

# **LE SUEUR COUNTY**

Le Center, Minnesota

## **FINANCIAL STATEMENTS**

Including Independent Auditors' Report

As of and for the Year Ended December 31, 2016

# LE SUEUR COUNTY

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## INDEPENDENT AUDITORS' REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Le Sueur County, Minnesota, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise Le Sueur County's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Housing and Redevelopment Authority of Le Sueur County. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Housing and Redevelopment Authority of Le Sueur County, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

To the County Board of Commissioners  
Le Sueur County

### **Opinions**

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Le Sueur County, Minnesota, as of December 31, 2016 and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

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

#### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Le Sueur County's basic financial statements. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we will issue a report on our consideration of Le Sueur County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Le Sueur County's internal control over financial reporting and compliance.

*Baker Tilly Virchow Krause, LLP*

Minneapolis, Minnesota  
September 19, 2017

## MANAGEMENT'S DISCUSSION AND ANALYSIS

(Unaudited)

As of and for the Year Ended December 31, 2016

As management of Le Sueur County, we offer readers of the Le Sueur County Financial Statements this narrative overview and analysis of the financial activities of Le Sueur County for the fiscal year ended December 31, 2016. We encourage readers to consider the information presented here in conjunction with the County's basic financial statements following this section. All amounts, unless otherwise indicated, are expressed in whole dollars.

### Financial Highlights

The assets and deferred outflows of resources of Le Sueur County exceeded its liabilities and deferred inflows of resources at the close of 2016 by \$90,489,722. Of this amount, \$5,287,872 (unrestricted net position) may be used to meet Le Sueur County's ongoing obligations to citizens and creditors.

Le Sueur County's total net position increased by \$1,911,472 in 2016.

At the close of 2016, Le Sueur County's governmental funds reported combined ending fund balances of \$23,506,716. Of this amount, \$5,214,079 is available for spending at the County's discretion and is noted as unassigned fund balance.

### Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Le Sueur County's basic financial statements. Le Sueur County's basic financial statements are comprised of three components: 1) Government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

### Government-wide Financial Statements

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

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

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

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

The government-wide financial statements include not only Le Sueur County itself (the primary government), but also the legally separate Housing and Redevelopment Authority of Le Sueur County (HRA). The HRA, although legally separate, functions for all practical purposes as an integral part of Le Sueur County, and therefore has been included in the government-wide financial statements. A copy of the HRA audit may be obtained from the Minnesota Valley Action Council, 464 Raintree Road, Mankato, MN 56001.

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

### **Fund financial statements**

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

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

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

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

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

### **Notes to the Financial Statements**

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

### **Other Information**

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

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

### **Government-wide Financial Analysis**

Over time, net position serves as a useful indicator of the county's financial position. Le Sueur County's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$90,489,722 at the close of 2016. The largest portion of Le Sueur County's net position (88.3%) reflects its investment in capital assets (e.g., land, buildings, equipment), less any related debt used to acquire those assets that is still outstanding. However, it should be noted that these assets are not available for future spending. The charges for services revenues increased \$1,358,258 in 2016. The primary reason for the increase was activity in the Road and Bridge Fund. Capital grants were down significantly compared to 2015 based on the timing of projects funded by state sources.

#### **(EXHIBIT 1)**

#### **Le Sueur County's Governmental Net Position**

	<b>2016</b>	<b>2015</b>
Current and other assets	\$ 28,143,774	\$ 25,728,381
Capital assets	96,568,095	96,218,131
Total assets	<u>124,711,869</u>	<u>121,946,512</u>
Long-term liabilities outstanding	39,948,490	30,276,960
Other liabilities	2,254,708	3,642,236
Total liabilities	<u>42,203,198</u>	<u>33,919,196</u>
Deferred outflows of resources	9,778,965	1,471,148
Deferred inflows of resources	<u>1,797,914</u>	<u>920,214</u>
Net position:		
Net investment in capital assets	79,907,225	80,630,747
Restricted	5,294,625	3,376,780
Unrestricted	5,287,872	4,570,723
Total net position	<u>\$ 90,489,722</u>	<u>\$ 88,578,250</u>

**Governmental Activities**

The table below summarizes the changes in net position for 2016 and 2015.

**(EXHIBIT 2)**

**Changes in Le Sueur County's Governmental Net Position**

	<u>2016</u>	<u>2015</u>
Revenues:		
Program revenues:		
Charges for services	\$ 4,694,488	\$ 3,336,230
Operating grants and contributions	8,233,940	8,348,576
Capital grants and contributions	3,933,826	6,753,128
General revenues:		
Property taxes	17,262,451	16,166,168
Other	2,837,474	3,124,021
Total revenues	<u>36,962,179</u>	<u>37,728,123</u>
Expenses:		
General government	6,715,879	6,090,924
Public safety	5,653,927	4,904,388
Highways and streets	8,648,449	9,309,195
Sanitation	141,772	320,926
Health and human services	10,682,135	9,899,508
Culture, recreation and education	561,325	477,004
Conservation and development	2,078,481	1,342,348
Interest and fiscal charges	568,739	626,432
Total expenses	<u>35,050,707</u>	<u>32,970,725</u>
Increase in net position	1,911,472	4,757,398
Net position – January 1	88,578,250	83,820,852
Net position – December 31	<u>\$ 90,489,722</u>	<u>\$ 88,578,250</u>

Exhibit 3 2016 Revenues by Source

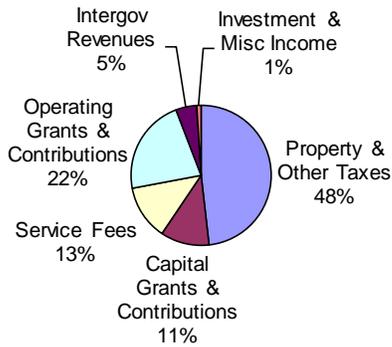
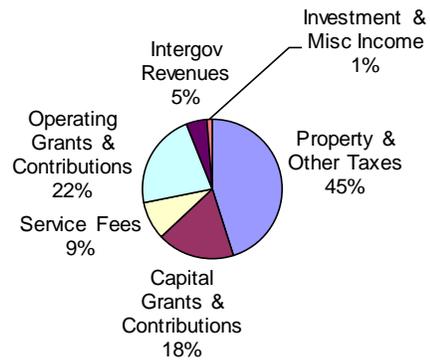
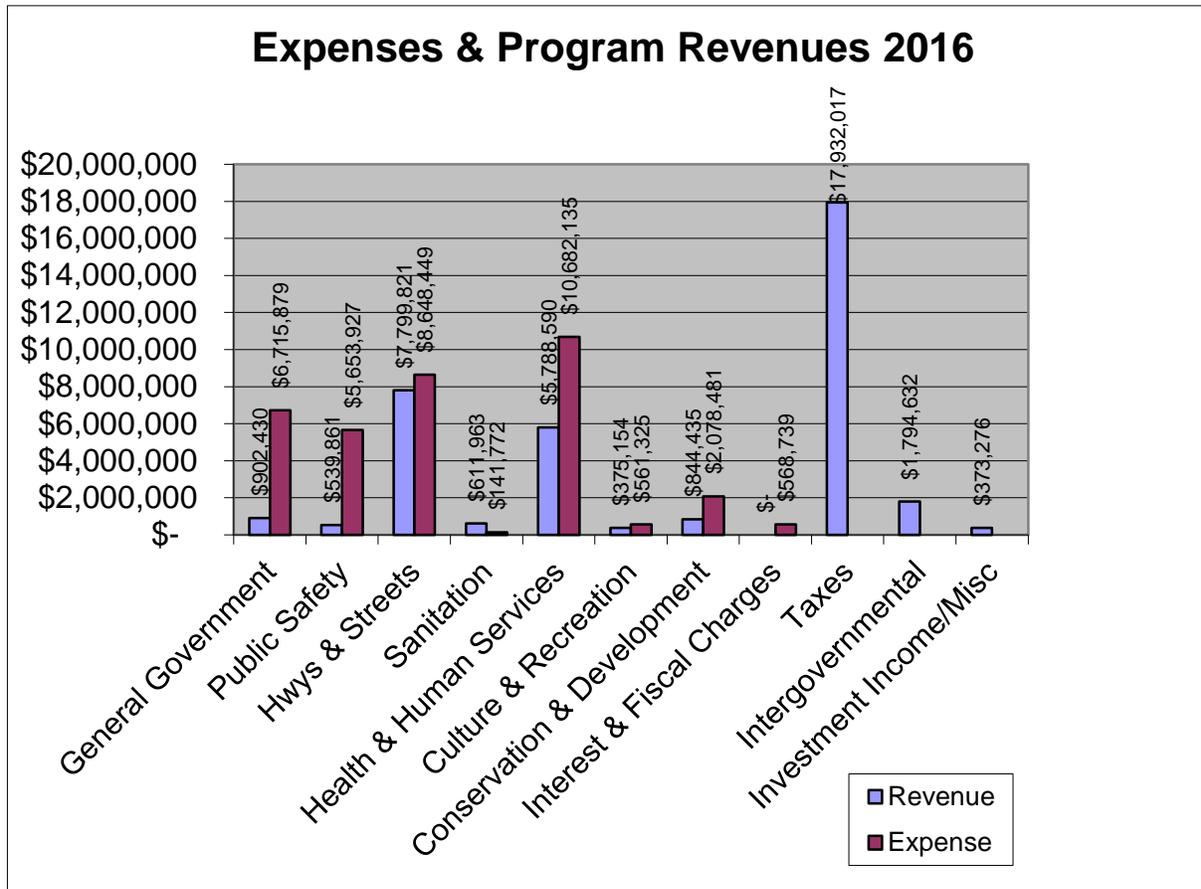


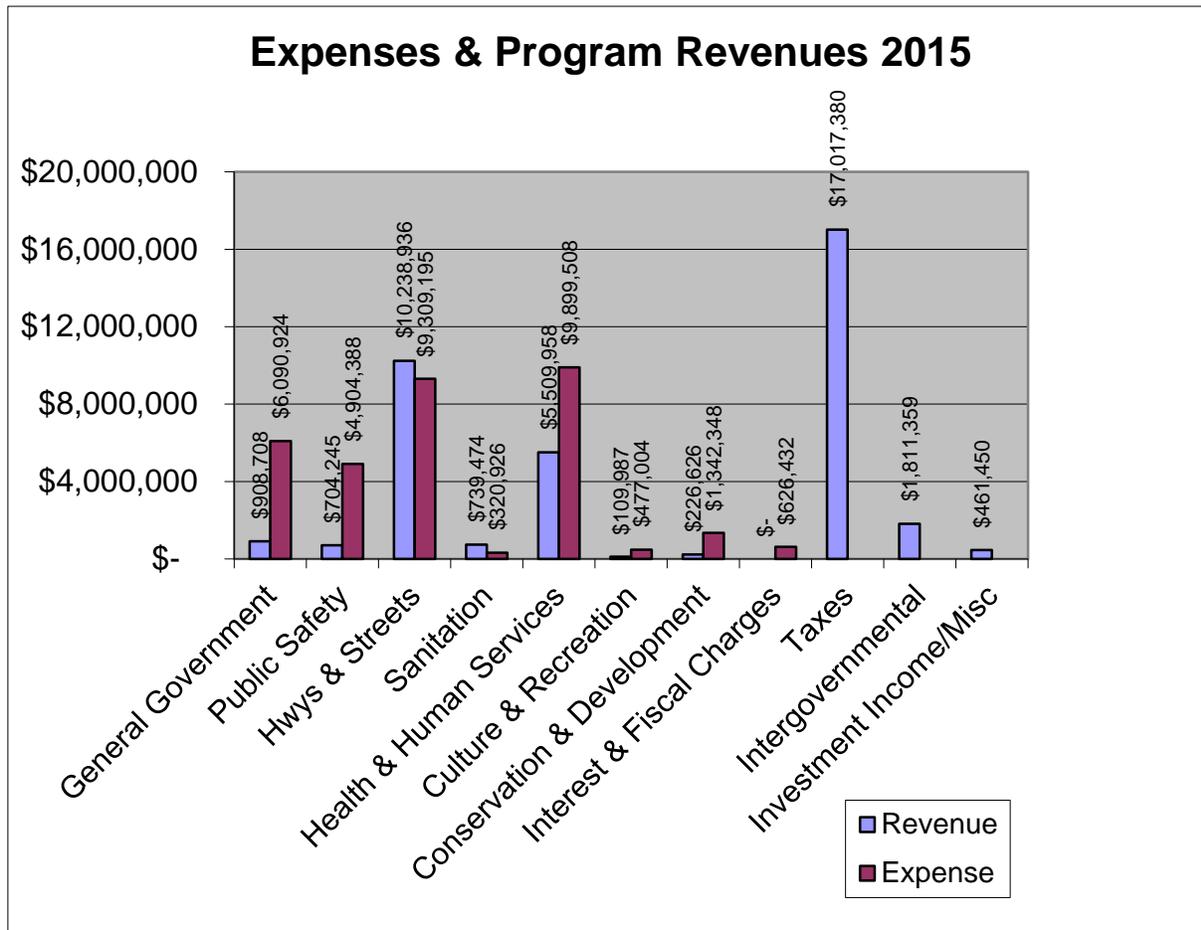
Exhibit 4 2015 Revenues by Source



(EXHIBIT 5)



**(EXHIBIT 6)**



## Financial Analysis of the County's Funds

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

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

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$23,506,716. The majority of this amount (\$15,812,654) constitutes unrestricted, spendable fund balance, which is available for spending at the county's discretion. The remainder of fund balance is nonspendable or restricted to indicate this it is not available for new spending because it has already been restricted for various reasons.

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

	Assigned/Unassigned Fund Balance	Total Fund Balance
General	\$5,820,579	\$6,926,124
Road & Bridge	904,260	3,768,263
Human Services	5,815,509	5,815,509
Environmental Health	2,185,979	3,537,113
County Ditch	-549,500	-549,500

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

	Liquidity - Unrestricted, Spendable Funds	Liquidity - Total Fund Balance
General	44.2%	52.6%
Road & Bridge	9.2%	38.5%
Human Services	70.2%	70.2%
Environmental Health	197.5%	319.5%
County Ditch	-	-

### **Budgetary Highlights**

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

In Le Sueur County's General Fund the actual revenues and other financing sources were \$343,624 over budget. Actual expenditures and other financing uses were \$350,292 under budget. The excess revenue was primarily related to intergovernmental / grant revenue while the expenditures variance was related to cost containment efforts in the public safety functions.

### **Capital Asset and Debt Administration**

*Capital Assets.* The County's investment in capital assets for its governmental activities as of December 31, 2016, amounts to \$96,568,095 (net of accumulated depreciation). This investment in capital assets includes construction in progress, land, buildings, equipment, and infrastructure. There were no major capital asset events in 2016.

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

	<u>2016</u>	<u>2015</u>
Land	\$ 4,997,319	\$ 4,997,319
Construction in Progress	1,749,783	1,031,186
Land Improvements	107,313	109,794
Building and Improvements	2,767,982	2,967,955
Machinery, Furniture & Equipment	3,905,498	4,258,049
Infrastructure	<u>83,040,200</u>	<u>82,853,828</u>
	<u>\$ 96,568,095</u>	<u>\$ 96,218,131</u>

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

*Long-term debt.* At the end of the current fiscal year, the County had total bonded debt outstanding of \$20,220,000 which is backed by the full faith and credit of the government.

#### **Le Sueur County's Governmental Outstanding Debt**

	<u>2016</u>	<u>2015</u>
General Obligation Bonds	\$ <u>20,220,000</u>	\$ <u>19,995,000</u>

Le Sueur County's debt increased by \$225,000 during 2016. The primary reason was that Le Sueur County issued new bonds totaling \$2,505,000 and also had a current refunding of a bond issuance from 2005.

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

Minnesota statutes limit the amount of debt that a county may levy to 3% of its total market value. As of the end of 2016, Le Sueur County was well below the 3% debt limit imposed by state statutes.

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

### **Economic Factors & New Years Budgets and Rates**

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

Le Sueur County continues to see residential growth. The County's population has increased gradually since the 2010 census. The County's total taxable net tax capacity increased by 2.2% in 2016 and 1.1% in 2017. As a result of the population increase, we are experiencing an increased demand for services particularly in police protection, land use policy, road construction, and road maintenance.

Property tax reforms at the state level significantly impacted government aid payments made to the County over the past several years. The County Program Aid of \$1,013,855 has decreased \$808,879 since the original 2003 certified amount of \$1,822,734 for similar state aids before the state made major cuts. Also, added is the impact of numerous unfunded mandates.

Le Sueur County's unemployment rate was 6.3% at the end of 2016. This is above the 4.1% statewide rate.

On December 20, 2016 the Le Sueur County Board of Commissioners approved the 2017 budget for \$36,638,408. This was a decrease from 2016. The 2017 levy is \$17,943,864, which is a 4.5% increase over 2016.

### **Audit / Request for Information**

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

**LE SUEUR COUNTY**

STATEMENT OF NET POSITION  
As of December 31, 2016

	Primary Government	Component Unit
	Governmental Activities	Housing and Redevelopment Authority
<b>ASSETS</b>		
Cash and investments	\$ 23,467,822	\$ 72,361
Taxes receivable	421,101	-
Special assessments receivable	401,016	-
Accounts receivable (net)	452,114	-
Notes receivable	497,769	-
Loans receivable (net)	-	21,809
Interest receivable	162,914	-
Due from other governments	2,080,703	-
Prepaid items, materials and supplies	660,335	-
Capital Assets		
Construction in progress	1,749,783	-
Land	4,997,319	-
Other capital assets, net of depreciation	89,820,993	-
Total Assets	124,711,869	94,170
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pension related amounts	9,778,965	-
<b>LIABILITIES</b>		
Accounts payable	1,466,713	1,853
Accrued liabilities	291,301	-
Interest payable	232,504	-
Due to other governments	264,190	-
Unearned revenues	-	25,301
Noncurrent Liabilities		
Due within one year	2,612,312	-
Due in more than one year	37,336,178	-
Total Liabilities	42,203,198	27,154
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Unearned revenues	40,916	-
Pension related amounts	1,756,998	-
Total Deferred Inflows of Resources	1,797,914	-
<b>NET POSITION</b>		
Net investment in capital assets	79,907,225	-
Restricted for		
Recorder equipment	367,802	-
Public safety	397,858	-
Highways and streets	896,904	-
Future septic loans	1,351,134	-
Culture and recreation	140,051	-
Reclamation/conservation	332,824	-
Debt service	1,808,052	-
Housing assistance payments	-	230
Economic development	-	66,786
Unrestricted	5,287,872	-
<b>TOTAL NET POSITION</b>	<b>\$ 90,489,722</b>	<b>\$ 67,016</b>

See accompanying notes to financial statements.

**LE SUEUR COUNTY**

STATEMENT OF ACTIVITIES  
For the Year Ended December 31, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary	Component
					Governmental Activities	Unit HRA
<b>Primary Government</b>						
Governmental Activities						
General government	\$ 6,715,879	\$ 678,513	\$ 223,917	\$ -	\$ (5,813,449)	\$ -
Public safety	5,653,927	301,700	238,161	-	(5,114,066)	-
Highways and streets	8,648,449	2,025,096	2,407,779	3,366,946	(848,628)	-
Sanitation	141,772	20,442	591,521	-	470,191	-
Health and human services	10,682,135	1,112,191	4,676,399	-	(4,893,545)	-
Culture, recreation, and education	561,325	375,154	-	-	(186,171)	-
Conservation and development	2,078,481	181,392	96,163	566,880	(1,234,046)	-
Interest and fiscal charges	568,739	-	-	-	(568,739)	-
Total Primary Government	<u>\$ 35,050,707</u>	<u>\$ 4,694,488</u>	<u>\$ 8,233,940</u>	<u>\$ 3,933,826</u>	<u>(18,188,453)</u>	<u>-</u>
<b>Component Unit</b>						
Housing and Redevelopment Authority (HRA)	\$ 493,723	\$ -	\$ 493,951	\$ -	-	228
<b>General Revenues</b>						
Taxes						
Property taxes, levied for general purposes					15,160,451	-
Property taxes, levied for debt service					2,102,000	-
Other taxes					564,063	-
Payments in lieu of taxes					105,503	-
Intergovernmental revenues not restricted to specific programs					1,794,632	-
Investment income					140,628	36
Miscellaneous					232,648	-
Total General Revenues					<u>20,099,925</u>	<u>36</u>
<b>Change in Net Position</b>					1,911,472	264
NET POSITION - Beginning of Year					<u>88,578,250</u>	<u>66,752</u>
<b>NET POSITION - END OF YEAR</b>					<u>\$ 90,489,722</u>	<u>\$ 67,016</u>

See accompanying notes to financial statements.

**LE SUEUR COUNTY**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
As of December 31, 2016

	General Fund	Special Revenue				Nonmajor Governmental Funds	Total Governmental Funds
		Road and Bridge	Human Services	Environmental Health	County Ditch		
<b>ASSETS</b>							
Cash and investments	\$ 6,221,471	\$ 3,603,064	\$ 5,962,354	\$ 3,660,851	\$ -	\$ 4,020,082	\$ 23,467,822
Receivables							
Taxes	204,498	61,585	92,472	820	-	61,726	421,101
Special assessments	-	-	-	9,317	391,699	-	401,016
Accounts, net	109,976	50,141	267,718	156	13,035	11,088	452,114
Notes	-	-	-	497,769	-	-	497,769
Interest	162,914	-	-	-	-	-	162,914
Due from other governments	315,927	1,228,073	469,561	1,789	65,254	99	2,080,703
Due from other funds	594,311	-	-	-	-	-	594,311
Prepaid items, materials and supplies	199,833	460,502	-	-	-	-	660,335
<b>TOTAL ASSETS</b>	<b>\$ 7,808,930</b>	<b>\$ 5,403,365</b>	<b>\$ 6,792,105</b>	<b>\$ 4,170,702</b>	<b>\$ 469,988</b>	<b>\$ 4,092,995</b>	<b>\$ 28,738,085</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>							
Liabilities							
Accounts payable	\$ 277,103	\$ 519,540	\$ 547,070	\$ 50,448	\$ 24,192	\$ 48,358	\$ 1,466,711
Accrued liabilities	181,686	34,583	69,628	2,569	-	2,835	291,301
Due to other governments	85,714	137,309	46	31,831	9,286	4	264,190
Due to other funds	-	-	-	-	594,311	-	594,311
Total Liabilities	<u>544,503</u>	<u>691,432</u>	<u>616,744</u>	<u>84,848</u>	<u>627,789</u>	<u>51,197</u>	<u>2,616,513</u>
Deferred Inflows of Resources							
Unearned revenues	-	-	-	40,916	-	-	40,916
Unavailable revenues	338,303	943,670	359,852	507,825	391,699	32,591	2,573,940
Total Deferred Inflows of Resources	<u>338,303</u>	<u>943,670</u>	<u>359,852</u>	<u>548,741</u>	<u>391,699</u>	<u>32,591</u>	<u>2,614,856</u>
Fund Balances (Deficit)							
Nonspendable	199,833	460,502	-	-	-	-	660,335
Restricted	905,712	2,403,501	-	1,351,134	-	2,373,380	7,033,727
Assigned	57,000	904,260	5,815,509	2,185,979	-	1,635,827	10,598,575
Unassigned (deficit)	5,763,579	-	-	-	(549,500)	-	5,214,079
Total Fund Balances (Deficit)	<u>6,926,124</u>	<u>3,768,263</u>	<u>5,815,509</u>	<u>3,537,113</u>	<u>(549,500)</u>	<u>4,009,207</u>	<u>23,506,716</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 7,808,930</b>	<b>\$ 5,403,365</b>	<b>\$ 6,792,105</b>	<b>\$ 4,170,702</b>	<b>\$ 469,988</b>	<b>\$ 4,092,995</b>	<b>\$ 28,738,085</b>

See accompanying notes to financial statements.

## LE SUEUR COUNTY

### RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION As of December 31, 2016

Total fund balance - governmental funds		\$ 23,506,716
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital assets used in government activities are not financial resources and, therefore, are not reported in the fund statements. Capital assets at year end consist of:</p>		
Capital assets	\$ 136,941,515	
Accumulated depreciation	<u>(40,373,420)</u>	96,568,095
<p>Revenues that are not available to pay current liabilities are reported as unavailable revenue in the fund financial statements and are recognized as revenue when earned in the government-wide financial statements. These types of unavailable revenues at year end consist of:</p>		
Taxes	293,537	
Special assessments	401,016	
Governmental grants	1,000,120	
Accounts receivable	218,583	
Notes receivable	497,769	
Interest	<u>162,915</u>	2,573,940
<p>The net pension liability does not relate to current financial resources and is not reported in the fund statements.</p>		
		(17,973,796)
<p>Deferred outflows of resources related to pensions do not relate to current financial resources and are not reported in the fund statements.</p>		
		9,778,965
<p>Deferred inflows of resources related to pensions do not relate to current financial resources and are not reported in the fund statements.</p>		
		(1,756,998)
<p>Long-term liabilities, including bond and notes payable, are not due in the current period and, therefore, are not reported in the fund statements. Long-term liabilities at year end consist of:</p>		
General obligation debt	(20,220,000)	
Debt premium	(354,371)	
Accrued interest on general obligation debt	(232,506)	
Compensated absences	<u>(1,400,323)</u>	<u>(22,207,200)</u>
<b>TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES</b>		<b><u>\$ 90,489,722</u></b>

See accompanying notes to financial statements.

**LE SUEUR COUNTY**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - GOVERNMENTAL FUNDS  
For the Year Ended December 31, 2016

	General Fund	Special Revenue			County Ditch	Nonmajor Governmental Funds	Total Governmental Funds
		Road and Bridge	Human Services	Environmental Health			
<b>REVENUES</b>							
Taxes	\$ 8,738,963	\$ 2,977,803	\$ 3,567,880	\$ 50,612	\$ -	\$ 2,157,903	\$ 17,493,161
Special assessments	128,609	-	-	225,420	513,192	-	867,221
Intergovernmental	1,902,520	5,811,314	3,982,347	667,573	57,482	98,482	12,519,718
Licenses and permits	382,555	-	-	3,300	-	-	385,855
Charges for services	2,125,993	542,792	106,948	19,312	-	-	2,795,045
Investment income	181,883	41	-	-	-	12,497	194,421
Miscellaneous	184,232	1,231,414	371,579	5,868	234	16,402	1,809,729
Total Revenues	<u>13,644,755</u>	<u>10,563,364</u>	<u>8,028,754</u>	<u>972,085</u>	<u>570,908</u>	<u>2,285,284</u>	<u>36,065,150</u>
<b>EXPENDITURES</b>							
Current							
General government	6,046,380	-	-	-	-	9,796	6,056,176
Public safety	3,927,597	-	-	-	-	106,808	4,034,405
Highways and streets	-	9,024,021	-	-	-	-	9,024,021
Sanitation	-	-	-	416,837	-	-	416,837
Health and human services	2,191,445	-	8,287,415	16,553	-	-	10,495,413
Culture, recreation, and education	538,755	-	-	-	-	-	538,755
Conservation and development	234,502	-	-	641,769	574,206	75,757	1,526,234
Capital Outlay	232,335	342,544	-	-	-	46,744	621,623
Debt Service							
Principal	-	260,000	-	-	-	2,020,000	2,280,000
Interest and fiscal charges	-	168,620	-	31,863	-	484,696	685,179
Total Expenditures	<u>13,171,014</u>	<u>9,795,185</u>	<u>8,287,415</u>	<u>1,107,022</u>	<u>574,206</u>	<u>2,743,801</u>	<u>35,678,643</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>473,741</u>	<u>768,179</u>	<u>(258,661)</u>	<u>(134,937)</u>	<u>(3,298)</u>	<u>(458,517)</u>	<u>386,507</u>
<b>OTHER FINANCING SOURCES (USES)</b>							
Long-term debt issued	-	-	-	1,510,000	-	995,000	2,505,000
Premium on debt issued	-	-	-	24,531	-	23,765	48,296
Transfers in	157,501	-	-	16,666	-	-	174,167
Transfers out	(16,666)	-	-	(157,501)	-	-	(174,167)
Total Other Financing Sources (Uses)	<u>140,835</u>	<u>-</u>	<u>-</u>	<u>1,393,696</u>	<u>-</u>	<u>1,018,765</u>	<u>2,553,296</u>
<b>Net Change in Fund Balances</b>	<b>614,576</b>	<b>768,179</b>	<b>(258,661)</b>	<b>1,258,759</b>	<b>(3,298)</b>	<b>560,248</b>	<b>2,939,803</b>
FUND BALANCES (DEFICIT) - Beginning of Year	6,311,548	3,050,445	6,074,170	2,278,354	(546,202)	3,448,959	20,617,274
Change in reserve for materials and supplies	-	(50,361)	-	-	-	-	(50,361)
<b>FUND BALANCES (DEFICIT) - END OF YEAR</b>	<b>\$ 6,926,124</b>	<b>\$ 3,768,263</b>	<b>\$ 5,815,509</b>	<b>\$ 3,537,113</b>	<b>\$ (549,500)</b>	<b>\$ 4,009,207</b>	<b>\$ 23,506,716</b>

See accompanying notes to financial statements.

## LE SUEUR COUNTY

### RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES For the Year Ended December 31, 2016

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Net change in fund balances - total governmental funds	\$ 2,939,803
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. The following differ in their presentation in the two statements:	
Capital outlay is capitalized in the government-wide statements	621,623
Some capital outlay is not capitalized in the government-wide statements	(101,010)
Highway construction capitalized in the government-wide statements	3,215,264
Some other functional expenses are capitalized in the government-wide statements	64,249
Depreciation is reported in the government-wide statements	(3,450,162)
Taxes and other receivables that are not available to pay current liabilities are reported as unavailable revenues in the fund financial statements but are recognized as revenue when earned in the government-wide financial statements. \$1,742,642 of taxes, grants and interest recognized as revenue on the fund statements was recognized in the government-wide statement in prior years. \$2,573,940 of taxes, grants, notes and interest are reported as unavailable revenue in the fund statements but recognized as revenue in the government-wide statements in the current year.	
	831,298
Issuing debt provides current financial resources in the governmental funds, but the repayment of debt consumes current financial resources in the governmental funds.	
Debt issued	(2,505,000)
Principal payments	2,280,000
Bond premiums are reported as revenue in the fund financial statements, but are capitalized in the government-wide statements and amortized over the life of the related debt.	
	(48,296)
Some expenses in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the fund financial statements. The following did not require the use of current financial resources:	
Change in compensated absences	(112,854)
Change in accrued interest expense	81,424
Amortization of debt discounts and premiums	35,014
Net pension liability (and pension related deferred outflows/inflows of resources)	(1,889,520)
The change in materials and supplies is reported as a change in fund balance in the fund financial statements, but is a change in expense in the government-wide statements.	
	<u>(50,361)</u>
<b>CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<b><u>\$ 1,911,472</u></b>

See accompanying notes to financial statements.

**LE SUEUR COUNTY**

STATEMENT OF NET POSITION -  
FIDUCIARY FUNDS  
As of December 31, 2016

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	Private-Purpose Trusts	Agency Funds
	<u>                    </u>	<u>                    </u>
<b>ASSETS</b>		
Cash and investments	\$ 60,433	\$ 1,688,152
Total Assets	<u>60,433</u>	<u>1,688,152</u>
<b>LIABILITIES</b>		
Accounts payable	-	8,210
Deposits	-	16,731
Due to other governments	-	1,663,211
Total Liabilities	<u>-</u>	<u>1,688,152</u>
<b>NET POSITION HELD IN TRUST</b>	<u>\$ 60,433</u>	<u>\$ -</u>

**LE SUEUR COUNTY**

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION -  
FIDUCIARY FUND**

For the Year Ended December 31, 2016

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	<u>Private-Purpose Trusts</u>
<b>ADDITIONS</b>	
Interest	\$ 12
<b>DEDUCTIONS</b>	
Payments in accordance with trust agreements	<u>273</u>
<b>Change in Net Position</b>	(261)
NET POSITION HELD IN TRUST - Beginning of Year	<u>60,694</u>
<b>NET POSITION HELD IN TRUST - END OF YEAR</b>	<u>\$ 60,433</u>

# LE SUEUR COUNTY

## INDEX TO NOTES TO THE FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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# LE SUEUR COUNTY

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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### **NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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The accounting policies of Le Sueur County, Minnesota (the “County”) conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The accepted standard-setting body for establishing governmental accounting and financial reporting principles is the Governmental Accounting Standards Board (GASB).

#### **A. REPORTING ENTITY**

Le Sueur County was established March 5, 1853, and is an organized county having the powers, duties, and privileges granted counties by Minn. Statute ch. 373. The County is governed by a five member board of commissioners elected from districts within the County. The board is organized with a chair and vice chair elected at the annual meeting in January of each year.

The report includes all of the funds of the County. The reporting entity for the County consists of the primary government and its component units. Component units are legally separate organizations for which the primary government is financially accountable or other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity’s financials statements to be misleading. The primary government is financially accountable if (1) it appoints a voting majority of the organization’s governing body and it is able to impose its will on that organization, (2) it appoints a voting majority of the organization’s governing body and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government, (3) the organization is fiscally dependent on and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. Certain legally separate, tax exempt organization should also be reported as a component unit of a reporting entity if all of the following criteria are met: (1) the economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents; (2) the primary government or its component units, is entitled to, or has the ability to access, a majority of the economic resources received or held by the separate organization; and (3) the economic resources received or held by an individual organization that the primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government.

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

# LE SUEUR COUNTY

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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

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#### A. REPORTING ENTITY (cont.)

##### ***Discretely Presented Component Unit***

###### *Housing and Redevelopment Authority*

The government-wide statements include the Housing and Redevelopment Authority of Le Sueur County (HRA) as a component unit. The HRA is a legally separate organization. The Board of County Commissioners appoints the board of the HRA. In addition, the Board of County Commissioners can hire, reassign, or dismiss persons responsible for the day-to-day operations of the HRA. As a component unit, the HRA's financial statements have been presented as a discrete column in the financial statements. The information presented is for the fiscal year ended September 30, 2015. Separately issued financial statements of the HRA may be obtained from the Minnesota Valley Action Council at 464 Raintree Road, Mankato, Minnesota, 56001. See Note III.G.

#### B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

In February 2015, the GASB issued Statement No. 72 – *Fair Value Measurement and Application*. This statement addresses accounting and financial reporting issues related to fair value measurements. It defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This standard was implemented January 1, 2016.

In August 2015, the GASB issued Statement No. 77 – *Tax Abatement Disclosures*. This statement addresses accounting and financial reporting issues related to tax abatements. This standard was implemented January 1, 2016.

##### ***Government-Wide Financial Statements***

The statement of net position and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. All of Le Sueur County's activities are considered governmental activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Le Sueur County does not allocate indirect expenses to functions in the statement of activities. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not included among program revenues are reported as general revenues. Internally dedicated resources are reported as general revenues rather than as program revenues.

# LE SUEUR COUNTY

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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

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

##### ***Fund Financial Statements***

Financial statements of the County are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position/fund balance, revenues, and expenditures/expenses.

Funds are organized as major funds or nonmajor funds within the governmental fund statements. An emphasis is placed on major funds within the governmental categories. A fund is considered major if it is the primary operating fund of Le Sueur County or meets the following criteria:

- a. Total assets/deferred outflows of resources, liabilities/deferred inflows of resources, revenues, or expenditures of that individual governmental fund are at least 10% of the corresponding total for all governmental funds.
- b. In addition, any other governmental fund that Le Sueur County believes is particularly important to financial statement users may be reported as a major fund.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Le Sueur County reports the following major governmental funds:

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

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

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

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

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

# LE SUEUR COUNTY

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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

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

##### ***Fund Financial Statements*** (cont.)

Le Sueur County reports the following nonmajor governmental funds:

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

Victim Witness  
Gravel Tax

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

Capital Projects Fund – used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

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

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

Cemetery Perpetual Care  
U.S. Fish and Wildlife

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

Agency	Family Services Collaborative
Taxes and Penalties	Sheriff
Social Welfare	

##### ***Government-Wide Financial Statements***

The government-wide statement of net position and statement of activities are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met. Special assessments are recorded as revenue when earned.

# LE SUEUR COUNTY

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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

---

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

##### ***Fund Financial Statements***

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt, claims, judgments, compensated absences, and pension expenditures, which are recorded as a fund liability when expected to be paid with expendable available financial resources.

Property taxes are recorded as receivables in the year levied. They are recognized as revenues when collected in the current year and in the first 60 days of the succeeding year.

Intergovernmental aids and grants are recognized as revenues in the period Le Sueur County is entitled to the resources and the amounts are available. Amounts owed to the County which are not available are recorded as receivables and unavailable revenues. Amounts received before eligibility requirements (excluding time requirements) are met are recorded as liabilities. Amounts received in advance of meeting time requirements are recorded as deferred inflows.

Special assessments are recorded as revenues when they become measurable and available as current assets. Annual installments due in future years are reflected as receivables and unavailable revenues.

Revenues susceptible to accrual include property taxes, miscellaneous taxes, public charges for services, special assessments, and interest. Other general revenues such as fines and forfeitures, inspection fees, recreation fees, and miscellaneous revenues are recognized when received in cash or when measurable and available under the criteria described above.

Fiduciary fund financial statements (other than agency funds) are reported using the economic resources management focus and the accrual basis of accounting, as described previously in this note. Agency funds follow the accrual basis of accounting and do not have a measurement focus.

##### ***All Financial Statements***

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

# LE SUEUR COUNTY

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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

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#### ***D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY***

##### ***1. Deposits and Investments***

Minnesota statutes authorize the county board to designate a depository for public funds and to invest in certificates of deposit. Minnesota statutes require that all deposits be covered by insurance, surety bond, or collateral.

Investments are limited to:

- > Bonds, notes, bills, mortgages, and other securities, which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by Congress, except mortgage-backed securities defined as “high risk” by Minnesota statutes;
- > Mutual fund through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;
- > State and local securities that meet specified bond ratings by a national rating service;
- > Banker’s acceptances of United States banks;
- > Commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by at least two nationally recognized rating agencies and matures in 270 days or less; and
- > Repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts, with certain restrictions.

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

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

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

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

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

# LE SUEUR COUNTY

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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

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#### **D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)**

##### **1. Deposits and Investments (cont.)**

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on methods and inputs as outlined in Note III.A. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income. Investment income on commingled investments funds is allocated to the general fund per Minn. Stat § 385.07. Other funds received investment earning based on other state statutes, grant agreements, contracts, and bond covenants. The difference between the bank balance and carrying value is due to outstanding checks and/or deposits in transit.

Le Sueur County invests in an external investment pool, the Minnesota Association of Governments Investing for Counties (MAGIC) Fund, which is created under a joint powers agreement pursuant to MN Statutes § 471.59. The County's MAGIC investment is reported at amortized cost. Financial information for the MAGIC Fund can be obtained online at <https://www.magicfund.org/forms-and-documents/>.

See Note III.A. for further information.

##### **2. Receivables**

The County levies and collects property taxes and special assessments for all governmental units within the County. Property tax collections and payments to other governmental units and county funds are accounted for in agency funds.

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

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

Accounts receivable have been shown net of an allowance for uncollectible accounts. No allowance for uncollectible delinquent taxes has been provided because of the County's demonstrated ability to recover any losses through the sale of the applicable property. The Human Services fund has recorded an allowance of \$717,803.

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. Short-term interfund loans are reported as "due to and from other funds." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the statement of net position.

# LE SUEUR COUNTY

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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

---

#### **D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)**

##### **3. Prepaid Items, Materials and Supplies**

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

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

##### **4. Capital Assets**

###### **Government-Wide Statements**

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an estimated useful life in excess of one year and the following initial cost:

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

All capital assets are valued at historical cost, or estimated historical cost if actual amounts are unavailable. Donated capital assets are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

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

###### **Fund Financial Statements**

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

# LE SUEUR COUNTY

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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

---

#### ***D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)***

##### ***5. Deferred Outflows of Resources***

A deferred outflow of resources represents a consumption of net position/fund balance that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until that future time.

##### ***6. Compensated Absences***

Under terms of employment, employees are granted sick leave and vacations in varying amounts. Only benefits considered to be vested are disclosed in these statements.

All vested vacation and sick leave pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements, and are payable with expendable available resources.

Payments for vacation and sick leave will be made at rates in effect when the benefits are used. Accumulated vacation and sick leave liabilities at December 31, 2016 are determined on the basis of current salary rates and include salary related payments.

##### ***7. Other Post Employment Benefits***

The County does not offer any significant post employment benefits.

##### ***8. Long-Term Obligations***

All long-term obligations to be repaid from governmental resources are reported as liabilities in the government-wide statements. The long-term obligations consist primarily of notes and bonds payable, accrued compensated absences and the net pension liability.

Long-term obligations for governmental funds are not reported as liabilities in the fund financial statements. The face value of debts (plus any premiums) is reported as other financing sources and payments of principal and interest are reported as expenditures.

For the government-wide statements, bond premiums and discounts are deferred and amortized over the life of the issue using the straight-line method, which approximates the effective interest method. The balance at year end is shown as an increase or decrease in the liability section of the statement of net position.

# LE SUEUR COUNTY

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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

---

#### **D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)**

##### **9. Deferred Inflows of Resources**

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

##### **10. Equity Classifications**

###### **Government-Wide Statements**

Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances (excluding any unspent bond proceeds) of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position – Consists of net position with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or, 2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – All other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

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

###### **Fund Statements**

Governmental fund balances are displayed as follows:

- a. Nonspendable - Includes fund balance amounts that cannot be spent either because they are not in spendable form or because legal or contractual requirements require them to be maintained intact.
- b. Restricted - Consists of fund balances with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or 2) law through constitutional provisions or enabling legislation.
- c. Committed - Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority. Fund balance amounts are committed through a formal action (resolution) of the county board. This formal action must occur prior to the end of the reporting period, but the amount of the commitment, which will be subject to the constraints, may be determined in the subsequent period. Any changes to the constraints imposed require the same formal action of the county board that originally created the commitment.

# LE SUEUR COUNTY

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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

---

#### **D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)**

##### **10. Equity Classifications (cont.)**

###### **Fund Statements (cont.)**

- d. Assigned - Includes spendable fund balance amounts that are intended to be used for specific purposes that are not considered restricted or committed. The county board has adopted a financial policy authorizing the County Manager and Finance Director to assign amounts for a specific purpose. Assignments may take place after the end of the reporting period.
- e. Unassigned - Includes residual positive fund balance within the General Fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those purposes.

The County considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents / contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the County would first use committed, then assigned and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

See Note III.F. for further information.

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

##### **11. Pension**

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA except that PERA's fiscal year end is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

# LE SUEUR COUNTY

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

### **NOTE II – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

#### **A. EXCESS EXPENDITURES OVER APPROPRIATIONS**

The following individual funds had 2016 expenditures and other financing uses in excess of appropriations:

Fund	Budgeted Expenditures and Other Financing Uses	Actual Expenditures and Other Financing Uses	Excess Over Budget
Human Services	\$ 7,380,885	\$ 8,287,415	\$ 906,530
Environmental Health	1,123,655	1,264,523	140,868
Victim Witness	104,662	106,808	2,146
Debt Service	2,146,026	2,504,696	358,670

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

A budget has not been adopted for the County Ditch fund.

#### **B. DEFICIT BALANCES**

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

As of December 31, 2016, the following individual fund held a deficit balance:

Fund	Amount	Reason
County Ditch	\$ 549,500	Expenditures in excess of revenues

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

## LE SUEUR COUNTY

### NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

#### NOTE III – DETAILED NOTES ON ALL FUNDS

##### **A. DEPOSITS AND INVESTMENTS**

The County maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the statement of net position and balance sheet as cash and investments.

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

	Carrying Value	Statement Balance	Associated Risks
Demand and time deposits	\$ 18,231,839	\$ 18,530,761	Custodial credit
US agencies	552,972	552,972	Custodial credit, credit, concentration of credit, interest rate
Negotiable CDs	3,421,781	3,421,781	Custodial credit, credit, concentration of credit, interest rate
Repurchase agreements	3,000,000	3,000,000	Custodial credit, credit, concentration of credit, interest rate
MAGIC	6,413	6,413	Credit, interest rate
Petty cash	3,402	-	N/A
	<u>\$ 25,216,407</u>	<u>\$ 25,511,927</u>	
Reconciliation to financial statements			
Per statement of net position			
Unrestricted cash and investments	\$ 23,467,822		
Per statement of net position –			
Fiduciary Funds			
Private purpose trusts	60,433		
Agency funds	1,688,152		
	<u>\$ 25,216,407</u>		

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for time and savings accounts (including NOW accounts) and \$250,000 for demand deposit amounts (interest-bearing and noninterest bearing). In addition, if deposits are held in an institution outside of the state in which the government is located, insured amounts are further limited to a total of \$250,000 for the combined amount of all deposits.

The Securities Investor Protection Corporation (SIPC), created by the Securities Investor Protection Act of 1970, is an independent government-sponsored corporation (not an agency of the U.S. government). Wells Fargo Advisors' SIPC membership provides account protection up to a maximum of \$500,000 per customer, of which \$100,000 may be in cash. Wells Fargo Advisors has obtained additional protection for the remaining balance in the County's account.

# LE SUEUR COUNTY

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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

#### A. DEPOSITS AND INVESTMENTS (cont.)

The County maintains collateral agreements with its banks. At December 31, 2016, the banks had pledged various government securities in the amount of \$12,224,337 to secure the County's deposits.

The County categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The valuation methods for recurring fair value measurements are as follows:

- > Quoted market prices
- > Matrix pricing models

Investment Type	December 31, 2016			Total
	Level 1	Level 2	Level 3	
US agencies	\$ -	\$ 552,972	\$ -	\$ 552,972
Negotiable CDs	-	3,421,781	-	3,421,781
Repurchase agreements	-	3,000,000	-	3,000,000
Totals	\$ -	\$ 6,974,753	\$ -	\$ 6,974,753

#### ***Custodial Credit Risk***

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

As of December 31, 2016, the County had no deposits exposed to custodial credit risk.

Investments – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

As of December 31, 2016, the County had no investments exposed to custodial credit risk.

# LE SUEUR COUNTY

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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

#### A. DEPOSITS AND INVESTMENTS (cont.)

##### **Credit Risk**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

As of December 31, 2016, the County's investments were rated as follows:

Investment Type	Standard & Poor's	Moody's Investor Service
US agencies – Federal Home Loan Mortgage Corporation	AA+	AAA
Repurchase agreements – Golden Valley, MN GO	NR	Aa1
Repurchase agreements – Janesville, MN GO	A+	NR

The County also had the following unrated investments:

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

##### **Concentration of Credit Risk**

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer.

At December 31, 2016, the investment portfolio was concentrated as follows:

Issuer	Investment Type	Percentage of Portfolio
Comenity Capital Bank	Negotiable certificate of deposit and repurchase agreement	6.63%
American Express Central Bank	Negotiable certificate of deposit and repurchase agreement	6.67%
GE Capital Retail Bank	Negotiable certificate of deposit and repurchase agreement	6.67%
Goldman Sachs Bank	Negotiable certificate of deposit and repurchase agreement	6.60%
Federal Home Loan Mortgage Corporation	US Agencies	7.98%

# LE SUEUR COUNTY

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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

#### A. DEPOSITS AND INVESTMENTS (cont.)

##### **Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates will adversely affect the value of an investment.

As of December 31, 2016, the County's investments were as follows:

Investment Type	Fair Value	Maturity (In Years)		
		Less than 1	1 - 3	More than 3
US agencies	\$ 552,972	\$ -	\$ -	\$ 552,972
Negotiable CDs	3,421,781	-	2,531,356	890,425
Repurchase agreements	3,000,000	3,000,000	-	-
MAGIC	6,413	6,413	-	-
<b>Totals</b>	<b>\$ 6,981,166</b>	<b>\$ 3,006,413</b>	<b>\$ 2,531,356</b>	<b>\$ 1,443,397</b>

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

#### B. RECEIVABLES

All receivables are expected to be collected within one year except for \$44,963 of interest in the general fund, \$428,258 of notes receivable in the environmental health fund, and \$293,774 of special assessments in the County ditch fund.

Governmental funds report *unavailable* or *unearned revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *unavailable revenue* and *unearned revenue* reported in the governmental funds were as follows:

	Unearned	Unavailable
Property taxes receivable	\$ -	\$ 293,537
Special assessments not yet due	-	401,016
Grants not received within 60 days of end of year	-	1,000,120
Accounts receivable not received within 60 days of end of year	-	218,583
Notes receivable	-	497,769
Interest receivable	-	162,915
Grants received in advance	40,916	-
<b>Total Unavailable/Unearned Revenue for Governmental Funds</b>	<b>\$ 40,916</b>	<b>\$ 2,573,940</b>

## LE SUEUR COUNTY

### NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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

#### C. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2016 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated				
Construction in progress	\$ 1,031,186	\$ 3,076,363	\$ 2,357,766	\$ 1,749,783
Land	4,997,319	-	-	4,997,319
Total Capital Assets Not Being Depreciated	\$ 6,028,505	\$ 3,076,363	\$ 2,357,766	\$ 6,747,102
Other capital assets being depreciated				
Buildings and improvements	\$ 7,446,390	\$ -	\$ -	\$ 7,446,390
Land improvements	150,404	-	-	150,404
Machinery, furniture, and equipment	12,079,045	584,862	34,865	12,629,042
Infrastructure	107,471,910	2,496,667	-	109,968,577
Total Other Capital Assets Being Depreciated	127,147,749	3,081,529	34,865	130,194,413
Less: Accumulated depreciation for				
Buildings and improvements	(4,478,435)	(199,973)	-	(4,678,408)
Land improvements	(40,610)	(2,481)	-	(43,091)
Machinery, furniture, and equipment	(7,820,996)	(937,413)	34,865	(8,723,544)
Infrastructure	(24,618,082)	(2,310,295)	-	(26,928,377)
Total Accumulated Depreciation	(36,958,123)	(3,450,162)	34,865	(40,373,420)
Total Other Capital Assets, Net of Depreciation	\$ 90,189,626	\$ (368,633)	\$ -	\$ 89,820,993

Depreciation expense was charged to functions as follows:

General government	\$ 163,007
Public safety	535,313
Highway and streets, which includes the depreciation of infrastructure	2,698,891
Human services	21,608
Conservation and development	11,106
Culture, recreation and education	20,237
Total Governmental Activities Depreciation Expense	\$ 3,450,162

**LE SUEUR COUNTY**

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2016

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

***D. INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS***

***Interfund Receivables/Payables***

The following is a schedule of interfund receivables and payables:

Receivables Fund	Payable Fund	Amount
General Fund	Ditch Fund	<u>\$ 594,311</u>
Total - Fund Financial Statements		<u><u>\$ 594,311</u></u>

All amounts are due within one year.

All balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

***Transfers***

The following is a schedule of interfund transfers:

Fund Transferred To	Fund Transferred From	Amount	Principal Purpose
Environmental Health	General Fund	\$ 8,566	Share of 2016 water plan
Environmental Health	General Fund	8,100	Share of machine room
General Fund	Environmental Health	<u>157,501</u>	Balance in 2006 wastewater loans
Total – Fund Financial Statements		<u><u>\$ 174,167</u></u>	

Generally, transfers are used to (1) move revenues from the fund that collects them to the fund that the budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

# LE SUEUR COUNTY

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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

#### **E. LONG-TERM OBLIGATIONS**

Long-term obligations activity for the year ended December 31, 2016 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<b>Bonds and Notes Payable</b>					
General obligation debt	\$ 19,995,000	\$ 2,505,000	\$ (2,280,000)	\$ 20,220,000	\$ 2,335,000
Premiums/(discounts)	341,089	48,296	(35,014)	354,371	-
Sub-totals	<u>20,336,089</u>	<u>2,553,296</u>	<u>(2,315,014)</u>	<u>20,574,371</u>	<u>2,335,000</u>
<b>Other Liabilities</b>					
Compensated absences	1,287,469	112,854	-	1,400,323	277,312
Net pension liability	8,653,402	10,945,280	(1,624,886)	17,973,796	-
Sub-totals	<u>9,940,871</u>	<u>11,058,134</u>	<u>(1,624,886)</u>	<u>19,374,119</u>	<u>277,312</u>
<b>Total Long-Term Liabilities</b>	<u>\$ 30,276,960</u>	<u>\$ 13,611,430</u>	<u>\$ (3,939,900)</u>	<u>\$ 39,948,490</u>	<u>\$ 2,612,312</u>

In accordance with Minnesota Statutes, net indebtedness of the County may not exceed 3% of the market value of taxable property within the County's jurisdiction. The debt limit as of December 31, 2016, was \$112,477,845. General obligation debt outstanding at year end was \$20,220,000.

#### **General Obligation Debt**

All general obligation notes and bonds payable are backed by the full faith and credit of the County. General obligation bonds will be retired by future property tax levies accumulated by the debt service fund and the road and bridge special revenue fund.

General Obligation Debt	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance 12-31-16
Capital Improvement Bonds	2006	2023	4.00%	\$ 2,555,000	\$ 1,380,000
Capital Improvement Bonds	2007	2024	4.00-4.10%	2,555,000	1,550,000
Capital Improvement Bonds	2008	2024	3.00-4.30%	4,090,000	2,500,000
State-Aid Street Bonds	2009	2019	2.00-3.00%	2,600,000	780,000
Capital Improvement Bonds	2011	2022	0.50-2.75%	3,000,000	1,880,000
General Obligation Bonds	2015	2026	2.00%	9,625,000	9,625,000
General Obligation Bonds	2016	2026	2.00-2.10%	2,505,000	2,505,000
<b>Total General Obligation Debt</b>					<u>\$ 20,220,000</u>

# LE SUEUR COUNTY

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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

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#### **E. LONG-TERM OBLIGATIONS** (cont.)

##### **General Obligation Debt** (cont.)

Debt service requirements to maturity are as follows:

	General Obligation Debt	
	Principal	Interest
2017	\$ 2,335,000	\$ 497,553
2018	2,395,000	436,343
2019	2,455,000	372,363
2020	2,250,000	309,885
2021	2,315,000	248,609
2022 – 2026	<u>8,470,000</u>	<u>429,033</u>
Totals	<u>\$ 20,220,000</u>	<u>\$ 2,293,786</u>

##### **Other Debt Information**

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

##### **Current Refunding**

On January 5, 2016, the County issued \$2,505,000 in general obligation bonds of which \$995,000 with an average coupon rate of 2.0 percent was used to current refund \$1,000,000 of outstanding capital improvement bonds with an average coupon rate of 3.825 percent. The net proceeds were used to prepay the outstanding debt.

The cash flow requirements on the refunded bonds and notes prior to the current refunding was \$1,145,103 from 2017 through 2022. The cash flow requirements on the 2016 refunding bonds are \$1,064,769 from 2017 through 2022. The current refunding resulted in an economic gain of \$76,359.

# LE SUEUR COUNTY

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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

#### F. NET POSITION/FUND BALANCES

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

Net investment in capital assets	
Construction in progress	\$ 1,749,783
Land	4,997,319
Other capital assets, net of accumulated depreciation	89,820,993
Less: related long-term debt outstanding (excluding unspent capital related debt proceeds)	<u>(16,660,870)</u>
 Total Net Investment in Capital Assets	 <u><u>\$ 79,907,225</u></u>

Governmental fund balances as of December 31, 2016, include the following items:

Fund Balances	General Fund	Road and Bridge	Human Services	Environmental Health	County Ditch	Nonmajor Funds	Totals
<b>Nonspendable:</b>							
Prepaid items, materials and supplies	\$ 199,833	\$ 460,502	\$ -	\$ -	\$ -	\$ -	\$ 660,335
<b>Restricted for:</b>							
Recorder's equipment	367,803	-	-	-	-	-	367,803
Sheriff's forfeiture	31,838	-	-	-	-	-	31,838
Sheriff's drug and alcohol contingency	2,000	-	-	-	-	-	2,000
E-911	364,020	-	-	-	-	-	364,020
Parks	140,051	-	-	-	-	-	140,051
Capital projects	-	2,403,501	-	-	-	-	2,403,501
Future septic loans	-	-	-	1,351,134	-	-	1,351,134
Reclamation/conservation	-	-	-	-	-	332,824	332,824
Debt service	-	-	-	-	-	2,040,556	2,040,556
<b>Assigned to:</b>							
2017 budget	57,000	-	-	-	-	-	57,000
Human services	-	-	5,815,509	-	-	-	5,815,509
Environmental health	-	-	-	2,185,979	-	-	2,185,979
Victim witness	-	-	-	-	-	20,002	20,002
Capital projects	-	904,260	-	-	-	1,615,825	2,520,085
<b>Unassigned (deficit)</b>	<b>5,763,579</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(549,500)</b>	<b>-</b>	<b>5,214,079</b>
 Total Fund Balances (Deficit)	 <u><u>\$ 6,926,124</u></u>	 <u><u>\$ 3,768,263</u></u>	 <u><u>\$ 5,815,509</u></u>	 <u><u>\$ 3,537,113</u></u>	 <u><u>\$ (549,500)</u></u>	 <u><u>\$ 4,009,207</u></u>	 <u><u>\$ 23,506,716</u></u>

# LE SUEUR COUNTY

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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

#### G. COMPONENT UNIT

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

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

a. Management Agreement

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

b. Basis of Accounting and Measurement Focus

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

c. Deposits and Investments

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

	Carrying Value	Bank Balance	Associated Risks
Demand deposits	\$ 72,361	\$ 72,361	Custodial credit risk

#### ***Custodial Credit Risk***

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

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

d. Loans Receivable

The HRA issued a loan through the Community Development Block Grant program. The loan was issued without bearing interest and is secured by property in Kilkenny, Minnesota. Payments of \$25 are due monthly with principal due in full upon sale of the property. The balance of the loan at September 30, 2016 is \$21,809.

The HRA has also issued loans to renovate and remodel residential and business properties through the Small Cities Payment Loan Program. The balance of these notes at September 30, 2016 is \$4,054. These loans are deferred for 10 years, at which time the loan is forgiven if the original property owner is still residing at the improved property. The loans will be forgiven by 2018. These notes are unlikely to be collected and an allowance for doubtful accounts is recorded for the amount of \$4,054.

# LE SUEUR COUNTY

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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### NOTE IV – OTHER INFORMATION

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#### **A. EMPLOYEES' RETIREMENT SYSTEM**

##### ***Public Employees Retirement Association (PERA)***

##### ***General Information About the Pension Plan***

**Plan Description.** The County participates in the following cost-sharing multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA's defined benefit pension plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401 (a) of the Internal Revenue Code.

##### 1. General Employees Retirement Plan

All full-time and certain part-time employees of the County are covered by the General Employees Plan. General Employees Plan members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan.

##### 2. Public Employees Police and Fire Plan

The Police and Fire Plan, originally established for police officers and firefighters not covered by a local relief association, now covers all police officers and firefighters hired since 1980. Effective July 1, 1999, the Police and Fire Plan also covers police officers and firefighters belonging to local relief associations that elected to merge with and transfer assets and administration to PERA.

##### 3. Local Government Correctional Plan

The Correctional Plan was established for correctional officers serving in county and regional corrections facilities. Eligible participants must be responsible for the security, custody, and control of the facilities and their inmates.

**Benefits Provided.** PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state legislature.

Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Members in plans that are at least 90 percent funded for two consecutive years are given 2.5 percent increases. Members in plans that have not exceeded 90 percent funded, or have fallen below 80 percent, are given 1 percent increases.

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

# LE SUEUR COUNTY

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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### NOTE IV – OTHER INFORMATION (cont.)

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#### **A. EMPLOYEES' RETIREMENT SYSTEM** (cont.)

##### **Public Employees Retirement Association (PERA)** (cont.)

##### **General Information About the Pension Plan** (cont.)

##### **Benefits Provided.** (cont.)

###### 1. General Employees Plan Benefits

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first ten years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first ten years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For members hired prior to July 1, 1989 a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989 normal retirement age is the age for unreduced Social Security benefits capped at 66.

###### 2. Police and Fire Plan Benefits

Benefits for Police and Fire Plan members first hired after June 30, 2010 but before July 1, 2014 vest on a prorated basis from 50 percent after five years up to 100 percent after ten years of credited service. Benefits for Police and Fire Plan members first hired after June 30, 2014 vest on a prorated basis from 50 percent after ten years up to 100 percent after twenty years of credited service. The annuity accrual rate is 3 percent of average salary for each year of service. For Police and Fire Plan members who were first hired prior to July 1, 1989 a full annuity is available when age plus years of service equal at least 90.

###### 3. Correctional Plan Benefits

Benefits for Correctional Plan members first hired after June 30, 2010 vest on a prorated basis from 50 percent after five years up to 100 percent after ten years of credited service. The annuity accrual rate is 1.9 percent of average salary for each year of service in that plan. For Correctional Plan members who were first hired prior to July 1, 1989 a full annuity is available when age plus years of service equal at least 90.

**Contributions.** Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state legislature.

# LE SUEUR COUNTY

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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### NOTE IV – OTHER INFORMATION (cont.)

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#### **A. EMPLOYEES' RETIREMENT SYSTEM** (cont.)

##### **Public Employees Retirement Association (PERA)** (cont.)

##### **General Information About the Pension Plan** (cont.)

##### **Contributions.** (cont.)

###### 1. General Employees Fund Contributions

Basic Plan members and Coordinated Plan members were required to contribute 9.1 percent and 6.5 percent, respectively, of their annual covered salary in calendar year 2016. The County was required to contribute 11.78 percent of pay for Basic Plan members and 7.50 percent for Coordinated Plan members in calendar year 2016. The County's contributions to the General Employees Fund for the year ended December 31, 2016 were \$652,735. The County's contributions were equal to the required contributions as set by state statute.

###### 2. Police and Fire Fund Contributions

Plan members were required to contribute 10.8 percent of their annual covered salary in calendar year 2016. The County was required to contribute 16.2 percent of pay for members in calendar year 2016. The County's contributions to the Police and Fire Fund for the year ended December 31, 2016 were \$235,699. The County's contributions were equal to the required contributions as set by state statute.

###### 3. Correctional Fund Contributions

In calendar year 2016 plan members were required to contribute 5.83 percent of their annual covered salary. The County was required to contribute 8.75 percent of pay for PECF members in calendar year 2016. The County's contributions to the Correctional Fund for the year ended December 31, 2016, were \$50,145. The County's contributions were equal to the required contributions as set by state statute.

##### **Pension Costs.**

###### 1. General Employees Fund Pension Costs

At December 31, 2016, the County reported a liability of \$10,985,689 for its proportionate share of the General Employees Fund's net pension liability. The County's net pension liability reflected a deduction due to the State of Minnesota's contribution of \$6 million to the fund in 2016. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the County totaled \$143,512. The net pension liability was measured as of June 30, 2016 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, 2015 through June 30, 2016 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016 the County's proportion share was .1353 percent which was an increase of .0016 percent from its proportion measured as of June 30, 2015.

# LE SUEUR COUNTY

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

### NOTE IV – OTHER INFORMATION (cont.)

#### A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

##### *Public Employees Retirement Association (PERA)* (cont.)

##### *General Information About the Pension Plan* (cont.)

##### *Pension Costs.* (cont.)

##### 1. General Employees Fund Pension Costs (cont.)

For the year ended December 31, 2016 the County recognized pension expense of \$1,509,413 for its proportionate share of the General Employees Plan's pension expense. In addition, the County recognized an additional \$42,791 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$6 million to the General Employees Fund.

At December 31, 2016, 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 experience economical experience	\$ -	\$ 889,637
Changes in actuarial assumptions	2,151,008	-
Difference between projected and actual investment earnings	2,079,244	-
Changes in proportion	62,190	152,669
Contributions paid to PERA subsequent to the measurement date	354,422	-
Totals	\$ 4,646,864	\$ 1,042,306

# LE SUEUR COUNTY

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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### NOTE IV – OTHER INFORMATION (cont.)

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#### A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

##### Public Employees Retirement Association (PERA) (cont.)

##### General Information About the Pension Plan (cont.)

##### Pension Costs. (cont.)

##### 1. General Employees Fund Pension Costs (cont.)

\$354,422 reported as deferred outflows of resources related to pensions resulting from county contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31:</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2017	\$ 1,298,541	\$ 411,695
2018	1,298,541	411,695
2019	1,298,539	248,916
2020	396,821	-

##### 2. Police and Fire Fund Pension Costs

At December 31, 2016 the County reported a liability of \$5,819,102 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2016 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, 2015 through June 30, 2016 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016 the County's proportion was .145 percent which was a decrease of .002 percent from its proportion measured as of June 30, 2015. The County also recognized \$13,050 for the year ended December 31, 2016 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Fund. Legislation passed in 2013 required the State of Minnesota to begin contributing \$9 million to the Police and Fire Fund each year, starting in fiscal year 2014.

# LE SUEUR COUNTY

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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### NOTE IV – OTHER INFORMATION (cont.)

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#### **A. EMPLOYEES' RETIREMENT SYSTEM** (cont.)

#### **Public Employees Retirement Association (PERA)** (cont.)

#### **General Information About the Pension Plan** (cont.)

#### **Pension Costs.** (cont.)

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

For the year ended December 31, 2016, the County recognized pension expense of \$989,621 for its proportionate share of the Police and Fire Plan's pension expense.

At December 31, 2016, 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:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience economical experience	\$ -	\$ 670,510
Changes in actuarial assumptions	3,202,506	-
Difference between projected and actual investment earnings	891,005	-
Changes in proportion	-	26,137
Contributions paid to PERA subsequent to the measurement date	<u>130,851</u>	<u>-</u>
Totals	<u>\$ 4,224,362</u>	<u>\$ 696,647</u>

# LE SUEUR COUNTY

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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### NOTE IV – OTHER INFORMATION (cont.)

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#### **A. EMPLOYEES' RETIREMENT SYSTEM** (cont.)

##### **Public Employees Retirement Association (PERA)** (cont.)

##### **General Information About the Pension Plan** (cont.)

##### **Pension Costs.** (cont.)

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

\$130,851 reported as deferred outflows of resources related to pensions resulting from county contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31:</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2017	\$ 881,441	\$ 150,523
2018	881,441	150,523
2019	881,441	150,523
2020	808,686	150,523
2021	640,502	94,555

##### 3. Correctional Plan Pension Costs

At December 31, 2016 the County reported a liability of \$1,169,005 for its proportionate share of the Correctional Plan's net pension liability. The net pension liability was measured as of June 30, 2016 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, 2015 through June 30, 2016 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016 the County's proportion was .32 percent which was a decrease of .03 percent from its proportion measured as of June 30, 2015.

For the year ended December 31, 2016, the County recognized pension expense of \$329,066 for its proportionate share of the Correctional Plan's pension expense.

# LE SUEUR COUNTY

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

### NOTE IV – OTHER INFORMATION (cont.)

#### A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

##### Public Employees Retirement Association (PERA) (cont.)

##### General Information About the Pension Plan (cont.)

##### Pension Costs. (cont.)

##### 3. Correctional Plan Pension (cont.)

At December 31, 2016, the County reported its proportionate share of the Correctional Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience economical experience	\$ 915	\$ 13,811
Changes in actuarial assumptions	744,797	-
Difference between projected and actual investment earnings	134,242	-
Changes in proportion	-	4,234
Contributions paid to PERA subsequent to the measurement date	27,785	-
Totals	\$ 907,739	\$ 18,045

\$27,785 reported as deferred outflows of resources related to pensions resulting from county contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31:	Deferred Outflows of Resources	Deferred Inflows of Resources
2017	\$ 284,950	\$ 8,443
2018	284,950	8,442
2019	284,949	1,160
2020	25,105	-

# LE SUEUR COUNTY

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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### NOTE IV – OTHER INFORMATION (cont.)

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#### A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

##### *Public Employees Retirement Association (PERA)* (cont.)

#### Actuarial Assumptions

The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Active Member Payroll Growth	3.25% per year
Investment Rate of Return	7.97%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP 2014 tables for the General Employees Plan and RP-2000 tables for the Police and Fire Plan and Correctional Plan for males or females, as appropriate, with slight adjustments. Cost of living benefit increases for retirees are assumed to be: one percent per year for all future years for the General Employees Plan and Police and Fire Plan, and 2.5 percent for all years for the Correctional Plan.

Actuarial assumptions used in the June 30, 2016 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2015. The experience study for Police and Fire Plan was for the period July 1, 2004 through June 30, 2009. Experience studies have not been prepared for the Correctional Plan, but assumptions are reviewed annually.

The following changes in actuarial assumptions occurred in 2016:

#### General Employees Fund

- > The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2035 and 2.5% per year thereafter to 1.0% per year for all future years.
- > The assumed investment return was changed from 7.9% to 7.5%. The single discount rate was changed from 7.9% to 7.5%.
- > Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

#### Police and Fire Fund

- > The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2037 and 2.5% thereafter to 1.0% per year for all future years.
- > The assumed investment return was changed from 7.9% to 7.5%. The single discount rate changed from 7.9% to 5.6%.
- > The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

# LE SUEUR COUNTY

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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### NOTE IV – OTHER INFORMATION (cont.)

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#### A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

##### Public Employees Retirement Association (PERA) (cont.)

##### Actuarial Assumptions (cont.)

###### Correctional Fund

- > The assumed investment return was changed from 7.9% to 7.5%. The single discount rate changed from 7.9% to 5.31%.
- > The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

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

Asset Class	Long-Term Real Rate of Return	Target Allocation
Domestic Stocks	5.50%	45%
International Stocks	6.00	15
Bonds	1.45	18
Alternative Assets	6.40	20
Cash	0.50	2

**Discount Rate.** The discount rate used to measure the total pension liability in 2016 was 7.50%, a reduction from the 7.9% used in 2015. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

# LE SUEUR COUNTY

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

### NOTE IV – OTHER INFORMATION (cont.)

#### A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

##### *Public Employees Retirement Association (PERA)* (cont.)

**Discount Rate.** (cont.) In the Police and Fire Fund and the Correctional Fund, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members through June 30, 2056 and June 30, 2058 respectively. Beginning in fiscal years ended June 30, 2057 for the Police and Fire Fund and June 30, 2059 for the Correctional Fund, when projected benefit payments exceed the funds' projected fiduciary net position, benefit payments were discounted at the municipal bond rate of 2.85% based on an index of 20-year general obligation bonds with an average AA credit rating at the measurement date. An equivalent single discount rate of 5.60% for the Police and Fire Fund and 5.31% for the Correctional Fund was determined that produced approximately the same present value of projected benefits when applied to all years of projected benefits as the present value of projected benefits using 7.50% applied to all years of projected benefits through the point of asset depletion and 2.85% after.

**Pension Liability Sensitivity.** The following presents the County's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

	<u>1% Decrease to Discount Rate</u>	<u>Current Discount Rate</u>	<u>1% Increase to Discount Rate</u>
County's proportionate share of the General Employees Fund net pension liability	\$15,602,934	\$10,985,689	\$7,182,336
County's proportionate share of the Police and Fire Fund net pension liability	\$8,145,971	\$5,819,102	\$3,917,874
County's proportionate share of the Correctional Fund net pension liability	\$1,760,160	\$1,169,005	\$707,494

**Pension Plan Fiduciary Net Position.** Detailed information about each pension plan's fiduciary net position is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the Internet at [www.mnpera.org](http://www.mnpera.org).

# LE SUEUR COUNTY

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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### NOTE IV – OTHER INFORMATION (cont.)

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#### ***B. RISK MANAGEMENT***

The County is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; workers compensation; and health care of its employees. The County has entered into a joint powers agreement with other Minnesota counties to form the Minnesota Counties Intergovernmental Trust (MCIT) to protect against liabilities from property and casualty and workers compensation. The County purchases commercial insurance to cover all other risks. Settled claims have not exceeded coverage in any of the past three years. There were no significant reductions in coverage compared to the prior year.

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

The workers compensation division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claim liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at \$500,000 per employee and \$1,500,000 per accident in 2016. Should workers compensation liabilities of the MCIT workers compensation division exceed its assets, MCIT may assess the County in a method and amount to be determined by MCIT.

#### ***C. COMMITMENTS AND CONTINGENCIES***

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. The liability and expenditure for claims and judgments are only reported in governmental fund types if it has matured. Claims and judgments are recorded in the government-wide statements and proprietary funds as expenses when the related liabilities are incurred.

From time to time, the County is party to various other pending claims and legal proceedings. Although the outcome of such matters cannot be forecasted with certainty, it is the opinion of management and the County attorney that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the County's financial position or results of operations.

The County has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grants. Management believes such disallowances, if any, would be immaterial.

The County has active construction projects as of December 31, 2016. Work that has been completed on these projects but not yet paid for (including contract retainages) is reflected as accounts payable and expenditures.

The County had open construction contracts in the amount of \$322,413 at December 31, 2016.

# LE SUEUR COUNTY

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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### NOTE IV – OTHER INFORMATION (cont.)

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#### **D. JOINT VENTURES**

##### ***Tri-County Solid Waste***

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

The board of Tri-County Solid Waste is made up of two representatives from each of the participating members' Board of Commissioners. One-half of the financing for the venture is provided by an equal appropriation from the three counties and one-half is provided by appropriations from the counties based on population. Le Sueur County made payments totaling \$70,264 to Tri-County Solid Waste in 2016. The County believes that services will continue to be provided as similar rates in the future. Current financial statements are not available.

#### **E. JOINTLY GOVERNED ORGANIZATIONS**

Jointly governed organizations are a regional government or multi-government arrangement governed by representatives of each creating government. Participants do not retain an ongoing financial interest or responsibility. Le Sueur County, in conjunction with other local governments, has formed joint powers boards to provide a variety of services. The County appoints at least one member to the following organizations:

	<u>2016</u> <u>Payments</u>
Family Services Collaborative	\$ -
South Central Workforce Council	-
Minnesota County Computer Cooperative	107,305
Waseca-LeSueur Regional Library	535,030
South Central Minnesota Regional Radio	-
Minnesota Rivers Board	-
U.S. Highway 169 Corridor Coalition	-
South Central Community Based Initiative	-
Criminal Justice Agency	-
South Central Workforce Service Area	-
South Central Regional Immtrack	6,228
Region I SE MN Emergency Managers Board	1,000

# LE SUEUR COUNTY

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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### NOTE IV – OTHER INFORMATION (cont.)

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#### ***F. TAX ABATEMENT***

The County has established a tax abatement program on three parcels of land for the purpose of promoting transportation infrastructure improvements within the US Highway 169 Le Sueur Hilltop Corridor. The abatement is authorized through a County Board resolution. The County will collect and subsequently transfer the abated taxes to the City of Le Sueur; the amount will be calculated as 100% of the County's share of the ad valorem property taxes generated by the parcels. The abatement program shall not exceed 20 years and applies to the taxes payable from 2007 through 2026. Upon completion of the infrastructure improvements the County will terminate the abatement. The total abated for the year ended December 31, 2016 was \$66,049. The remaining commitment under this agreement is estimated at \$559,215.

#### ***G. SUBSEQUENT EVENTS***

On August 15, 2017, the County issued general obligation capital improvement plan bonds in the amount of \$2,390,000 with an interest rate of 3.00%. This amount will be used to finance the construction of a new County highway maintenance shop and a portion of the costs associated with the construction of a new justice center.

Also on August 15, 2017, the County issued general obligation jail bonds in the amount of \$7,220,000 with an interest rate of 2.80-3.75%. This amount will be used to finance a portion of the costs associated with the construction of the jail and law enforcement center portions of a new justice center.

#### ***H. EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT PERIOD FINANCIAL STATEMENTS***

The Governmental Accounting Standards Board (GASB) has approved the following:

- > *Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*
- > *Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*
- > *Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*
- > *Statement No. 80, Blending Requirements for Certain Component Units*
- > *Statement No. 81, Irrevocable Split-Interest Agreements*
- > *Statement No. 82, Pension Issues - an amendment of GASB Statements 67, 68, 73*
- > *Statement No. 83, Certain Asset Retirement Obligations*
- > *Statement No. 84, Fiduciary Activities*
- > *Statement No. 85, Omnibus 2017*
- > *Statement No. 86, Certain Debt Extinguishment Issues*

When they become effective, application of these standards may restate portions of these financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION**

## LE SUEUR COUNTY

### SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - ACTUAL AND BUDGET - GENERAL FUND For the Year Ended December 31, 2016

	Original and Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>			
Taxes	\$ 9,065,897	\$ 8,738,963	\$ (326,934)
Special assessments	50,000	128,609	78,609
Intergovernmental	1,510,830	1,902,520	391,690
Licenses and permits	329,879	382,555	52,676
Charges for services	2,223,376	2,125,993	(97,383)
Investment income	200,200	181,883	(18,317)
Miscellaneous	72,350	184,232	111,882
Total Revenues	<u>13,452,532</u>	<u>13,644,755</u>	<u>192,223</u>
<b>EXPENDITURES</b>			
Current			
General government	5,980,313	6,046,380	(66,067)
Public safety	4,319,157	3,927,597	391,560
Health and human services	2,251,981	2,191,445	60,536
Culture, recreation, and education	502,739	538,755	(36,016)
Conservation and development	239,640	234,502	5,138
Capital Outlay	227,476	232,335	(4,859)
Total Expenditures	<u>13,521,306</u>	<u>13,171,014</u>	<u>350,292</u>
Excess of Revenues Over Expenditures	<u>(68,774)</u>	<u>473,741</u>	<u>542,515</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	6,100	157,501	151,401
Transfers out	(16,666)	(16,666)	-
Total Other Financing Sources (Uses)	<u>(10,566)</u>	<u>140,835</u>	<u>151,401</u>
Net Change in Fund Balance	(79,340)	614,576	693,916
FUND BALANCE - Beginning of Year	<u>6,311,548</u>	<u>6,311,548</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 6,232,208</u>	<u>\$ 6,926,124</u>	<u>\$ 693,916</u>

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

## LE SUEUR COUNTY

### SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - ACTUAL AND BUDGET - ROAD AND BRIDGE For the Year Ended December 31, 2016

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 3,115,690	\$ 3,115,690	\$ 2,977,803	\$ (137,887)
Intergovernmental	8,442,162	4,531,335	5,811,314	1,279,979
Charges for services	135,000	1,047,179	542,792	(504,387)
Investment income	168,354	168,354	41	(168,313)
Miscellaneous	6,216,607	1,900,000	1,231,414	(668,586)
Total Revenues	<u>18,077,813</u>	<u>10,762,558</u>	<u>10,563,364</u>	<u>(199,194)</u>
<b>EXPENDITURES</b>				
Current				
Highways and streets				
Administration	680,699	535,699	536,905	(1,206)
Maintenance	2,227,840	2,727,840	2,533,085	194,755
Construction	13,310,958	5,194,710	5,092,761	101,949
Equipment maintenance and shop	868,262	758,262	861,270	(103,008)
Capital Outlay	560,500	545,000	342,544	202,456
Debt Service				
Principal	260,000	260,000	260,000	-
Interest and fiscal charges	169,554	169,554	168,620	934
Total Expenditures	<u>18,077,813</u>	<u>10,191,065</u>	<u>9,795,185</u>	<u>395,880</u>
Net Change in Fund Balance	-	571,493	768,179	196,686
FUND BALANCE - Beginning of Year	3,050,445	3,050,445	3,050,445	-
Change in reserve for inventory	-	-	(50,361)	(50,361)
FUND BALANCE - END OF YEAR	<u>\$ 3,050,445</u>	<u>\$ 3,621,938</u>	<u>\$ 3,768,263</u>	<u>\$ 146,325</u>

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

# LE SUEUR COUNTY

## SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - ACTUAL AND BUDGET - HUMAN SERVICES For the Year Ended December 31, 2016

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	Original and Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>			
Taxes	\$ 3,718,228	\$ 3,567,880	\$ (150,348)
Intergovernmental	3,032,980	3,982,347	949,367
Charges for services	96,750	106,948	10,198
Miscellaneous	<u>168,500</u>	<u>371,579</u>	<u>203,079</u>
Total Revenues	<u>7,016,458</u>	<u>8,028,754</u>	<u>1,012,296</u>
<b>EXPENDITURES</b>			
Current			
Human services			
Income maintenance	1,917,118	2,165,644	(248,526)
Social services	5,059,342	5,677,821	(618,479)
Child support	<u>404,425</u>	<u>443,950</u>	<u>(39,525)</u>
Total Expenditures	<u>7,380,885</u>	<u>8,287,415</u>	<u>(906,530)</u>
Net Change in Fund Balance	(364,427)	(258,661)	105,766
FUND BALANCE - Beginning of Year	<u>6,074,170</u>	<u>6,074,170</u>	-
FUND BALANCE - END OF YEAR	<u>\$ 5,709,743</u>	<u>\$ 5,815,509</u>	<u>\$ 105,766</u>

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

## LE SUEUR COUNTY

### SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - ACTUAL AND BUDGET - ENVIRONMENTAL HEALTH For the Year Ended December 31, 2016

	Original and Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>			
Taxes	\$ 51,659	\$ 50,612	\$ (1,047)
Special assessments	229,900	225,420	(4,480)
Intergovernmental	729,486	667,573	(61,913)
Licenses and permits	3,000	3,300	300
Charges for services	10,000	19,312	9,312
Miscellaneous	1,200	5,868	4,668
Total Revenues	<u>1,025,245</u>	<u>972,085</u>	<u>(53,160)</u>
<b>EXPENDITURES</b>			
Current			
Sanitation	266,111	416,837	(150,726)
Health and human services	17,200	16,553	647
Conservation and development	740,229	641,769	98,460
Debt Service			
Interest	-	31,863	(31,863)
Total Expenditures	<u>1,023,540</u>	<u>1,107,022</u>	<u>(83,482)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,705</u>	<u>(134,937)</u>	<u>(136,642)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
General obligation debt issued	-	1,510,000	1,510,000
Premium on debt issued	-	24,531	24,531
Transfer in	103,497	16,666	(86,831)
Transfer out	(100,115)	(157,501)	(57,386)
Total Other Financing Sources (Uses)	<u>3,382</u>	<u>1,393,696</u>	<u>1,390,314</u>
Net Change in Fund Balance	5,087	1,258,759	1,253,672
FUND BALANCE - Beginning of Year	<u>2,278,354</u>	<u>2,278,354</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 2,283,441</u>	<u>\$ 3,537,113</u>	<u>\$ 1,253,672</u>

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

**LE SUEUR COUNTY**

SCHEDULE OF COUNTY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY -  
PERA GENERAL EMPLOYEES RETIREMENT FUND  
For the Year Ended December 31, 2016

County Fiscal Year End Date	PERA Fiscal Year End Date (Measurement Date)	County's Proportion of the Net Pension Liability	County's Proportionate Share of the Net Pension Liability (a)	County's Covered Payroll (b)	County's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
12/31/16	6/30/16	0.1353%	\$ 10,985,689	\$ 8,337,243	131.77%	68.90%
12/31/15	6/30/15	0.1337%	6,929,028	7,853,841	88.22%	78.20%

SCHEDULE OF EMPLOYER CONTRIBUTIONS -  
PERA GENERAL EMPLOYEES RETIREMENT FUND  
For the Year Ended December 31, 2016

County Fiscal Year End Date	Statutorily Required Contributions (a)	Contributions in Relation to the Statutorily Required Contributions (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (d)	Contributions as a Percentage of Covered Payroll (b/d)
12/31/16	\$ 652,735	\$ 652,735	\$ -	\$ 8,703,123	7.50%
12/31/15	629,683	629,683	-	8,510,822	7.40%

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

**LE SUEUR COUNTY**

SCHEDULE OF COUNTY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY -  
PERA POLICE AND FIRE FUND  
For the Year Ended December 31, 2016

County Fiscal Year End Date	PERA Fiscal Year End Date (Measurement Date)	County's Proportion of the Net Pension Liability	County's Proportionate Share of the Net Pension Liability (a)	County's Covered Payroll (b)	County's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
12/31/16	6/30/16	0.1450%	\$ 5,819,102	\$ 1,398,103	416.21%	63.90%
12/31/15	6/30/15	0.1470%	1,670,264	1,345,458	124.14%	86.60%

SCHEDULE OF EMPLOYER CONTRIBUTIONS -  
PERA POLICE AND FIRE FUND  
For the Year Ended December 31, 2016

County Fiscal Year End Date	Statutorily Required Contributions (a)	Contributions in Relation to the Statutorily Required Contributions (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (d)	Contributions as a Percentage of Covered Payroll (b/d)
12/31/16	\$ 235,699	\$ 235,699	\$ -	\$ 1,454,929	16.20%
12/31/15	227,205	227,205	-	1,402,501	16.20%

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

**LE SUEUR COUNTY**

SCHEDULE OF COUNTY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY -  
PERA CORRECTIONAL FUND  
For the Year Ended December 31, 2016

County Fiscal Year End Date	PERA Fiscal Year End Date (Measurement Date)	County's Proportion of the Net Pension Liability	County's Proportionate Share of the Net Pension Liability (a)	County's Covered Payroll (b)	County's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
12/31/16	6/30/16	0.3200%	\$ 1,169,005	\$ 603,700	193.64%	58.20%
12/31/15	6/30/15	0.3500%	54,110	666,974	8.11%	96.90%

SCHEDULE OF EMPLOYER CONTRIBUTIONS -  
PERA CORRECTIONAL FUND  
For the Year Ended December 31, 2016

County Fiscal Year End Date	Statutorily Required Contributions (a)	Contributions in Relation to the Statutorily Required Contributions (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (d)	Contributions as a Percentage of Covered Payroll (b/d)
12/31/16	\$ 50,145	\$ 50,145	\$ -	\$ 573,080	8.75%
12/31/15	57,988	57,988	-	662,716	8.75%

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

# LE SUEUR COUNTY

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION For the Year Ended December 31, 2016

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### ***BUDGETARY INFORMATION***

Budgetary information is derived from the annual operating budget and is presented using the same basis of accounting for governmental funds as described in Note I.C.

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

The budgeted amounts presented are as presented in the original budget and no amendments were adopted during the year. The appropriated budget is prepared by fund, function, and department. Transfers of appropriations within a department and between departments require approval of the county board.

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

The major special revenue funds that experienced an overall excess of expenditures over appropriations during 2016 were Human Services and Environmental Health. See Note II.B. for information on all funds with excess expenditures over appropriations.

### ***PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA)***

The amounts determined for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

The County is required to present the last ten fiscal years of data; however accounting standards allow the presentation of as many years as are available until ten fiscal years are presented. For purposes of these schedules, covered payroll is defined as "pensionable wages."

*Changes in Benefit Terms.* There were no changes of benefit terms for any participating employer in the Public Employees Retirement Association.

*Changes in Assumptions.*

#### General Employees Fund

- > The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2035 and 2.5% per year thereafter to 1.0% per year for all future years.
- > The assumed investment return was changed from 7.9% to 7.5%. The single discount rate was changed from 7.9% to 7.5%.
- > Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

## LE SUEUR COUNTY

### NOTES TO REQUIRED SUPPLEMENTARY INFORMATION For the Year Ended December 31, 2016

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#### ***PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA)*** (cont.)

##### Police and Fire Fund

- > The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2037 and 2.5% thereafter to 1.0% per year for all future years.
- > The assumed investment return was changed from 7.9% to 7.5%. The single discount rate changed from 7.9% to 5.6%.
- > The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

##### Correctional Fund

- > The assumed investment return was changed from 7.9% to 7.5%. The single discount rate changed from 7.9% to 5.31%.
- > The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

**SUPPLEMENTARY INFORMATION**

## LE SUEUR COUNTY

### NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended December 31, 2016

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#### Special Revenue Funds

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

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

#### Debt Service Fund

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

#### Capital Projects Fund

Used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

**LE SUEUR COUNTY**

COMBINING BALANCE SHEET -  
NONMAJOR GOVERNMENTAL FUNDS  
As of December 31, 2016

	Special Revenue Funds			Capital Projects	Total Nonmajor Governmental Funds
	Victim Witness	Gravel Tax	Debt Service		
<b>ASSETS</b>					
Cash and investments	\$ 22,703	\$ 317,010	\$ 2,027,801	\$ 1,652,568	\$ 4,020,082
Receivables					
Taxes	326	15,814	45,586	-	61,726
Accounts	-	-	1,088	10,000	11,088
Due from other governments	99	-	-	-	99
<b>TOTAL ASSETS</b>	<b>\$ 23,128</b>	<b>\$ 332,824</b>	<b>\$ 2,074,475</b>	<b>\$ 1,662,568</b>	<b>\$ 4,092,995</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>					
Liabilities					
Accounts payable	\$ 16	\$ -	\$ 1,599	\$ 46,743	\$ 48,358
Accrued liabilities	2,835	-	-	-	2,835
Due to other governments	4	-	-	-	4
Total Liabilities	2,855	-	1,599	46,743	51,197
Deferred Inflows of Resources					
Unavailable revenues	271	-	32,320	-	32,591
Total Deferred Inflows of Resources	271	-	32,320	-	32,591
Fund Balances					
Restricted	-	332,824	2,040,556	-	2,373,380
Assigned	20,002	-	-	1,615,825	1,635,827
Total Fund Balances	20,002	332,824	2,040,556	1,615,825	4,009,207
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 23,128</b>	<b>\$ 332,824</b>	<b>\$ 2,074,475</b>	<b>\$ 1,662,568</b>	<b>\$ 4,092,995</b>

## LE SUEUR COUNTY

### COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS For the Year Ended December 31, 2016

	<u>Special Revenue Funds</u>				Total Nonmajor Governmental Funds
	<u>Victim Witness</u>	<u>Gravel Tax</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
<b>REVENUES</b>					
Taxes	\$ 3,269	\$ 55,002	\$ 2,099,224	\$ 408	\$ 2,157,903
Intergovernmental	53,263	-	45,219	-	98,482
Investment income	-	-	12,497	-	12,497
Miscellaneous	<u>6,402</u>	-	-	<u>10,000</u>	<u>16,402</u>
Total Revenues	<u>62,934</u>	<u>55,002</u>	<u>2,156,940</u>	<u>10,408</u>	<u>2,285,284</u>
<b>EXPENDITURES</b>					
Current					
General government	-	-	-	9,796	9,796
Public safety	106,808	-	-	-	106,808
Conservation and development	-	75,757	-	-	75,757
Capital Outlay	-	-	-	46,744	46,744
Debt Service					
Principal	-	-	2,020,000	-	2,020,000
Interest and fiscal charges	-	-	484,696	-	484,696
Total Expenditures	<u>106,808</u>	<u>75,757</u>	<u>2,504,696</u>	<u>56,540</u>	<u>2,743,801</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(43,874)</u>	<u>(20,755)</u>	<u>(347,756)</u>	<u>(46,132)</u>	<u>(458,517)</u>
<b>OTHER FINANCING SOURCES</b>					
Long-term debt issued	-	-	995,000	-	995,000
Premium on debt issued	-	-	23,765	-	23,765
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>1,018,765</u>	<u>-</u>	<u>1,018,765</u>
Net Change in Fund Balances	(43,874)	(20,755)	671,009	(46,132)	560,248
FUND BALANCES - Beginning of Year	<u>63,876</u>	<u>353,579</u>	<u>1,369,547</u>	<u>1,661,957</u>	<u>3,448,959</u>
FUND BALANCES - END OF YEAR	<u>\$ 20,002</u>	<u>\$ 332,824</u>	<u>\$ 2,040,556</u>	<u>\$ 1,615,825</u>	<u>\$ 4,009,207</u>

## LE SUEUR COUNTY

### SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - ACTUAL AND BUDGET - VICTIM WITNESS For the Year Ended December 31, 2016

	Original and Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>			
Taxes	\$ 3,262	\$ 3,269	\$ 7
Intergovernmental	75,200	53,263	(21,937)
Miscellaneous	5,000	6,402	1,402
Total Revenues	<u>83,462</u>	<u>62,934</u>	<u>(20,528)</u>
<b>EXPENDITURES</b>			
Current			
Public safety	98,162	106,808	(8,646)
Capital Outlay	6,500	-	6,500
Total Expenditures	<u>104,662</u>	<u>106,808</u>	<u>(2,146)</u>
Net Change in Fund Balance	(21,200)	(43,874)	(22,674)
FUND BALANCE - Beginning of Year	<u>63,876</u>	<u>63,876</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 42,676</u>	<u>\$ 20,002</u>	<u>\$ (22,674)</u>

## LE SUEUR COUNTY

### SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - ACTUAL AND BUDGET - DEBT SERVICE For the Year Ended December 31, 2016

	Original and Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>			
Taxes	\$ 2,146,026	\$ 2,099,224	\$ (46,802)
Intergovernmental	-	45,219	45,219
Investment income	-	12,497	12,497
Total Revenues	<u>2,146,026</u>	<u>2,156,940</u>	<u>10,914</u>
<b>EXPENDITURES</b>			
Debt Service			
Principal	1,727,250	2,020,000	(292,750)
Interest and fiscal charges	418,776	484,696	(65,920)
Total Expenditures	<u>2,146,026</u>	<u>2,504,696</u>	<u>(358,670)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>-</u>	<u>(347,756)</u>	<u>369,584</u>
<b>OTHER FINANCING SOURCES</b>			
Long-term debt issued	-	995,000	995,000
Premium on debt issued	-	23,765	23,765
Total Other Financing Sources (Uses)	<u>-</u>	<u>1,018,765</u>	<u>1,018,765</u>
Net Change in Fund Balance	-	671,009	671,009
FUND BALANCE - Beginning of Year	<u>1,369,547</u>	<u>1,369,547</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 1,369,547</u>	<u>\$ 2,040,556</u>	<u>\$ 671,009</u>

# LE SUEUR COUNTY

## SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - ACTUAL AND BUDGET - CAPITAL PROJECTS For the Year Ended December 31, 2016

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	Original and Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>			
Taxes	\$ -	\$ 408	\$ 408
Miscellaneous	-	10,000	10,000
Total Revenues	-	10,408	10,408
<b>EXPENDITURES</b>			
Current			
General government	200,000	9,796	190,204
Capital Outlay	-	46,744	(46,744)
Total Expenditures	200,000	56,540	143,460
Net Change in Fund Balance	(200,000)	(46,132)	153,868
FUND BALANCE - Beginning of Year	1,661,957	1,661,957	-
FUND BALANCE - END OF YEAR	<u>\$ 1,461,957</u>	<u>\$ 1,615,825</u>	<u>\$ 153,868</u>

# LE SUEUR COUNTY

## FIDUCIARY FUNDS

For the Year Ended December 31, 2016

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### Private Purpose Trust Funds

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

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

### Agency Funds

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

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

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

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

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

**LE SUEUR COUNTY**

COMBINING STATEMENT OF FIDUCIARY NET POSITION  
PRIVATE-PURPOSE TRUST FUNDS  
As of December 31, 2016

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	<u>Cemetery Perpetual Care</u>	<u>U.S. Fish and Wildlife</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and investments	<u>\$ 13,088</u>	<u>\$ 47,345</u>	<u>\$ 60,433</u>
 NET POSITION HELD IN TRUST	<u><u>\$ 13,088</u></u>	<u><u>\$ 47,345</u></u>	<u><u>\$ 60,433</u></u>

## LE SUEUR COUNTY

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
PRIVATE-PURPOSE TRUST FUNDS  
For the Year Ended December 31, 2016

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	Cemetery Perpetual Care	U.S. Fish and Wildlife	Total
<b>ADDITIONS</b>			
Interest	\$ 12	\$ -	\$ 12
<b>DEDUCTIONS</b>			
Payments in accordance with trust agreements	<u>273</u>	<u>-</u>	<u>273</u>
Change in Net Position	(261)	-	(261)
NET POSITION HELD IN TRUST - Beginning of Year	<u>13,349</u>	<u>47,345</u>	<u>60,694</u>
NET POSITION HELD IN TRUST - END OF YEAR	<u>\$ 13,088</u>	<u>\$ 47,345</u>	<u>\$ 60,433</u>

## LE SUEUR COUNTY

### COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS As of December 31, 2016

	Balance January 1	Additions	Deductions	Balance December 31
<b><u>AGENCY</u></b>				
<b>ASSETS</b>				
Cash and investments	\$ 378,737	\$ 2,893,895	\$ 2,907,687	\$ 364,945
<b>LIABILITIES</b>				
Due to other governments	\$ 378,737	\$ 2,893,895	\$ 2,907,687	\$ 364,945
<b><u>FAMILY SERVICES COLLABORATIVE</u></b>				
<b>ASSETS</b>				
Cash and investments	\$ 47,276	\$ 59,441	\$ 27,692	\$ 79,025
<b>LIABILITIES</b>				
Due to other governments	\$ 47,276	\$ 59,441	\$ 27,692	\$ 79,025
<b><u>TAXES AND PENALTIES</u></b>				
<b>ASSETS</b>				
Cash and investments	\$ 940,081	\$ 45,737,253	\$ 45,458,093	\$ 1,219,241
<b>LIABILITIES</b>				
Due to other funds	\$ -	\$ 17,493,161	\$ 17,493,161	\$ -
Due to other governments	940,081	28,244,092	27,964,932	1,219,241
Total Liabilities	\$ 940,081	\$ 45,737,253	\$ 45,458,093	\$ 1,219,241
<b><u>SHERIFF</u></b>				
<b>ASSETS</b>				
Cash and investments	\$ 11,002	\$ 484,892	\$ 485,426	\$ 10,468
<b>LIABILITIES</b>				
Accounts payable	\$ 6,930	\$ 92,438	\$ 91,158	\$ 8,210
Deposits	4,072	47,293	49,107	2,258
Total Liabilities	\$ 11,002	\$ 139,731	\$ 140,265	\$ 10,468
<b><u>SOCIAL WELFARE</u></b>				
<b>ASSETS</b>				
Cash and investments	\$ 18,569	\$ 85,492	\$ 89,588	\$ 14,473
<b>LIABILITIES</b>				
Deposits	\$ 18,569	\$ 85,492	\$ 89,588	\$ 14,473

## LE SUEUR COUNTY

### COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS As of December 31, 2016

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	<u>Balance January 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31</u>
<b><u>TOTAL AGENCY FUNDS</u></b>				
<b>ASSETS</b>				
Cash and investments	<u>\$ 1,395,665</u>	<u>\$ 49,260,973</u>	<u>\$ 48,968,486</u>	<u>\$ 1,688,152</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 6,930	\$ 92,438	\$ 91,158	\$ 8,210
Deposits	22,641	132,785	138,695	16,731
Due to other funds	-	17,493,161	17,493,161	-
Due to other governments	<u>1,366,094</u>	<u>31,197,428</u>	<u>30,900,311</u>	<u>1,663,211</u>
Total Liabilities	<u>\$ 1,395,665</u>	<u>\$ 48,915,812</u>	<u>\$ 48,623,325</u>	<u>\$ 1,688,152</u>

# LE SUEUR COUNTY

## SCHEDULE OF INTERGOVERNMENTAL REVENUES For the Year Ended December 31, 2016

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### SHARED REVENUE

#### State

Highway users tax	\$ 5,165,306
Market value credit	292,127
County program aid	1,025,278
PERA rate reimbursement	28,707
Disparity reduction aid	79,446
Police aid	146,771
Enhanced 911	104,004
Total Shared Revenue	<u>6,841,639</u>

### REIMBURSEMENT FOR SERVICES

Local governments	57,482
Minnesota Department of Corrections	75,984
Minnesota Department of Human Services	1,963,906
Total Reimbursements for Services	<u>2,097,372</u>

### GRANTS

#### Minnesota Department/Board of

Water and Soil Resources	586,162
Health	191,211
Pollution Control	80,318
Public Safety	9,737
Natural Resources	12,420
Veterans Affairs	10,000
Total State Grants	<u>889,848</u>

#### United States Department of

Agriculture	363,394
Justice	130,064
Transportation	74,145
Health and Human Services	1,990,572
Homeland Security	27,181
Total Federal Grants	<u>2,585,356</u>

### TOTAL GRANTS

3,475,204

### PAYMENTS IN LIEU OF TAXES

105,503

### TOTAL INTERGOVERNMENTAL REVENUE

\$ 12,519,718