 9,751,643**	**$ 9,751,643**	**$ 10,223,799**	**$ 472,156**
Expenditures				
Current				
General government				
Commissioners	$ 305,843	$ 305,843	$ 263,843	$ 42,000
Courts	69,500	69,500	126,175	(56,675)
County Auditor/Treasurer	519,883	519,883	519,828	55
Motor vehicle/license bureau	153,900	153,900	163,199	(9,299)
County assessor	402,736	402,736	379,091	23,645
Elections	60,000	60,000	151,713	(91,713)
Data processing	228,350	228,350	199,821	28,529
Central administration	176,698	176,698	192,446	(15,748)
Machine room	10,500	10,500	8,727	1,773
Attorney	367,344	367,344	381,351	(14,007)
Law library	15,000	15,000	18,433	(3,433)
Recorder	310,986	310,986	220,540	90,446
Vital statistics	23,559	23,559	31,129	(7,570)
Planning and zoning	154,282	154,282	152,075	2,207
Buildings and plant	597,668	597,668	641,617	(43,949)
Veterans service officer	191,491	191,491	143,316	48,175
Other general government	766,837	766,837	491,086	275,751
Total general government	**$ 4,354,577**	**$ 4,354,577**	**$ 4,084,390**	**$ 270,187**

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

FARIBAULT COUNTY
BLUE EARTH, MINNESOTA

EXHIBIT A-1
(Continued)

BUDGETARY COMPARISON SCHEDULE
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	$ 1,634,886	$ 1,634,886	$ 1,706,995	$ (72,109)
Public safety grants	7,700	7,700	16,262	(8,562)
Task force	6,500	6,500	6,500	-
Aquatic invasive species	-	-	24,432	(24,432)
Boat and water safety	2,200	2,200	350	1,850
County jail	1,600,372	1,600,372	1,602,703	(2,331)
Sentence to serve	45,000	45,000	65,798	(20,798)
Fraud investigator	90,056	90,056	90,329	(273)
Animal control	10,000	10,000	3,813	6,187
Probation and parole	193,117	193,117	225,992	(32,875)
Sheriff's contingency	1,000	1,000	-	1,000
Emergency management	39,700	39,700	45,009	(5,309)
Enhanced 911	91,000	91,000	49,797	41,203
Radio project	-	-	4,655	(4,655)
Medical examiner	20,000	20,000	21,465	(1,465)
Total public safety	**$ 3,741,531**	**$ 3,741,531**	**$ 3,864,100**	**$ (122,569)**
Sanitation				
Recycling/education	$ 397,833	$ 397,833	$ 367,937	$ 29,896
SCORE funds	32,600	32,600	29,328	3,272
Total sanitation	**$ 430,433**	**$ 430,433**	**$ 397,265**	**$ 33,168**
Culture and recreation				
Historical society	$ 10,000	$ 10,000	$ 10,000	$ -
County library	181,649	181,649	177,676	3,973
Total culture and recreation	**$ 191,649**	**$ 191,649**	**$ 187,676**	**$ 3,973**

EXHIBIT A-1
(Continued)

BUDGETARY COMPARISON SCHEDULE
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				
Cooperative extension	$ 130,514	$ 130,514	$ 118,460	$ 12,054
Soil conservation	63,347	63,347	63,347	-
County agricultural society	15,000	15,000	15,000	-
Predator control	500	500	112	388
Water planning	66,118	66,118	77,204	(11,086)
Drainage/septic inspection	69,600	69,600	69,600	-
Drainage administration	230,353	230,353	157,322	73,031
Septic loan program	-	-	121,191	(121,191)
Riparian aid	120,496	120,496	58,701	61,795
Total conservation of natural resources	**$ 695,928**	**$ 695,928**	**$ 680,937**	**$ 14,991**
Economic development				
Community development	$ 16,000	$ 16,000	$ 15,453	$ 547
Economic development	55,000	55,000	40,298	14,702
Total economic development	**$ 71,000**	**$ 71,000**	**$ 55,751**	**$ 15,249**
Debt service				
Principal	$ -	$ -	$ 4,926	$ (4,926)
Interest	-	-	79	(79)
Total debt service	**$ -**	**$ -**	**$ 5,005**	**$ (5,005)**
Total Expenditures	**$ 9,485,118**	**$ 9,485,118**	**$ 9,275,124**	**$ 209,994**
Excess of Revenues Over (Under) Expenditures	**$ 266,525**	**$ 266,525**	**$ 948,675**	**$ 682,150**
Other Financing Sources (Uses)				
Transfers in	$ -	$ -	$ 1,400,000	$ 1,400,000
Transfers out	(266,525)	(266,525)	(286,025)	(19,500)
Total Other Financing Sources (Uses)	**$ (266,525)**	**$ (266,525)**	**$ 1,113,975**	**$ 1,380,500**
Net Change in Fund Balance	**$ -**	**$ -**	**$ 2,062,650**	**$ 2,062,650**
Fund Balance – January 1	**8,622,450**	**8,622,450**	**8,622,450**	**-**
Fund Balance – December 31	**$ 8,622,450**	**$ 8,622,450**	**$ 10,685,100**	**$ 2,062,650**

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

FARIBAULT COUNTY
BLUE EARTH, MINNESOTA

EXHIBIT A-2

BUDGETARY COMPARISON SCHEDULE
PUBLIC WORKS SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 1,418,725	$ 1,418,725	$ 1,408,875	$ (9,850)
Intergovernmental	6,901,937	6,901,937	6,825,334	(76,603)
Charges for services	314,000	314,000	163,746	(150,254)
Miscellaneous	120,000	120,000	6,938	(113,062)
Total Revenues	**$ 8,754,662**	**$ 8,754,662**	**$ 8,404,893**	**$ (349,769)**
Expenditures				
Current				
Highways and streets				
Administration	$ 191,462	$ 191,462	$ 323,472	$ (132,010)
Maintenance	1,408,654	1,408,654	1,459,511	(50,857)
Construction	4,198,277	4,198,277	4,504,772	(306,495)
Equipment maintenance and shop	1,445,728	1,445,728	1,030,020	415,708
Material and services for resale	66,310	66,310	5,917	60,393
Other – highways and streets	559,128	559,128	307,158	251,970
Total highways and streets	**$ 7,869,559**	**$ 7,869,559**	**$ 7,630,850**	**$ 238,709**
Culture and recreation				
Parks	193,003	193,003	153,009	39,994
Intergovernmental				
Highways and streets	450,577	450,577	519,015	(68,438)
Total Expenditures	**$ 8,513,139**	**$ 8,513,139**	**$ 8,302,874**	**$ 210,265**
Net Change in Fund Balance	**$ 241,523**	**$ 241,523**	**$ 102,019**	**$ (139,504)**
Fund Balance – January 1	**2,237,402**	**2,237,402**	**2,237,402**	**-**
Increase (decrease) in inventories	**-**	**-**	**(154,219)**	**(154,219)**
Fund Balance – December 31	**$ 2,478,925**	**$ 2,478,925**	**$ 2,185,202**	**$ (293,723)**

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

FARIBAULT COUNTY
BLUE EARTH, MINNESOTA

EXHIBIT A-3

BUDGETARY COMPARISON SCHEDULE
HUMAN SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 2,435,180	$ 2,435,180	$ 2,420,578	$ (14,602)
Intergovernmental	242,935	242,935	253,738	10,803
Total Revenues	**$ 2,678,115**	**$ 2,678,115**	**$ 2,674,316**	**$ (3,799)**
Expenditures				
Current				
Human services	2,678,115	2,678,115	2,768,985	(90,870)
Net Change in Fund Balance	**$ -**	**$ -**	**$ (94,669)**	**$ (94,669)**
Fund Balance – January 1	**884,742**	**884,742**	**884,742**	**-**
Fund Balance – December 31	**$ 884,742**	**$ 884,742**	**$ 790,073**	**$ (94,669)**

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

FARIBAULT COUNTY
BLUE EARTH, MINNESOTA

EXHIBIT A-4

BUDGETARY COMPARISON SCHEDULE
DITCH SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Special assessments	$ 1,275,000	$ 1,275,000	$ 1,617,494	$ 342,494
Intergovernmental	-	-	147,969	147,969
Miscellaneous	-	-	215,703	215,703
Total Revenues	**$ 1,275,000**	**$ 1,275,000**	**$ 1,981,166**	**$ 706,166**
Expenditures				
Current				
Conservation of natural resources				
Ditch maintenance	$ 2,000,000	$ 2,000,000	$ 4,139,977	$ (2,139,977)
Debt service				
Principal	45,000	45,000	45,000	-
Interest	5,000	5,000	94,078	(89,078)
Bond issuance costs	-	-	86,529	(86,529)
Administrative (fiscal) charges	-	-	694	(694)
Total Expenditures	**$ 2,050,000**	**$ 2,050,000**	**$ 4,366,278**	**$ (2,316,278)**
Excess of Revenues Over (Under) Expenditures	**$ (775,000)**	**$ (775,000)**	**$ (2,385,112)**	**$ (1,610,112)**
Other Financing Sources (Uses)				
Bonds issued	$ 7,000,000	$ 7,000,000	$ 6,145,000	$ (855,000)
Premium on bonds issued	-	-	181,247	181,247
Total Other Financing Sources (Uses)	**$ 7,000,000**	**$ 7,000,000**	**$ 6,326,247**	**$ (673,753)**
Net Change in Fund Balance	**$ 6,225,000**	**$ 6,225,000**	**$ 3,941,135**	**$ (2,283,865)**
Fund Balance – January 1	**(5,757,643)**	**(5,757,643)**	**(5,757,643)**	**-**
Fund Balance – December 31	**$ 467,357**	**$ 467,357**	**$ (1,816,508)**	**$ (2,283,865)**

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

FARIBAULT COUNTY
BLUE EARTH, MINNESOTA

EXHIBIT A-5

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

		2018
Total OPEB Liability		
Service cost	$	73,436
Interest		239,843
Changes in assumptions or other inputs		462,753
Benefit payments		(324,015)
Net change in total OPEB liability	**$**	**452,017**
Total OPEB Liability – Beginning, as restated		**6,383,669**
Total OPEB Liability – Ending	**$**	**6,835,686**
Covered-employee payroll	$	4,500,000
Total OPEB liability (asset) as a percentage of covered-employee payroll		151.90%

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

FARIBAULT COUNTY
BLUE EARTH, MINNESOTA

EXHIBIT A-6

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 Faribault 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	0.0418 %	$ 2,318,893	$ 76,115	$ 2,395,008	$ 2,810,441	82.51 %	79.53 %
2017	0.0424	2,706,788	34,048	2,740,836	2,727,947	99.22	75.90
2016	0.0460	3,734,972	48,779	3,783,751	2,821,172	132.39	68.91
2015	0.0434	2,249,213	N/A	2,249,213	2,550,829	88.18	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

FARIBAULT COUNTY
BLUE EARTH, MINNESOTA

EXHIBIT A-7

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	$ 217,867	$ 217,867	$ -	$ 2,904,893	7.50 %
2017	208,199	208,199	-	2,775,987	7.50
2016	198,024	198,024	-	2,640,314	7.50
2015	199,411	199,411	-	2,658,652	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.

FARIBAULT COUNTY
BLUE EARTH, MINNESOTA

EXHIBIT A-8

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	0.0736 %	$ 784,500	$ 775,778	101.12 %	88.84 %
2017	0.0720	972,086	739,972	131.37	85.43
2016	0.0710	2,849,354	687,150	414.66	63.88
2015	0.0720	818,088	658,795	124.18	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.

FARIBAULT COUNTY
BLUE EARTH, MINNESOTA

EXHIBIT A-9

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	$ 132,647	$ 132,647	$ -	$ 818,809	16.20 %
2017	124,564	124,564	-	768,911	16.20
2016	114,227	114,227	-	705,105	16.20
2015	108,984	108,984	-	672,736	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.

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

FARIBAULT COUNTY
BLUE EARTH, MINNESOTA

EXHIBIT A-10

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	0.4028 %	$ 66,249	$ 822,594	8.05 %	97.64 %
2017	0.4200	1,197,004	833,757	143.57	67.89
2016	0.4100	1,497,787	781,088	191.76	58.16
2015	0.4100	63,386	741,402	8.55	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.

FARIBAULT COUNTY
BLUE EARTH, MINNESOTA

EXHIBIT A-11

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	$ 72,652	$ 72,652	$ -	$ 830,309	8.75 %
2017	71,947	71,947	-	822,244	8.75
2016	70,257	70,257	-	802,935	8.75
2015	67,177	67,177	-	767,720	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.

This page was left blank intentionally.

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

1. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at year-end.

On or before mid-June of each year, all departments and agencies submit requests for appropriations to the County Auditor/Treasurer so that a budget can be prepared. Before October 31, 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. The budgets may be amended or modified at any time by the County Board. The County's department heads may make transfers of appropriations within a department. The legal level of budgetary control (the level at which expenditures may not legally exceed appropriations) is the fund level.

2. Budget Amendments

The revenue and expenditure budgets were not amended during the year.

3. Excess of Expenditures Over Appropriations

For the year ended December 31, 2018, the Human Services Special Revenue Fund's expenditures exceeded appropriations by $90,870. The expenditures in excess of budget were funded by fund balance.

The Ditch Special Revenue Fund's expenditures exceeded appropriations by $2,316,278. The expenditures in excess of budget were funded by revenues in excess of budget and an interfund loan from the General Fund. Future special assessments will be made to pay for ditch repairs and improvements.

4. Other Postemployment Benefits Funded Status

In 2018, Faribault County implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. See Note 3.E.1. in the notes to the financial statements for additional information regarding the County's other postemployment benefits.

5. 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 methods and assumptions occurred in 2018:

- The discount rate used changed from 3.50 percent to 3.31 percent.

- The actuarial cost method used changed from the Projected Unit Credit to the Entry Age, level percent of pay.

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

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

General Employees Retirement Plan

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.

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

General Employees Retirement Plan

2017 (Continued)

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

- 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.

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

Public Employees Police and Fire Plan

2018 (Continued)

- 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.

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.

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

Public Employees Police and Fire Plan

2017 (Continued)

- 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.

- 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.

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

Public Employees Local Government Correctional Service Retirement 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.

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

This page was left blank intentionally.

FARIBAULT COUNTY
BLUE EARTH, MINNESOTA

EXHIBIT B-1

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	$ 827,544	$ 827,544	$ 822,873	$ (4,671)
Intergovernmental	28,547	28,547	28,547	-
Total Revenues	**$ 856,091**	**$ 856,091**	**$ 851,420**	**$ (4,671)**
Expenditures				
Debt service				
Principal	$ 845,000	$ 845,000	$ 750,000	$ 95,000
Interest	230,180	230,180	201,065	29,115
Bond issuance costs	-	-	19,373	(19,373)
Administrative (fiscal) charges	2,500	2,500	1,580	920
Total Expenditures	**$ 1,077,680**	**$ 1,077,680**	**$ 972,018**	**$ 105,662**
Excess of Revenues Over (Under) Expenditures	**$ (221,589)**	**$ (221,589)**	**$ (120,598)**	**$ 100,991**
Other Financing Sources (Uses)				
Transfers in	$ 266,525	$ 266,525	$ 286,025	$ 19,500
Transfers out	-	-	(1,400,000)	(1,400,000)
Bonds issued	-	-	1,370,000	1,370,000
Premium on bonds issued	-	-	51,311	51,311
Total Other Financing Sources (Uses)	**$ 266,525**	**$ 266,525**	**$ 307,336**	**$ 40,811**
Net Change in Fund Balance	**$ 44,936**	**$ 44,936**	**$ 186,738**	**$ 141,802**
Fund Balance – January 1	**867,035**	**867,035**	**867,035**	**-**
Fund Balance – December 31	**$ 911,971**	**$ 911,971**	**$ 1,053,773**	**$ 141,802**

This page was left blank intentionally.

FIDUCIARY FUNDS

This page was left blank intentionally.

FARIBAULT COUNTY
BLUE EARTH, MINNESOTA

AGENCY FUNDS

Agency funds are used to account for assets held as an agent by the County for others.

The Mortgage Registration Fund accounts for the taxes paid for registering a mortgage within the County.

The Deed Tax Fund accounts for money received from the sale of deed stamps.

The Tax and Penalty Fund accounts for the collection and distribution of property taxes, assessments, and forfeited taxes.

This page was left blank intentionally.

FARIBAULT COUNTY
BLUE EARTH, 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
MORTGAGE REGISTRATION				
Assets				
Cash and pooled investments	$ 7,797	$ 149,667	$ 152,922	$ 4,542
Liabilities				
Due to other governments	$ 7,797	$ 149,667	$ 152,922	$ 4,542
DEED TAX				
Assets				
Cash and pooled investments	$ 47,426	$ 225,324	$ 235,799	$ 36,951
Liabilities				
Due to other governments	$ 47,426	$ 225,324	$ 235,799	$ 36,951
TAX AND PENALTY				
Assets				
Cash and pooled investments	$ 447,475	$ 25,332,606	$ 25,488,056	$ 292,025
Liabilities				
Due to other governments	$ 447,475	$ 25,332,606	$ 25,488,056	$ 292,025
TOTAL ALL AGENCY FUNDS				
Assets				
Cash and pooled investments	$ 502,698	$ 25,707,597	$ 25,876,777	$ 333,518
Liabilities				
Due to other governments	$ 502,698	$ 25,707,597	$ 25,876,777	$ 333,518

This page was left blank intentionally.

COMPONENT UNIT

This page was left blank intentionally.

FARIBAULT COUNTY
BLUE EARTH, MINNESOTA

EXHIBIT D-1

GOVERNMENTAL FUND BALANCE SHEET AND GOVERNMENTAL ACTIVITIES – STATEMENT OF NET POSITION WITH ADJUSTMENTS TO CONVERT MODIFIED TO FULL ACCRUAL COMPONENT UNIT – ECONOMIC DEVELOPMENT AUTHORITY DECEMBER 31, 2018

	General Fund	Adjustments	Statement of Net Position
Assets			
Current assets			
Cash and pooled investments	$ 368,960	$ -	$ 368,960
Accrued interest receivable	56	-	56
Loans receivable	142,442	-	142,442
Restricted assets			
Investments – temporary	10,103	-	10,103
Total Assets	**$ 521,561**	**$ -**	**$ 521,561**
Fund Balance/Net Position			
Fund Balance			
Nonspendable – loan guarantee security	$ 10,103	$ (10,103)	
Restricted for commercial rehabilitation loans	80,836	(80,836)	
Assigned for loan guarantees	19,387	(19,387)	
Unassigned	411,235	(411,235)	
Total Fund Balance	**$ 521,561**	**$ (521,561)**	
Net Position			
Restricted for commercial rehabilitation loans		$ 171,376	$ 171,376
Unrestricted		350,185	350,185
Total Net Position		**$ 521,561**	**$ 521,561**

FARIBAULT COUNTY
BLUE EARTH, MINNESOTA

EXHIBIT D-2

GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE AND GOVERNMENTAL ACTIVITIES – STATEMENT OF ACTIVITIES WITH ADJUSTMENTS TO CONVERT MODIFIED TO FULL ACCRUAL COMPONENT UNIT – ECONOMIC DEVELOPMENT AUTHORITY FOR THE YEAR ENDED DECEMBER 31, 2018

	General Fund	Adjustments	Statement of Activities
Revenues			
Intergovernmental	$ 38,478	$ -	$ 38,478
Charges for services	2,224	-	2,224
Investment earnings	124	-	124
Total Revenues	**$ 40,826**	**$ -**	**$ 40,826**
Expenditures/Expenses			
Current			
Economic development	546	-	546
Net Change in Fund Balance/Net Position	**$ 40,280**	**$ -**	**$ 40,280**
Fund Balance/Net Position – January 1	**481,281**	**-**	**481,281**
Fund Balance/Net Position – December 31	**$ 521,561**	**$ -**	**$ 521,561**

SCHEDULE

This page was left blank intentionally.

FARIBAULT COUNTY
BLUE EARTH, MINNESOTA

EXHIBIT E-1

SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2018

	Total Primary Government
Appropriations and Shared Revenue	
State	
Highway users tax	$ 6,659,703
PERA rate reimbursement	37,822
Disparity reduction aid	71,852
Police aid	77,576
County program aid	638,487
Market value credit	294,168
Out of home placement aid	10,803
Enhanced 911	87,066
SCORE	67,729
Aquatic invasive species prevention aid	30,120
Riparian protection aid	174,121
Total appropriations and shared revenue	**$ 8,149,447**
Reimbursement for Services	
State	
Minnesota Department of Human Services	**$ 23,648**
Payments	
Local	
Other contributions	$ 146,190
Payments in lieu of taxes	33,394
Total payments	**$ 179,584**
Grants	
State	
Minnesota Department/Board of	
Public Safety	$ 4,965
Natural Resources	46,328
Veterans Affairs	10,000
Corrections	48,246
Water and Soil Resources	151,216
Pollution Control Agency	45,231
Secretary of State	61,314
Peace Officer Standards and Training Board	16,269
Total state	**$ 383,569**

FARIBAULT COUNTY
BLUE EARTH, MINNESOTA

EXHIBIT E-1
(Continued)

SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2018

	Total Primary Government
Grants (Continued)	
Federal	
Department of	
Justice	$ 54,901
Homeland Security	19,850
Total federal	**$ 74,751**
Total state and federal grants	**$ 458,320**
Total Intergovernmental Revenue	**$ 8,810,999**

Management and Compliance Section

This page was left blank intentionally.

FARIBAULT COUNTY

This page was left blank intentionally.

STATE OF MINNESOTA
OFFICE OF THE STATE AUDITOR

JULIE BLAHA
STATE AUDITOR

SUITE 500
525 PARK STREET
SAINT PAUL, MN 55103-2139

(651) 296-2551 (Voice)
(651) 296-4755 (Fax)
state.auditor@state.mn.us (E-mail)
1-800-627-3529 (Relay Service)

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
Faribault County
Blue Earth, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Faribault 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 January 14, 2020. Our report includes a reference to other auditors who audited the financial statements of the Faribault County Housing and Redevelopment Authority component unit as described in our report on the County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. This report does not include the results of our audit testing of the Faribault County Economic Development Authority component unit's internal control over financial reporting or compliance and other matters that are reported on separately within the Management and Compliance Section.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Recommendations as item 2017-001 to be a material weakness and items 1996-005, 2006-002, and 2018-001 to be significant deficiencies.

Compliance and Other Matters

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

In connection with our audit, nothing came to our attention that caused us to believe that Faribault County failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Counties*, except as described in the Schedule of Findings and Recommendations as items 2017-003, 2018-002, and 2018-003. 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.

Other Matters

Included in the Schedule of Findings and Recommendations is a management practices comment. We believe this recommendation to be of benefit to the County, and it is reported for that purpose.

Faribault County's Response to Findings

Faribault County's responses to the internal control, legal compliance, and management practices 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

January 14, 2020

This page was left blank intentionally.

FARIBAULT COUNTY
BLUE EARTH, MINNESOTA

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

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

Finding Number 1996-005

Capital Assets Records

Criteria: The County is required by generally accepted accounting principles to account for and depreciate its capital assets over their estimated useful lives. The costs of capital assets are expensed annually as depreciation expense while the asset is in service. Written policies and procedures outline the specific authority and responsibility of County personnel, providing for accountability. Written policies serve as a reference and training tool for new personnel and ensure that procedures remain in place despite personnel turnover. To be effective, an accounting policies and procedures manual must be complete, up to date, and readily available to all personnel who need it.

Condition: The County Board has a capital assets policy that discusses capitalization thresholds and use of straight-line depreciation. The policy does not discuss estimated useful lives or use of salvage values.

Context: Estimated useful lives are not consistently used in calculating depreciation of the County's capital assets. General government buildings are depreciated over 30 years, while highway buildings are depreciated over 39 and 40 years. Salvage value amounts are not consistently considered in the calculation of depreciation amounts.

Effect: There is no clear guidance or consistency in the accounting for depreciation of capital assets.

Cause: The County stated that it has not been able to amend its capital assets policy due to time constraints and limited personnel.

Recommendation: To improve controls over capital assets, we recommend the County Board approve policies and procedures that establish consistent useful lives and set guidance on when to use salvage values in computing depreciation. If exceptions to the capitalization threshold policy are allowed, those exceptions should be spelled out in the policy.

View of Responsible Official: Acknowledged

Finding Number 2006-002

Budgeting

Criteria: The budget is a key internal control for the County. Budget modifications should be made throughout the year to maintain the value of the budget as an internal control tool. The ability to modify the budget during the year for new circumstances makes the budget more valuable because budgetary differences are not distorted by the new circumstances. In general, local governments should have an adopted budget policy that includes elements such as:

- procedures for adopting the budget,
- which funds require budgets,
- the legal level of control,
- when budgets can be modified by management and when budget modifications require Board approval,
- the budgetary basis on which the budget is adopted,
- identification of key personnel involved in the budgeting process, and
- the procedures for monitoring the budget.

Condition: The County does not have a formal written budget policy.

Context: In Faribault County, budget modifications are not always made for significant changes in expected activity.

Effect: Expenditures in excess of budgeted amounts may occur.

Cause: The County stated that it has had time constraints and limited personnel which have delayed the completion of a formal written budget policy.

Recommendation: We recommend the County Board amend and formalize its budget policy to include the elements recommended above and modify the budget as necessary for significant changes in expected activity.

View of Responsible Official: Acknowledged

Finding Number 2017-001

Audit Adjustments

Criteria: A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements of the financial statements on a timely basis. Auditing standards define a material weakness as a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

Condition: Material audit adjustments were identified that resulted in significant changes to the County's financial statements.

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

Effect: The following audit adjustments were reviewed and approved by management and are reflected in the financial statements:

- The Ditch Special Revenue Fund required an adjustment decreasing special assessment receivables and deferred inflows of resources – unavailable revenue by $920,777 for assessments that were not Board approved or recorded into the tax system.

- The Ditch Special Revenue Fund required an adjustment increasing accounts payable and conservation of natural resources expenditures by $403,852 for activity related to the 2018 assessments.

Cause: Lack of sufficient review of the balances for financial statement presentation.

Recommendation: We recommend the County continue to review procedures over financial reporting to ensure financial statements are materially stated.

View of Responsible Official: Acknowledged

ITEM ARISING THIS YEAR

Finding Number 2018-001

Unsupported Payroll Disbursement

Criteria: Management is responsible for establishing and maintaining internal controls over accounting processes, including payroll. Payroll internal controls should be designed to require that all payroll disbursements made to employees are supported by appropriate authorization and documentation.

Condition: In 2018, an individual was paid approximately $3,200 in addition to their salary, but this additional amount was not supported by appropriate authorization and documentation.

Context: County personnel were not able to provide documentation to support the authorization of the additional payroll disbursement.

Effect: Without internal controls in place to require appropriate authorization and documentation for payroll disbursements, there is an increased risk that errors or irregularities may occur and not be detected in a timely manner. Additionally, complications could arise should the accuracy of payroll disbursements be disputed.

Cause: The County indicated this is a practice that has been in place for many years, and authorization was either misplaced or never properly documented.

Recommendation: We recommend the County design its payroll internal controls to require that all payroll disbursements made to employees are supported by appropriate authorization and documentation.

View of Responsible Official: Acknowledged

II. OTHER FINDINGS AND RECOMMENDATIONS

A. MINNESOTA LEGAL COMPLIANCE

PREVIOUSLY REPORTED ITEM NOT RESOLVED

Finding Number 2017-003

Publication of Financial Statements

Criteria: The County is required by Minn. Stat. § 375.17 to annually publish its financial statements.

Condition: Faribault County did not publish the financial statements in a duly qualified legal newspaper in the County.

Context: The financial statements should include a statement of assets and liabilities and a summary of receipts, disbursements, and balances of all County funds together with a detailed statement of each fund account, and should be in the form and style prescribed by and on file with the Office of the State Auditor.

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

Cause: The County noted that publication of the financial statements was overlooked.

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

View of Responsible Official: Acknowledged

ITEMS ARISING THIS YEAR

Finding Number 2018-002

Publication of Board Minutes

Criteria: Pursuant to Minn. Stat. § 375.12, within 30 days of each meeting, the County Board must have the official proceedings of its sessions or a summary published in a qualified newspaper of general circulation in the County. The publication should include an individualized, itemized list of County Board-approved payments over $2,000.

Condition: The affidavits of publication related to the publishing of a summary of County Board minutes were reviewed for 2018. Not all of the summaries were published in the County's official newspaper within the 30-day requirement. In addition, the County did not publish an itemized list of payments.

Context: Of the 12 published summaries reviewed, four were not published within the 30-day requirement.

Effect: Noncompliance with Minn. Stat. § 375.12.

Cause: The County indicated the summaries are published on the County website within the 30-day requirement, but publication in the newspaper within the required timeframe has not been made a priority.

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

View of Responsible Official: Acknowledged

Finding Number 2018-003

Contract Compliance

Criteria: Minnesota statutes contain requirements for the contracting and bidding processes used by local governments.

Condition: The County was not in compliance with the following Minnesota contracting and bidding laws:

- Obtaining quotes: Pursuant to Minn. Stat. § 471.345, subd. 4, for contracts estimated to exceed $25,000 but not exceed $175,000, the contract may be made either upon sealed bids or by direct negotiation, by obtaining two or more quotations for the purchase when possible. Testing performed identified an instance where a vehicle had been purchased based on a single quote of approximately $35,000.

- Cooperative purchasing: Pursuant to Minn. Stat. § 471.345, subd. 15(a), for contracts estimated to exceed $25,000, municipalities must consider the availability, price and quality of supplies, materials, or equipment available through the state's cooperative purchasing venture (CPV) before purchasing through another source. Testing performed identified two instances of vehicles purchased for amounts exceeding $25,000. In both instances, the Board minutes indicate that the County was considering quotes from and awarding the contract to state contractor vendors. However, neither the quotes identified in the minutes nor the vendors awarded the contract were in fact state contract vendors.

Context: It is not clear whether the Board considered the state contract as required by state law. It is clear the Board minutes misidentified vendors as being on the state contract when they were not.

Effect: Noncompliance with Minn. Stat. § 471.345, and erroneous minutes.

Cause: The County indicated that, because the quotes received by the department head included pricing discounts available through the CPV, adequate consideration was given to meet bid requirements.

Recommendation: We recommend the County implement procedures to ensure contracting and bidding is performed in accordance with applicable statutes for all future contracts. Further, Board minutes should only identify vendors as being on the state contract if those vendors are in fact so qualified.

View of Responsible Official: Acknowledged

B. MANAGEMENT PRACTICES

PREVIOUSLY REPORTED ITEM NOT RESOLVED

Finding Number 2014-001

County Ditch Fund Deficits

Criteria: Each individual ditch system within the Ditch Special Revenue Fund should be maintained with a positive fund balance to meet its financial obligations.

Condition: At December 31, 2018, the County had individual ditch systems where liabilities and deferred inflows of resources exceeded assets, resulting in deficit fund balances.

Context: At December 31, 2018, 103 of 177 ditch systems had deficit fund balances totaling $4,439,432. Taking into consideration long-term items that do not contribute to reported ditch system fund balances, including assessments that have been levied for collection in future years, deficit balances are reduced to 74 ditch systems with a total deficit of $2,491,278.

Effect: Ditch systems with deficit fund balances indicate that measures may need to be taken to ensure that it can meet financial obligations.

Cause: The County indicated that a large portion of the deficits are a result of ongoing projects which are planned to be levied for once completed. In other cases, however, prior assessments on systems have been insufficient to cover costs, and additional assessments need to be approved.

Recommendation: We recommend the County continue to monitor the balances of the ditch systems and eliminate deficit fund balances by approving necessary special assessments as soon as practical for each system.

View of Responsible Official: Acknowledged

FARIBAULT COUNTY
BLUE EARTH, MINNESOTA

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

III. PREVIOUSLY REPORTED ITEMS RESOLVED

1996-001 Ditch System Cash Deficits
2013-002 Delegation to Pay Claims
2017-002 Inventory

This page was left blank intentionally.

County of Faribault

BLUE EARTH, MINNESOTA

REPRESENTATION OF FARIBAULT COUNTY
BLUE EARTH, MINNESOTA

CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED DECEMBER 31, 2018

Finding Number: 1996-005
Finding Title: Capital Assets Records

Name of Contact Person Responsible for Corrective Action:

Darren Esser, County Auditor/Treasurer/Coordinator

Corrective Action Planned:

An accounting policy will be adopted that will establish consistent useful lives, set guidance on when to use salvage values in computing depreciation, and define capitalization thresholds.

Anticipated Completion Date:

December 31, 2020

Finding Number: 2006-002
Finding Title: Budgeting

Name of Contact Person Responsible for Corrective Action:

Darren Esser, County Auditor/Treasurer/Coordinator

Corrective Action Planned:

An accounting policy will be adopted that will address procedures for adopting the budget, the legal level of control, when budgets can be modified, and procedures for monitoring budgets.

Anticipated Completion Date:

December 31, 2020

Finding Number: 2014-001
Finding Title: County Ditch Fund Deficits

Name of Contact Person Responsible for Corrective Action:

Darren Esser, County Auditor/Treasurer/Coordinator

Corrective Action Planned:

The County continues to monitor the deficit fund balance in the Ditch Special Revenue Fund. A drainage database program is being used to track approved repairs and improvements that will assist in reducing the delay between project expenditures and approvals and the assessments for the cost, which will improve the Ditch Special Revenue Fund deficit.

Anticipated Completion Date:

Ongoing

Finding Number: 2017-001
Finding Title: Audit Adjustments

Name of Contact Person Responsible for Corrective Action:

Darren Esser, County Auditor/Treasurer/Coordinator

Corrective Action Planned:

The County will monitor the levy and the accounts that are used in settlements.

Anticipated Completion Date:

December 31, 2020

Finding Number: 2017-003
Finding Title: Publication of Financial Statements

Name of Contact Person Responsible for Corrective Action:

Darren Esser, County Auditor/Treasurer/Coordinator

Corrective Action Planned:

The County will publish the financial statements at the appropriate times.

Anticipated Completion Date:

March 3, 2020

Finding Number: 2018-001
Finding Title: Unsupported Payroll Disbursement

Name of Contact Person Responsible for Corrective Action:

Darren Esser, County Auditor/Treasurer/Coordinator

Corrective Action Planned:

A policy will be created, approved, and followed.

Anticipated Completion Date:

December 17, 2019

Finding Number: 2018-002
Finding Title: Publication of Board Minutes

Name of Contact Person Responsible for Corrective Action:

Darren Esser, County Auditor/Treasurer/Coordinator

Corrective Action Planned:

The County will publish the minutes at the appropriate times.

Anticipated Completion Date:

Ongoing

Finding Number: 2018-003
Finding Title: Contract Compliance

Name of Contact Person Responsible for Corrective Action:

Darren Esser, County Auditor/Treasurer/Coordinator

Corrective Action Planned:

The County will obtain quotes and quotes from the cooperative purchases venture when required.

Anticipated Completion Date:

Ongoing

County of Faribault

BLUE EARTH, MINNESOTA

REPRESENTATION OF FARIBAULT COUNTY
BLUE EARTH, MINNESOTA

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

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

Summary of Condition: In 2017, interest charged to ditch systems receiving loans from the General Fund and other ditch systems was not calculated in accordance with Minn. Stat. § 103E.655, subd. 2.

Summary of Corrective Action Previously Reported: Faribault County will continue to monitor the individual ditch deficit balances and continue to advance funds to the individual ditches with deficits. A drainage database program is currently being used by County staff. This program tracks ditch projects, including approved expenditures, and will allow a more current assessment of the ditch project costs. The Drainage Authority Board meets monthly and approves all projects. These actions should assist in improving the deficit balances.

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

Finding Number: 1996-005
Finding Title: Capital Assets Records

Summary of Condition: The County Board has a capital assets policy that discusses capitalization thresholds and use of straight-line depreciation. The policy does not discuss estimated useful lives or use of salvage values.

Summary of Corrective Action Previously Reported: An accounting policy will be adopted that will establish consistent useful lives, set guidance on when to use salvage values in computing depreciation, and define capitalization thresholds.

Status: Not Corrected. Due to time constraints, the accounting policies were not completed in the audit year. County staff will continue to work towards completing this task before the end of 2020.

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

Finding Number: 2006-002
Finding Title: Budgeting

Summary of Condition: The County does not have a formal written budget policy.

Summary of Corrective Action Previously Reported: An accounting policy will be adopted that will address procedures for adopting the budget, the legal level of control, when budgets can be modified, and procedures for monitoring budgets.

Status: Not Corrected. Due to time constraints the accounting policies were not completed in the audit year. County staff will continue to work towards completing this task before the end of 2020.

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

Finding Number: 2013-002
Finding Title: Delegation to Pay Claims

Summary of Condition: The County Board has delegated its authority to pay certain claims to the County Auditor/Treasurer/Coordinator; however, the Board does not perform a regular and frequent review of the actions carried out with that authority. Additionally, the County Board does not receive an informational list of claims paid by the County Auditor/Treasurer/Coordinator.

Summary of Corrective Action Previously Reported: On a monthly basis, the Auditor/Treasurer/Coordinator will provide reports to the County Board for review and approval. The reports will detail the vendor payments that have been delegated, by the County Board, to be paid by the County Auditor/Treasurer/Coordinator.

Status: Fully Corrected. Corrective action was taken.

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

Finding Number: 2014-001
Finding Title: County Ditch Fund Deficits

Summary of Condition: At December 31, 2017, the County had individual ditch systems where liabilities and deferred inflows of resources exceeded assets, resulting in deficit fund balances.

Summary of Corrective Action Previously Reported: The County continues to monitor the deficit fund balance in the Ditch Special Revenue Fund. A drainage database program is being used to track approved repairs and improvements that will assist in reducing the delay between project expenditures and approvals and the assessments for the cost, which will improve the Ditch Special Revenue Fund deficit.

Status: Not Corrected. Faribault County monitored the fund balance of the Ditch Special Revenue Fund, but was not able to eliminate the deficit in the current year. The County is currently considering a more aggressive stance on issuing ditch assessments. While it may take several years, the negative balances will improve with this approach.

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

Finding Number: 2016-001
Finding Title: Uniform Guidance Written Procurement Policies and Procedures
Program: Highway Planning and Construction (CFDA No. 20.205)

Summary of Condition: The County adopted a procurement policy in December 2017; however, the policy did not include all the required components in accordance with Title 2 U.S. *Code of Federal Regulations* § 200.318.

Summary of Corrective Action Previously Reported: The County will approve written policies and procedures that include the specific components of the Uniform Guidance requirements over procurement.

Status: Not Corrected. The County thought the updated policy included the specific elements that were identified. The County will review the policy and implement suggested changes.

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

Finding Number: 2017-001
Finding Title: Audit Adjustment

Summary of Condition: A material audit adjustment was identified that resulted in significant changes to the County's financial statements. This adjustment was reviewed and approved by the appropriate County staff and is properly reflected in the financial statements.

Summary of Corrective Action Previously Reported: The County will monitor the levy and the accounts that are used in settlements.

Status: Not Corrected. The County will continue to monitor the levy and the accounts that are used in settlements. If settlement funds are unneeded in the fund for which they are levied, they are now moved to an appropriate fund after Board authorization.

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

Finding Number: 2017-002
Finding Title: Inventory

Summary of Condition: Significant year-end inventory system adjustments were made by the County to the fuel balances based on the actual year-end measurements. Based on the year-end fuel measurements, there were 8,161 fewer gallons of diesel fuel and 3,866 fewer gallons of unleaded fuel than had been accounted for in the inventory system. Public Works accounting staff could not provide an explanation for the adjustments. The adjustments were made by accounting staff without investigation for cause and without review by a supervisor or department head.

Summary of Corrective Action Previously Reported: Faribault County Public Works department will reiterate the importance of accurate fuel usage records with the internal Public Works teams and non-Public Works teams throughout the County. We will also reiterate the importance of year-end inventory reviews with the department supervisor teams.

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

Finding Number: 2017-003
Finding Title: Publication of Financial Statements

Summary of Condition: During 2017, Faribault County did not publish the 2016 financial statements in a duly qualified legal newspaper in the County.

Summary of Corrective Action Previously Reported: The County will publish the financial statements at the appropriate times.

Status: Not Corrected. There was miscommunication between the County Auditor and his Accountant. Each thought the other was going to publish the financial statements and neither accomplished the task.

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

This page was left blank intentionally.

FARIBAULT COUNTY ECONOMIC DEVELOPMENT AUTHORITY

This page was left blank intentionally.

STATE OF MINNESOTA
OFFICE OF THE STATE AUDITOR

JULIE BLAHA
STATE AUDITOR

SUITE 500
525 PARK STREET
SAINT PAUL, MN 55103-2139

(651) 296-2551 (Voice)
(651) 296-4755 (Fax)
state.auditor@state.mn.us (E-mail)
1-800-627-3529 (Relay Service)

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

Economic Development Authority Board
Faribault County Economic Development Authority
Blue Earth, 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 Faribault County, Minnesota, which include as supplementary information, the financial statements of the Faribault County Economic Development Authority (EDA), a discretely presented component unit, 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 January 14, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Faribault County EDA'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 Faribault County EDA's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Faribault County EDA'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 Faribault

County EDA'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. 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. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Minnesota Legal Compliance

The *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, contains six categories of compliance to be tested in connection with the audit of the Faribault County EDA's financial statements: contracting and bidding, deposits and investments, conflicts of interest, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit considered all of the listed categories, except that we did not test for compliance with the provisions for contracting and bidding and tax increment financing because the Faribault County EDA did not enter into any contracts that were subject to legal requirements as stipulated by Minnesota statutes and did not administer any tax increment financing districts. The provisions for deposits and investments, conflicts of interest, claims and disbursements, and miscellaneous provisions were tested in conjunction with the audit of the financial statements of Faribault County, Minnesota.

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting, compliance, and the provisions of the *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions* and the results of that testing, and not to provide an opinion on the effectiveness of the Faribault County EDA'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 Faribault County EDA'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

January 14, 2020