STATE OF MINNESOTA
Office of the State Auditor

Rebecca Otto
State Auditor

LAC QUI PARLE COUNTY
(Including the Lac qui Parle-Yellow Bank Watershed District)
MADISON, MINNESOTA

YEAR ENDED DECEMBER 31, 2016

Description of the Office of the State Auditor

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

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

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

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

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

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

Pension - monitors investment, financial, and actuarial reporting for approximately 650 public pension funds; and

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

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

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LAC QUI PARLE COUNTY
(Including the Lac qui Parle-Yellow Bank Watershed District)
MADISON, MINNESOTA

Year Ended December 31, 2016

Audit Practice Division
Office of the State Auditor
State of Minnesota

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LAC QUI PARLE COUNTY
MADISON, MINNESOTA

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LAC QUI PARLE COUNTY
MADISON, MINNESOTA

ORGANIZATION SCHEDULE
LAC QUI PARLE COUNTY
2016

Office	Name	Term Expires
Commissioners		
1st District	Todd Patzer[1]	January 2021
2nd District	DeRon Brehmer[2]	January 2019
3rd District	Graylen Carlson	January 2017
4th District	Terrence Overlander	January 2019
5th District	Roy Marihart	January 2021
Officers		
Elected		
Attorney	Richard Stulz	January 2018
Sheriff	Lou Sager[3]	January 2018
Appointed		
Auditor-Treasurer-Coordinator	Jacob Sieg	Indefinite
Assessor	Lori Schwendemann	Indefinite
Coroner	Ralph Gerbig, M.D.	January 2018
Environmental Officer	Jennifer Breberg	Indefinite
Highway Engineer	Sam Muntean	Indefinite
Recorder	Josh Amland	Indefinite
Veterans' Service Officer	Josh Beninga	Indefinite
Welfare Board		
Commissioner	Todd Patzer	January 2021
Commissioner	DeRon Brehmer	January 2019
Commissioner	Graylen Carlson	January 2017
Commissioner	Terrence Overlander	January 2019
Commissioner	Roy Marihart	January 2021
Member	Ann Jenson	July 2017
Member	Mary Wodrich	July 2018
Director	Joel Churness	Indefinite

[1] Chair 2016
[2] Chair 2017
[3] Lou Sager was appointed on April 25, 2016, to complete the remaining term of Rick Halvorson, who resigned effective April 1, 2016.

LAC QUI PARLE COUNTY
MADISON, MINNESOTA

ORGANIZATION SCHEDULE
LAC QUI PARLE-YELLOW BANK WATERSHED DISTRICT
2016

Position	Name	Term Expires
Managers		
Chair	Darrel Ellefson	March 2018
Vice Chair	John Cornell	March 2018
Treasurer	David Ludvigson	March 2020
Secretary	David Craigmile	March 2019
Publicity Chair	Joe Ferguson	March 2018
Staff		
Administrator	Trudy Hastad	Indefinite
Park Manager	Ron Fjerkenstad	Indefinite
Attorney	Steve Torvik	Indefinite
Clean Water Coordinator	Mitchell Enderson	Indefinite

Financial Section

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STATE OF MINNESOTA
OFFICE OF THE STATE AUDITOR

REBECCA OTTO
STATE AUDITOR

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INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Lac qui Parle County
Madison, Minnesota

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Lac qui Parle County Economic Development Authority (EDA), a discretely presented component unit, which represents 8 percent, 4 percent, and 15 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Lac qui Parle County EDA, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Lac qui Parle County as of December 31, 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 Management's Discussion and Analysis and Required Supplementary Information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our reports dated September 7, 2017, on our consideration of Lac qui Parle County's and the Lac qui Parle-Yellow Bank Watershed District component unit's internal control over financial reporting and on our tests of their compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of these reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. The reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lac qui Parle County's and the Lac qui Parle-Yellow Bank Watershed District component unit's internal control over financial reporting and compliance. They do not include the Lac qui Parle County EDA, which was audited by other auditors.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (SEFA) as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) is presented for purposes of additional analysis and is not a required part of the basic financial statements. The SEFA is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the SEFA is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

September 7, 2017

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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LAC QUI PARLE COUNTY
MADISON, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2016
(Unaudited)

The Management's Discussion and Analysis (MD&A) provides an overview and analysis of the County's financial activities for the fiscal year ended December 31, 2016. Since this information is designed to focus on the current year's activities, resulting changes, and currently known facts, it should be read in conjunction with the financial statements. All amounts, unless otherwise indicated, are expressed in whole dollars.

FINANCIAL HIGHLIGHTS

- Governmental activities' total net position is $59,726,410, of which $51,656,126 represents investment in capital assets, and $2,227,718 is restricted to specific purposes. The $5,842,566 remaining may be used to meet the County's ongoing obligations to citizens and creditors.

- The County's net position increased by $1,948,957 for the year ended December 31, 2016. A large part of the increase is attributable to the increase in fund balances of the governmental funds.

- The net cost of governmental activities for the current fiscal year was $4,122,279. The net cost was funded by general revenues totaling $6,071,236.

- The fund balances of the governmental funds increased by $1,154,538. The most significant portion of the increase was due to the County incurring less costs in the area of Highway Maintenance and Social Services than what was budgeted for the year.

- For the year ended December 31, 2016, the unassigned, assigned, and committed fund balance of the General Fund was $1,668,842, or 39.3 percent of the total General Fund expenditures for the year.

- The assigned and committed fund balance of the Road and Bridge Special Revenue Fund was $3,185,094, or 58.9 percent of the total Road and Bridge Special Revenue Fund expenditures for the year.

- The assigned and committed fund balance of the Family Services Special Revenue Fund was $3,897,826, or 158.3 percent of the total Family Services Special Revenue Fund expenditures for the year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

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

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

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

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

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

Notes to the Financial Statements

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 29 through 90 of this report.

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Over time, net position serves as a useful indicator of the County's financial position. The County's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $59,726,410 at the close of 2016. The largest portion of Lac qui Parle County's net position (86.5 percent) reflects the County's investment in capital assets (land, buildings, equipment, and infrastructure such as roads and bridges). However, it should be noted that these assets are not available for future spending. Comparative data with 2015 is presented.

Net Position

	Governmental Activities	
	2016	2015
Assets		
Current and other assets	$ 13,275,842	$ 11,303,754
Capital assets	51,656,126	50,528,504
Total Assets	$ 64,931,968	$ 61,832,258
Deferred Outflows of Resources		
Deferred pension outflows	$ 3,255,588	$ 465,132
Liabilities		
Long-term liabilities	$ 7,098,303	$ 3,505,901
Other liabilities	708,253	636,893
Total Liabilities	$ 7,806,556	$ 4,142,794
Deferred Inflows of Resources		
Deferred pension inflows	$ 654,590	$ 377,143
Net Position		
Investment in capital assets	$ 51,656,126	$ 50,528,504
Restricted	2,227,718	2,230,700
Unrestricted	5,842,566	5,018,249
Total Net Position	$ 59,726,410	$ 57,777,453

Unrestricted net position in the amount of $5,842,566--the part of net position that may be used to meet the County's ongoing obligations to citizens and creditors without constraints established by debt covenants, enabling legislation, or other legal requirements--was 9.8 percent of the net position.

Governmental Activities

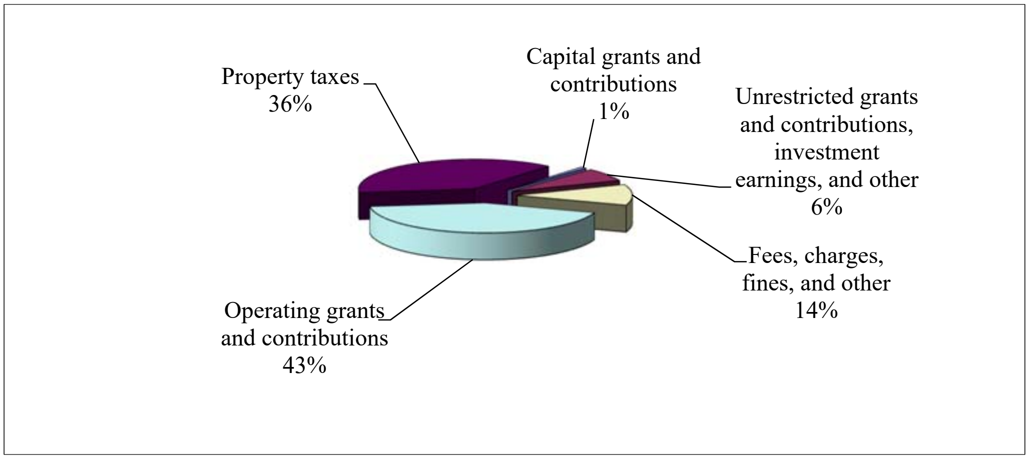
The County's governmental activities increased net position by 3.4 percent ($59,726,410 for 2016, compared to $57,777,453 for 2015). Key elements in this increase in net position are as follows for 2016, with comparative data for 2015.

Changes in Net Position

	Governmental Activities 2016	Governmental Activities 2015
Revenues		
Program revenues		
Fees, charges, fines, and other	$ 2,103,563	$ 1,482,915
Operating grants and contributions	6,189,395	5,645,978
Capital grants and contributions	98,869	111,232
General revenues		
Property taxes	5,178,388	5,024,490
Other	892,848	941,166
Total Revenues	$ 14,463,063	$ 13,205,781
Expenses		
General government	$ 1,871,726	$ 1,963,580
Public safety	2,043,839	1,420,915
Highways and streets	4,388,859	5,120,625
Sanitation	203,314	191,979
Human services	2,545,849	2,323,756
Health	82,967	77,482
Culture and recreation	161,312	119,128
Conservation of natural resources	1,197,192	1,008,666
Economic development	7,100	44,578
Interest	11,948	-
Total Expenses	$ 12,514,106	$ 12,270,709
Increase in Net Position	$ 1,948,957	$ 935,072
Net Position - January 1	57,777,453	56,842,381
Net Position - December 31	$ 59,726,410	$ 57,777,453

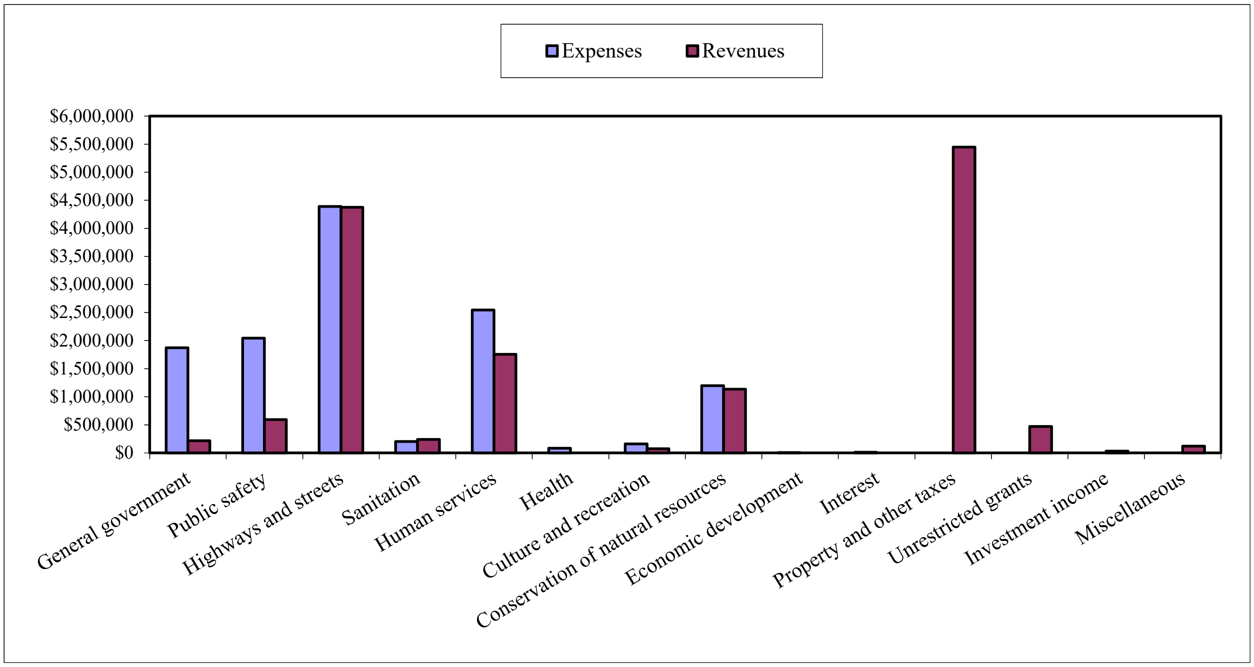
The County's total revenues were $14,463,063. Table 1 presents the percent of total County revenues by source for the year ended December 31, 2016.

Table 1
Total County Revenues



Total expenses were $12,514,106, while total revenues were $14,463,063. This reflects a $1,948,957 increase in net position for the year ended December 31, 2016. Table 2 presents the cost and revenues of each program, as well as the County's general revenues.

Table 2
Program Revenues, General Revenues, and Expenses



The cost of all governmental activities this year was $12,514,106. However, as shown on the Statement of Activities on Exhibit 2, the amount that taxpayers ultimately financed for these activities through County taxes was only $5,178,388 because some of the costs were paid by those who directly benefited from the programs ($2,103,563) or by other governments and organizations that subsidized certain programs with grants and contributions ($6,288,264). The County paid for the remaining "public benefit" portion of governmental activities with $892,848 in general revenues such as grants and contributions not restricted to specific programs, and investment income.

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

Table 3
Governmental Activities

	2016	
	Total Cost of Services	Net Cost of Services
Highways and streets	$ 4,388,859	$ 11,933
Human services	2,545,849	790,935
Public safety	2,043,839	1,450,881
General government	1,871,726	1,653,397
All others	1,663,833	215,133
Totals	$ 12,514,106	$ 4,122,279

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

Governmental Funds

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

At the end of the current fiscal year, governmental funds reported combined ending fund balances of $10,706,795, an increase of $1,154,538 in comparison with the prior year. Of the combined ending fund balances, $8,751,762 represents unrestricted (committed, assigned, and unassigned) fund balance, which is available for spending at the County's discretion. The remainder of the fund balance is classified as either nonspendable or restricted to indicate that it is not available for new spending because it has already been restricted for various reasons either by state law, grant agreements, bond covenants, or is not in spendable form.

The General Fund is the main operating fund for the County. At the end of the current fiscal year, it had an unrestricted fund balance of $1,668,842. As a measure of the General Fund's liquidity, it may be useful to compare unrestricted fund balance to total expenditures. The General Fund's unrestricted fund balance represents 39.3 percent of total General Fund expenditures. During 2016, the ending fund balance increased by $95,487.

The Road and Bridge Special Revenue Fund had an unrestricted fund balance of $3,185,094 at fiscal year-end, representing 58.9 percent of its annual expenditures. The ending fund balance increased $290,081 during 2016. The primary reason for the increase was due to the County receiving more CSAH state aid revenues in 2016.

The Family Services Special Revenue Fund had an unrestricted fund balance of $3,897,826 at fiscal year-end, representing 158.3 percent of its annual expenditures. The ending fund balance increased $593,768 during 2016, primarily due to greater than expected intergovernmental revenues.

The Ditch Special Revenue Fund had a restricted fund balance of $934,494 at fiscal year-end. The ending fund balance increased $175,202 during 2016, primarily due to the collection of additional special assessments.

General Fund Budgetary Highlights

The actual charges to appropriations (expenditures) were $100,921 higher than the final budget amounts. The most significant departmental variances occurred in the public safety department.

Total expenditures for public safety exceeded budget by $232,440 primarily due to greater than anticipated expenditures for the LETG E911 equipment upgrade. Also, additional unbudgeted expenditures were incurred relating to the Lokken Hazard Mitigation Grant project.

CAPITAL ASSETS

The County's capital assets at December 31, 2016, totaled $51,656,126 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, and infrastructure.

Table 4
Capital Assets at Year-End

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	$ 164,903	$ -	$ -	$ 164,903
Right-of-way	470,198	-	-	470,198
Construction in progress	37,867	181,063	-	218,930
Total capital assets not depreciated	$ 672,968	$ 181,063	$ -	$ 854,031

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets depreciated				
Buildings	$ 3,408,967	$ 15,625	$ -	$ 3,424,592
Improvements other than building	100,993	-	-	100,993
Machinery, furniture, and equipment	6,195,414	603,635	523,618	6,275,431
Infrastructure	63,546,648	2,134,015	-	65,680,663
Total capital assets depreciated	$ 73,252,022	$ 2,753,275	$ 523,618	$ 75,481,679
Less: accumulated depreciation for				
Buildings	$ 909,751	$ 68,725	$ -	$ 978,476
Improvements other than building	12,407	2,718	-	15,125
Machinery, furniture, and equipment	3,693,705	414,919	516,881	3,591,743
Infrastructure	18,780,623	1,313,617	-	20,094,240
Total accumulated depreciation	$ 23,396,486	$ 1,799,979	$ 516,881	$ 24,679,584
Total capital assets depreciated, net	$ 49,855,536	$ 953,296	$ 6,737	$ 50,802,095
Capital Assets, Net	$ 50,528,504	$ 1,134,359	$ 6,737	$ 51,656,126

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

LONG-TERM DEBT

During 2016, the County issued $465,000 in General Obligation Drainage Notes, Series 2016A. At December 31, 2016, the County had total net outstanding debt of $773,000, which was backed by the full faith and credit of the government.

Minnesota statutes limit the amount of debt a county may levy to three percent of its total market value. At the end of 2016, the County's outstanding debt was less than 0.01 percent of its total estimated market value.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The County's elected and appointed officials considered many factors when setting the 2017 budget, tax rates, and fees that will be charged for the year.

- The unemployment rate for Lac qui Parle County at the end of 2016 was 4.7 percent. This is comparable with the state unemployment rate of 4.1 percent and shows a 0.4 percentage point increase from the County's 4.3 percent rate of one year ago.

- Tillable agricultural land values had increased significantly from 2005 to 2014 following a temporary surge in grain commodity prices. In the past few years, however, land values have dropped during the period from 2008 to 2016, as evidenced by assessed average agricultural value decreases for taxes payable in 2015, 2016 and 2017. The decrease is attributed to depressed grain market prices combined with increased input costs, such as seed, fertilizer, chemicals, and equipment. The dominance of the agriculture sector in the local economy suggests a possible risk associated with a lack of economic diversification. Moreover, the historical volatility of commodity prices adds an additional dimension of economic risk to the County's financial health.

- Investment rates for the County have dropped significantly for the past several years and will continue to stay low for the foreseeable future. Lac qui Parle County's surplus fund balances have in the past been used to generate investment revenues which are used to offset necessary property tax levy dollars. Investment rates have begun to recover in 2017, but it is not expected that the rates will return to near pre-recession levels in the near future.

- Budget crises at the state level in recent years have resulted in tremendous uncertainty for Minnesota counties regarding expected aids, operating grants, and reimbursement revenues. As most services and programs administered by these counties are mandated and funded by the state, changes in how the state funds these items can have a significant impact on County finances. Furthermore, recent efforts to address the state budget issues have only succeeded to manage the problems on a short-term basis. This likely means that this uncertainty will continue into the foreseeable future.

- The 2017 property tax levy for the County increased 3.72 percent from 2016, which followed increases of 2.94 percent in 2016, 3.99 percent in 2015, 4.14 percent in 2014, 8.76 percent in 2013, 8.8 percent in 2012, and 9.8 percent in 2011. The increases from 2014 to 2017 are more reflective of historically acceptable levy increase ranges as compared to 2011 to 2013, and the levy is based on a structurally sound and balanced budget. The largest levy increases were needed to offset losses of state aid and investment revenues, levy limits enacted by the Minnesota legislature, and overall volatility of state intergovernmental revenue. County Program Aid was abruptly reduced from $663,236 in 2009 down to $125,562 in 2011 where it has remained since. A new County Program Aid formula was adopted by the legislature in 2017, which will increase total aid received by about $350,000 per year. Other budget factors appear to have stabilized, and the County has been operating under a balanced budget since 2015. Barring additional unfunded mandates, cost shifts, and aid reductions from the state, the County's budget and financial health appear to be stabilized.

LAC QUI PARLE-YELLOW BANK WATERSHED DISTRICT

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

FINANCIAL HIGHLIGHTS

Governmental activities' total net position is $6,312,995, of which $4,885,379 represents the District's investment in capital assets, $293,173 is restricted, and $1,134,443 is unrestricted. The District's net position increased by $604,433 for the year ended December 31, 2016.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Over time, net position serves as a useful indicator of the District's financial position. The District's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $6,312,995 at the close of 2016. The largest portion of the net position (77.4 percent) reflects its investment in capital assets (land, buildings, equipment, and infrastructure, such as water retention structures).

Net Position

	Governmental Activities	
	2016	2015
Assets		
Current and other assets	$ 2,314,929	$ 1,669,915
Capital assets	4,885,379	4,959,912
Total Assets	$ 7,200,308	$ 6,629,827
Deferred Outflows of Resources		
Deferred pension outflows	$ 81,472	$ 15,999
Liabilities		
Long-term liabilities	$ 923,901	$ 735,316
Other liabilities	27,539	192,677
Total Liabilities	$ 951,440	$ 927,993
Deferred Inflows of Resources		
Deferred pension inflows	$ 17,345	$ 9,271

	Governmental Activities	
	2016	2015
Net Position		
Investment in capital assets	$ 4,885,379	$ 4,959,912
Restricted	293,173	218,739
Unrestricted	1,134,443	529,911
Total Net Position	$ 6,312,995	$ 5,708,562

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

LAC QUI PARLE COUNTY
MADISON, MINNESOTA

EXHIBIT 1

**STATEMENT OF NET POSITION
DECEMBER 31, 2016**

	Primary Government Governmental Activities	Discretely Presented Component Units Lac qui Parle-Yellow Bank Watershed District	Discretely Presented Component Units Lac qui Parle County Economic Development Authority
Assets			
Cash and cash equivalents	$ 10,316,480	$ 1,766,435	$ 359,168
Cash equivalents	275,000	-	-
Receivables	2,511,216	548,494	268,190
Inventories	171,555	-	-
Prepaid items	1,591	-	-
Capital assets			
Non-depreciable	854,031	628,458	-
Depreciable - net of accumulated depreciation	50,802,095	4,256,921	5,814
Total Assets	**$ 64,931,968**	**$ 7,200,308**	**$ 633,172**
Deferred Outflows of Resources			
Deferred pension outflows	**$ 3,255,588**	**$ 81,472**	**$ 34,827**
Liabilities			
Accounts payable and other current liabilities	$ 614,737	$ 17,730	$ 7,362
Unearned revenue	93,516	5,267	-
Long-term liabilities			
Due within one year	36,997	91,812	-
Due in more than one year	1,087,773	649,882	248,667
Net pension liability	5,858,303	186,749	97,434
Net other postemployment benefits obligation	115,230	-	-
Total Liabilities	**$ 7,806,556**	**$ 951,440**	**$ 353,463**
Deferred Inflows of Resources			
Deferred pension inflows	**$ 654,590**	**$ 17,345**	**$ 33,033**

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

EXHIBIT 1
(Continued)

STATEMENT OF NET POSITION
DECEMBER 31, 2016

	Primary Government	Discretely Presented Component Units	
	Governmental Activities	Lac qui Parle-Yellow Bank Watershed District	Lac qui Parle County Economic Development Authority
Net Position			
Investment in capital assets	$ 51,656,126	$ 4,885,379	$ 5,814
Restricted for			
General government	114,901	-	-
Public safety	359,807	-	-
Highways and streets	1,124,898	-	-
Conservation of natural resources	567,247	293,173	-
Economic development	37,962	-	-
Other purposes	22,903	-	-
Unrestricted	5,842,566	1,134,443	275,689
Total Net Position	**$ 59,726,410**	**$ 6,312,995**	**$ 281,503**

LAC QUI PARLE COUNTY
MADISON, MINNESOTA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

	Expenses	Fees, Charges, Fines, and Other
Functions/Programs		
Primary government		
Governmental activities		
General government	$ 1,871,726	$ 175,853
Public safety	2,043,839	292,826
Highways and streets	4,388,859	128,641
Sanitation	203,314	170,986
Human services	2,545,849	344,440
Health	82,967	-
Culture and recreation	161,312	5,000
Conservation of natural resources	1,197,192	985,817
Economic development	7,100	-
Interest	11,948	-
Total Governmental Activities	**$ 12,514,106**	**$ 2,103,563**
Component units		
Lac qui Parle-Yellow Bank Watershed District	$ 677,014	$ 312,931
Lac qui Parle County Economic Development Authority	169,695	-
Total Component Units	**$ 846,709**	**$ 312,931**

General Revenues
- Property taxes
- Mortgage registry and deed tax
- Wheelage tax
- Payments in lieu of tax
- Grants and contributions not restricted to specific programs
- Investment earnings
- Miscellaneous
- Gain on sale of capital assets

Total general revenues

Change in net position

Net Position - Beginning

Net Position - Ending

Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Primary Government: Governmental Activities	Discretely Presented Component Units: Lac qui Parle-Yellow Bank Watershed District	Discretely Presented Component Units: Lac qui Parle County Economic Development Authority
$ 42,476	$ -	$ (1,653,397)		
300,132	-	(1,450,881)		
4,149,416	98,869	(11,933)		
68,710	-	36,382		
1,410,474	-	(790,935)		
-	-	(82,967)		
68,783	-	(87,529)		
149,404	-	(61,971)		
-	-	(7,100)		
-	-	(11,948)		
$ 6,189,395	**$ 98,869**	**$ (4,122,279)**		
$ 598,803	$ -		$ 234,720	$ -
130,700	-		-	(38,995)
$ 729,503	**$ -**		**$ 234,720**	**$ (38,995)**
		$ 5,178,388	$ 280,823	$ 93,959
		6,230	-	-
		83,514	-	-
		179,102	1,385	-
		471,524	13,082	-
		30,992	3,201	1,667
		121,486	65,265	-
		-	5,957	-
		$ 6,071,236	**$ 369,713**	**$ 95,626**
		$ 1,948,957	**$ 604,433**	**$ 56,631**
		57,777,453	**5,708,562**	**224,872**
		$ 59,726,410	**$ 6,312,995**	**$ 281,503**

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FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUNDS

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LAC QUI PARLE COUNTY
MADISON, MINNESOTA

EXHIBIT 3

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2016

	General	Road and Bridge	Family Services	Ditch	Total
Assets					
Cash and cash equivalents	$ 1,748,552	$ 3,360,130	$ 3,635,760	$ 944,863	$ 9,689,305
Undistributed cash in agency funds	310,801	159,984	131,144	23,496	625,425
Petty cash and change funds	1,650	-	100	-	1,750
Cash equivalents	275,000	-	-	-	275,000
Taxes receivable					
Delinquent	17,365	9,775	7,753	-	34,893
Special assessments receivable					
Delinquent	11,090	-	-	1,088	12,178
Noncurrent	-	-	-	643,077	643,077
Accounts receivable	13,070	317	61,298	1,632	76,317
Due from other governments	105,251	1,177,417	183,117	30,299	1,496,084
Advance to component unit	248,667	-	-	-	248,667
Inventories	-	171,555	-	-	171,555
Prepaid Items	1,591	-	-	-	1,591
Total Assets	**$ 2,733,037**	**$ 4,879,178**	**$ 4,019,172**	**$ 1,644,455**	**$ 13,275,842**
Liabilities, Deferred Inflows of Resources, and Fund Balances					
Liabilities					
Accounts payable	$ 71,452	$ 127,349	$ 46,554	$ 10,629	$ 255,984
Salaries payable	59,924	40,471	42,258	-	142,653
Contracts payable	-	105,921	-	-	105,921
Due to other governments	19,427	10,804	24,781	55,167	110,179
Unearned revenue	93,516	-	-	-	93,516
Total Liabilities	**$ 244,319**	**$ 284,545**	**$ 113,593**	**$ 65,796**	**$ 708,253**
Deferred Inflows of Resources					
Unavailable revenue	**$ 28,455**	**$ 1,180,421**	**$ 7,753**	**$ 644,165**	**$ 1,860,794**

LAC QUI PARLE COUNTY
MADISON, MINNESOTA

EXHIBIT 3
(Continued)

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2016

	General	Road and Bridge	Family Services	Ditch	Total
Liabilities, Deferred Inflows of Resources, and Fund Balances (Continued)					
Fund Balances					
Nonspendable					
Inventories	$ -	$ 171,555	$ -	$ -	$ 171,555
Prepaid items	1,591	-	-	-	1,591
Advance to component unit	248,667	-	-	-	248,667
Missing heirs	5,589	-	-	-	5,589
Restricted for					
Highway allotments	-	57,563	-	-	57,563
Recorder's compliance	56,176	-	-	-	56,176
Recorder's technology	50,358	-	-	-	50,358
E-911	359,807	-	-	-	359,807
Forfeitures	8,368	-	-	-	8,368
Cemetery	1,000	-	-	-	1,000
EDA loans	37,962	-	-	-	37,962
Ditch repairs and maintenance	-	-	-	934,494	934,494
Small cities development program	21,903	-	-	-	21,903
Committed to					
Solid waste assessments	326,967	-	-	-	326,967
Capital equipment	-	340,691	-	-	340,691
Buildings and grounds	-	163,980	-	-	163,980
Out-of-home placements	-	-	200,000	-	200,000
Assigned to					
Capital improvements	12,000	-	-	-	12,000
Poor relief	-	-	300,000	-	300,000
Administration	-	-	150,000	-	150,000
Out-of-home placements	-	-	150,000	-	150,000
Recorder's enhancement	23,125	-	-	-	23,125
Future capital purchases	-	1,290,239	-	-	1,290,239
Contracts issued	78,546	230,075	-	-	308,621
Sheriff's forfeiture	35,303	-	-	-	35,303
Sheriff's contingency	2,245	-	-	-	2,245
Sheriff's contract	30,000	-	-	-	30,000
Road and bridge	-	1,160,109	-	-	1,160,109
Human services	-	-	3,097,826	-	3,097,826
Unassigned	1,160,656	-	-	-	1,160,656
Total Fund Balances	**$ 2,460,263**	**$ 3,414,212**	**$ 3,897,826**	**$ 934,494**	**$ 10,706,795**
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	**$ 2,733,037**	**$ 4,879,178**	**$ 4,019,172**	**$ 1,644,455**	**$ 13,275,842**

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

LAC QUI PARLE COUNTY
MADISON, MINNESOTA

EXHIBIT 4

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO
THE GOVERNMENT-WIDE STATEMENT OF NET POSITION--GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2016

Fund balance - total governmental funds (Exhibit 3)		**$ 10,706,795**
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		51,656,126
Deferred outflows of resources resulting from pension obligations are not available resources and, therefore, are not reported in governmental funds.		3,255,588
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources--unavailable revenue in the governmental funds.		1,860,794
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
General obligation bonds and notes	$ (773,000)	
Compensated absences	(351,770)	
Net pension liability	(5,858,303)	
Net other postemployment benefits obligation	(115,230)	(7,098,303)
Deferred inflows of resources resulting from pension obligations are not due and payable in the current period and, therefore, are not reported in governmental funds.		(654,590)
Net Position of Governmental Activities (Exhibit 1)		**$ 59,726,410**

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

LAC QUI PARLE COUNTY
MADISON, MINNESOTA

EXHIBIT 5

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016**

	General	Road and Bridge	Family Services	Ditch	Total
Revenues					
Taxes	$ 2,621,970	$ 1,403,666	$ 1,151,127	$ -	$ 5,176,763
Other taxes	6,230	83,514	-	-	89,744
Special assessments	127,045	-	-	556,595	683,640
Licenses and permits	20,335	-	-	-	20,335
Intergovernmental	952,442	4,080,043	1,548,750	1,596	6,582,831
Charges for services	402,222	1,291	243,660	-	647,173
Fines and forfeits	5,183	-	-	-	5,183
Gifts and contributions	5,000	-	-	-	5,000
Investment earnings	13,691	8,273	9,028	-	30,992
Miscellaneous	197,785	155,809	103,035	480	457,109
Total Revenues	**$ 4,351,903**	**$ 5,732,596**	**$ 3,055,600**	**$ 558,671**	**$ 13,698,770**
Expenditures					
Current					
General government	$ 1,781,707	$ -	$ -	$ -	$ 1,781,707
Public safety	1,476,252	-	-	-	1,476,252
Highways and streets	-	4,888,244	-	-	4,888,244
Sanitation	197,322	-	-	-	197,322
Human services	-	-	2,461,832	-	2,461,832
Culture and recreation	176,383	-	-	-	176,383
Conservation of natural resources	357,389	-	-	369,273	726,662
Economic development	7,100	-	-	-	7,100
Intergovernmental	255,158	519,260	-	452,913	1,227,331
Debt service					
Interest	-	-	-	11,948	11,948
Note issuance costs	-	-	-	11,440	11,440
Total Expenditures	**$ 4,251,311**	**$ 5,407,504**	**$ 2,461,832**	**$ 845,574**	**$ 12,966,221**
Excess of Revenues Over (Under) Expenditures	**$ 100,592**	**$ 325,092**	**$ 593,768**	**$ (286,903)**	**$ 732,549**

LAC QUI PARLE COUNTY
MADISON, MINNESOTA

EXHIBIT 5
(Continued)

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

	General	Road and Bridge	Family Services	Ditch	Total
Other Financing Sources (Uses)					
Transfers in	$ 6,500	$ 8,000	$ -	$ 3,605	$ 18,105
Transfers out	(11,605)	-	-	(6,500)	(18,105)
Notes issued	-	-	-	465,000	465,000
Total Other Financing Sources (Uses)	**$ (5,105)**	**$ 8,000**	**$ -**	**$ 462,105**	**$ 465,000**
Net Change in Fund Balance	**$ 95,487**	**$ 333,092**	**$ 593,768**	**$ 175,202**	**$ 1,197,549**
Fund Balance - January 1	**2,364,776**	**3,124,131**	**3,304,058**	**759,292**	**9,552,257**
Increase (decrease) in inventories	**-**	**(43,011)**	**-**	**-**	**(43,011)**
Fund Balance - December 31	**$ 2,460,263**	**$ 3,414,212**	**$ 3,897,826**	**$ 934,494**	**$ 10,706,795**

EXHIBIT 6

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES--GOVERNMENTAL ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2016

Net change in fund balance - total governmental funds (Exhibit 5)		**$ 1,197,549**
Amounts reported for governmental activities in the statement of activities are different because:		
In the funds, under the modified accrual basis, receivables not available for expenditure are deferred. In the statement of activities, those revenues are recognized when earned. The adjustment to revenue between the fund statements and the statement of activities is the increase or decrease in revenue deferred as unavailable.		
Unavailable revenue - December 31	$ 1,860,794	
Unavailable revenue - January 1	(1,114,604)	746,190
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In the statement of activities, only the gain or loss on the disposal of capital assets is reported; whereas, in the governmental funds, the proceeds from the sale increase financial resources. The difference is the net book value of the assets disposed of.		
Expenditures for general capital assets and infrastructure	$ 2,934,338	
Net book value of assets disposed of	(6,737)	
Current year depreciation	(1,799,979)	1,127,622
Debt issuance proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. The net proceeds for debt issuance are:		
Debt issued		
General obligation notes		(465,000)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Change in compensated absences	$ (2,291)	
Change in net pension liability	(3,121,538)	
Change in deferred pension outflows	2,790,456	
Change in deferred pension inflows	(277,447)	
Change in net other postemployment benefits obligation	(3,573)	
Change in inventories	(43,011)	(657,404)
Change in Net Position of Governmental Activities (Exhibit 2)		**$ 1,948,957**

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

FIDUCIARY FUNDS

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LAC QUI PARLE COUNTY
MADISON, MINNESOTA

EXHIBIT 7

STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
DECEMBER 31, 2016

Assets		
Cash and cash equivalents	**$**	**768,687**
Liabilities		
Accounts payable	$	3,392
Due to other governments		765,295
Total Liabilities	**$**	**768,687**

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

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1. Summary of Significant Accounting Policies

The County's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as of and for the year ended December 31, 2016. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the County are discussed below.

A. Financial Reporting Entity

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

Discretely Presented Component Units

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

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

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity

Discretely Presented Component Units (Continued)

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

Joint Ventures

The County participates in several joint ventures which are described in Note 4.C.

B. Basic Financial Statements

1. Government-Wide Statements

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

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

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

1. Summary of Significant Accounting Policies

   B. Basic Financial Statements

      1. Government-Wide Statements (Continued)

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

      2. Fund Financial Statements

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

         The County reports the following major governmental funds:

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

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

         - The Family Services Special Revenue Fund accounts for restricted revenue resources from the federal, state, and other oversight agencies, as well as assigned property tax revenues used for economic assistance and community social services programs.

         - The Ditch Special Revenue Fund accounts for special assessment revenues levied against benefitted property to finance the cost of constructing and maintaining an agricultural drainage ditch system.

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

Additionally, the County reports the following fiduciary fund type:

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

C. Measurement Focus and Basis of Accounting

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

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

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

1. Summary of Significant Accounting Policies (Continued)

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

1. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Auditor-Treasurer-Coordinator for the purpose of increasing earnings through investment activities. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments are credited to the General Fund. Other funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants. Pooled investment earnings for 2016 were $32,459.

2. Receivables and Payables

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

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

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

Special assessments receivable consist of delinquent special assessments payable in the years 2011 through 2016 and deferred special assessments payable in 2017 and after. Unpaid special assessments at December 31 are classified in the financial statements as delinquent special assessments.

1. Summary of Significant Accounting Policies

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

      2. Receivables and Payables (Continued)

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

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

      3. Inventories and Prepaid Items

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

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

      4. Capital Assets

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

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

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

1. Summary of Significant Accounting Policies

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

4. Capital Assets (Continued)

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

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

5. Compensated Absences

The liability for compensated absences reported in the financial statements consists of unpaid, accumulated vacation and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. A liability for compensated absences is reported in the governmental funds only if they have matured, for example as a result of employee resignations and retirements. Compensated absences are accrued when incurred in the government-wide statements. The government-wide statement of net position reports both current and noncurrent portions of compensated absences. The current portion consists of an amount based on a trend analysis of current usage of vacation. The noncurrent portion consists of the remaining amount of vacation, total vested sick leave, and comp time. Compensated absences are liquidated by the General Fund, the Road and Bridge Special Revenue Fund, the Family Services Special Revenue Fund, and the Ditch Special Revenue Fund. For the Lac qui Parle-Yellow Bank Watershed District, compensated absences are liquidated by the General Fund.

1. Summary of Significant Accounting Policies

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

6. Long-Term Obligations

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

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

7. Pension Plan

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

1. Summary of Significant Accounting Policies

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

8. Deferred Outflows/Inflows of Resources

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

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

1. Summary of Significant Accounting Policies

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

9. Unearned Revenue

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

10. Classification of Net Position

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

- Investment in capital assets - the amount of net position representing capital assets, net of accumulated depreciation, and reduced by outstanding debt attributed to the acquisition, construction, or improvement of the assets. At December 31, 2016, Lac qui Parle County and the Lac qui Parle-Yellow Bank Watershed District reported no debt related to acquisition, construction, or improvement of capital assets.

- Restricted net position - the amount of net position for which external restrictions have been imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

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

11. Classification of Fund Balances

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

- Nonspendable - amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

1. Summary of Significant Accounting Policies

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

11. Classification of Fund Balances (Continued)

- Restricted - amounts for which constraints have been placed on the use of resources either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

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

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

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

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

1. Summary of Significant Accounting Policies

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

12. Minimum Fund Balance

Lac qui Parle County has adopted a minimum fund balance policy for the General Fund. The General Fund is heavily reliant on property tax revenues to fund current operations. However, current property tax revenues are not available for distribution until June. Therefore, the County Board has determined it needs to maintain a minimum unrestricted fund balance (committed, assigned, and unassigned) of no less than five months of operating expenditures. The fund balance policy was adopted by the County Board on December 20, 2011. At December 31, 2016, unrestricted fund balance for the General Fund was below the minimum fund balance level.

13. Use of Estimates

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

2. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments

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

Government-wide statement of net position		
Governmental activities		
Cash and cash equivalents	$	10,316,480
Cash equivalents		275,000
Statement of fiduciary net position		
Cash and cash equivalents		768,687
Total Cash and Cash Equivalents	$	11,360,167

Petty cash and change funds	$	1,750
Checking		3,594,493
Money market savings		7,263,924
Non-negotiable certificates of deposit		500,000
Total Deposits and Cash on Hand	$	11,360,167

a. Deposits

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

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

2. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments

a. Deposits (Continued)

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits may not be returned to it. The County's policy is to minimize deposit custodial credit risk by obtaining collateral or bond for all uninsured amounts on deposit and obtaining necessary documentation to show compliance with state law and a perfected security interest under federal law. As of December 31, 2016, the County's deposits were not exposed to custodial credit risk.

b. Investments

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

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

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

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

(4) bankers' acceptances of United States banks;

2. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments

b. Investments (Continued)

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

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

Interest Rate Risk

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

Credit Risk

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

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities in the possession of an outside party. The County has adopted a policy to minimize investment custodial credit risk by permitting brokers that obtain investments for the

2. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments

b. Investments

Custodial Credit Risk (Continued)

County to hold them only to the extent Securities Investor Protection Corporation (SIPC) coverage and excess SIPC coverage are available, and that they qualify under Minn. Stat. § 118A.06 to hold investments.

Concentration of Credit Risk

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

Lac qui Parle County had no investments at December 31, 2016.

2. Receivables

Receivables as of December 31, 2016, for the County's governmental activities follow:

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental Activities		
Taxes	$ 34,893	$ -
Special assessments	655,255	-
Accounts receivable	76,317	-
Due from other governments	1,496,084	-
Advance to component unit	248,667	248,667
Total Governmental Activities	$ 2,511,216	$ 248,667

2. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

2. Receivables (Continued)

Advance to Component Unit

The Lac qui Parle County Economic Development Authority (EDA) has a balance due to the Lac qui Parle County General Fund at December 31, 2016, of $248,667. Repayment for each disbursement made to the EDA, together with any accrued interest, is due ten years from the date of each disbursement. No disbursements were made to the EDA in 2016.

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

3. Capital Assets

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

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	$ 164,903	$ -	$ -	$ 164,903
Right-of-way	470,198	-	-	470,198
Construction in progress	37,867	181,063	-	218,930
Total capital assets not depreciated	$ 672,968	$ 181,063	$ -	$ 854,031
Capital assets depreciated				
Buildings	$ 3,408,967	$ 15,625	$ -	$ 3,424,592
Improvements other than building	100,993	-	-	100,993
Machinery, furniture, and equipment	6,195,414	603,635	523,618	6,275,431
Infrastructure	63,546,648	2,134,015	-	65,680,663
Total capital assets depreciated	$ 73,252,022	$ 2,753,275	$ 523,618	$ 75,481,679

2. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

3. Capital Assets (Continued)

	Beginning Balance	Increase	Decrease	Ending Balance
Less: accumulated depreciation for				
Buildings	$ 909,751	$ 68,725	$ -	$ 978,476
Improvements other than building	12,407	2,718	-	15,125
Machinery, furniture, and equipment	3,693,705	414,919	516,881	3,591,743
Infrastructure	18,780,623	1,313,617	-	20,094,240
Total accumulated depreciation	$ 23,396,486	$ 1,799,979	$ 516,881	$ 24,679,584
Total capital assets depreciated, net	$ 49,855,536	$ 953,296	$ 6,737	$ 50,802,095
Capital Assets, Net	$ 50,528,504	$ 1,134,359	$ 6,737	$ 51,656,126

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

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

Governmental Activities	
General government	$ 61,564
Public safety	101,858
Highways and streets, including depreciation of infrastructure assets	1,612,358
Sanitation	5,992
Human services	16,593
Conservation of natural resources	1,060
Culture and recreation	554
Total Depreciation Expense - Governmental Activities	$ 1,799,979

2. Detailed Notes on All Funds (Continued)

B. Interfund Receivables, Payables, and Transfers

Interfund Transfers

Transfer to Ditch Special Revenue Fund from General Fund	$	3,605	Provide proportionate share of interest earnings
Transfer to Road and Bridge Special Revenue Fund from General Fund	$	8,000	Provide funding for vehicle purchased
Transfer to General Fund from Ditch Special Revenue Fund	$	6,500	Provide funding for County ditch administrative and accounting services provided

C. Liabilities and Deferred Inflows of Resources

1. Payables

Payables at December 31, 2016, were as follows:

		Governmental Activities
Accounts	$	255,984
Salaries		142,653
Contracts		105,921
Due to other governments		110,179
Total Payables	$	614,737

2. Construction Commitments

All active highway construction projects are state-funded and, therefore, not obligations of the County at December 31, 2016.

2. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources (Continued)

3. Unearned Revenues/Deferred Inflows of Resources

Unearned revenues and deferred inflows of resources consist of special assessments, taxes, and state grants not collected soon enough after year-end to pay liabilities of the current period, and state grants received but not yet earned. Unearned revenues and deferred inflows of resources at December 31, 2016, are summarized below by fund:

	Special Assignments	Taxes	Grants	Total
Major governmental funds				
General	$ 11,090	$ 17,365	$ 93,516	$ 121,971
Road and Bridge	-	9,775	1,170,646	1,180,421
Family Services	-	7,753	-	7,753
Ditch	644,165	-	-	644,165
Total	$ 655,255	$ 34,893	$ 1,264,162	$ 1,954,310
Liability				
Unearned revenue	$ -	$ -	$ 93,516	$ 93,516
Deferred inflows of resources				
Unavailable revenue	655,255	34,893	1,170,646	1,860,794
Total	$ 655,255	$ 34,893	$ 1,264,162	$ 1,954,310

4. Bonds and Notes Payable

On October 5, 2016, Lac qui Parle County issued General Obligation Drainage Notes, Series 2016A, in the amount of $465,000, with an interest rate of 2.75 percent. Payments on these general obligation drainage notes are made by the Ditch Special Revenue Fund. Note proceeds of $452,913 were paid to the Lac qui Parle-Yellow Bank Watershed District to repay the District for an improvement project on County Ditch 27 that was initially funded by the District.

2. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources

4. Bonds and Notes Payable (Continued)

Type of Indebtedness	Final Maturity	Installment Amount	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2016
General Obligation Drainage Bonds, Series 2015A	2031	$25,940 - $26,833	3.50	$ 308,000	$ 308,000
General Obligation Drainage Notes, Series 2016A	2032	$34,485 - $38,557	2.75	$ 465,000	$ 465,000

5. Debt Service Requirements

Payments on the Series 2015A and Series 2016A general obligation bonds and notes are made by the Ditch Special Revenue Fund. Debt service requirements at December 31, 2016, were as follows:

Year Ending	General Obligation Bonds		General Obligation Notes	
December 31	Principal	Interest	Principal	Interest
2017	$ 16,000	$ 10,500	$ -	$ 10,514
2018	16,000	9,940	22,000	12,485
2019	17,000	9,363	26,000	11,825
2020	18,000	8,751	27,000	11,097
2021	18,000	8,121	28,000	10,341
2022 - 2026	102,000	30,347	151,000	39,615
2027 - 2031	121,000	10,870	174,000	17,272
2032	-	-	37,000	509
Total	$ 308,000	$ 87,892	$ 465,000	$ 113,658

2. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources (Continued)

6. Long-Term Liabilities

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General obligation bonds	$ 308,000	$ -	$ -	$ 308,000	$ 16,000
General obligation notes	-	465,000	-	465,000	-
Compensated absences	349,479	151,199	148,908	351,770	20,997
Governmental Activities Long-Term Liabilities	$ 657,479	$ 616,199	$ 148,908	$ 1,124,770	$ 36,997

3. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

1. Plan Description

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

The General Employees Retirement Plan (accounted for in the General Employees Fund) has multiple benefit structures with members belonging to the Coordinated Plan, the Basic Plan, or the Minneapolis Employees Retirement Fund. Coordinated Plan members are covered by Social Security and Basic Plan and Minneapolis Employees Retirement Fund members are not. The Basic Plan was closed to new members in 1967. The Minneapolis Employees Retirement Fund was closed to new members during 1978 and merged into the General Employees Retirement Plan in

3. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

1. Plan Description (Continued)

2015. All new members must participate in the Coordinated Plan, for which benefits vest after five years of credited service. No County employees belong to either the Basic Plan or the Minneapolis Employees Retirement Fund.

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

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

2. Benefits Provided

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

3. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

2. Benefits Provided (Continued)

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

Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for General Employees Retirement Plan Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first ten years of service and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 1.7 percent for Coordinated Plan members for each year of service. Only Method 2 is used for members hired after June 30, 1989. For Public Employees Police and Fire Plan members, the annuity accrual rate is 3.0 percent of average salary for each year of service. For Public Employees Correctional Plan members, the annuity accrual rate is 1.9 percent of average salary for each year of service.

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

3. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans (Continued)

3. Contributions

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the state legislature. General Employees Retirement Plan Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in 2016. Public Employees Police and Fire Plan members were required to contribute 10.80 percent of their annual covered salary in 2016. Public Employees Correctional Plan members were required to contribute 5.83 percent of their annual covered salary in 2016.

In 2016, the County was required to contribute the following percentages of annual covered salary:

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

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

The County's contributions for the year ended December 31, 2016, to the pension plans were:

General Employees Retirement Plan	$ 202,193
Public Employees Police and Fire Plan	80,604
Public Employees Correctional Plan	14,664

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

3. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans (Continued)

4. Pension Costs

General Employees Retirement Plan

At December 31, 2016, the County reported a liability of $3,442,670 for its proportionate share of the General Employees Retirement 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 0.0424 percent. It was 0.0407 percent measured as of June 30, 2015. The County recognized pension expense of $477,571 for its proportionate share of the General Employees Retirement Plan's pension expense.

The County also recognized $13,421 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's contribution to the General Employees Retirement Plan, which qualifies as a special funding situation. Legislation requires the State of Minnesota to contribute $6 million to the General Employees Retirement Plan each year, starting September 15, 2015, through September 15, 2031.

County's proportionate share of the net pension liability	$	3,442,670
State of Minnesota's proportionate share of the net pension liability associated with the County		45,011
Total	$	3,487,681

3. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

4. Pension Costs

General Employees Retirement Plan (Continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ -	$ 276,705
Changes in actuarial assumptions	674,078	-
Difference between projected and actual investment earnings	647,178	-
Changes in proportion	66,077	98,647
Contributions paid to PERA subsequent to the measurement date	102,319	-
Total	$ 1,489,652	$ 375,352

The $102,319 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 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	Pension Expense Amount
2017	$ 267,618
2018	267,618
2019	352,390
2020	124,355

3. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

4. Pension Costs (Continued)

Public Employees Police and Fire Plan

At December 31, 2016, the County reported a liability of $2,086,850 for its proportionate share of the Public Employees Police and Fire Plan's net pension liability. The net pension liability was measured as of June 30, 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 0.052 percent. It was 0.054 percent measured as of June 30, 2015. The County recognized pension expense of $354,098 for its proportionate share of the Public Employees Police and Fire Plan's pension expense.

The County also recognized $4,680 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's on-behalf contribution to the Public Employees Police and Fire Plan. Legislation requires the State of Minnesota to contribute $9 million to the Police and Fire Plan each year, starting in fiscal year 2014, until the plan is 90 percent funded.

3. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

4. Pension Costs

Public Employees Police and Fire Plan (Continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ -	$ 242,349
Changes in actuarial assumptions	1,148,485	-
Difference between projected and actual investment earnings	321,438	-
Changes in proportion	-	33,338
Contributions paid to PERA subsequent to the measurement date	41,760	-
Total	$ 1,511,683	$ 275,687

The $41,760 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 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	Pension Expense Amount
2017	$ 256,901
2018	256,901
2019	256,901
2020	230,175
2021	193,358

3. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

4. Pension Costs (Continued)

Public Employees Correctional Plan

At December 31, 2016, the County reported a liability of $328,783 for its proportionate share of the Public Employees 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 0.09 percent. It was 0.09 percent measured as of June 30, 2015. The County recognized pension expense of $92,421 for its proportionate share of the Public Employees Correctional Plan's pension expense.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 257	$ 3,551
Changes in actuarial assumptions	209,474	-
Difference between projected and actual investment earnings	36,940	-
Contributions paid to PERA subsequent to the measurement date	7,582	-
Total	$ 254,253	$ 3,551

3. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

4. Pension Costs

Public Employees Correctional Plan (Continued)

The $7,582 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 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	Pension Expense Amount
2017	$ 78,094
2018	78,094
2019	79,870
2020	7,062

Total Pension Expense

The total pension expense for all plans recognized by the County for the year ended December 31, 2016, was $924,090.

5. Actuarial Assumptions

The total pension liability in the June 30, 2016, actuarial valuation was determined using the individual entry-age normal actuarial cost method and the following additional actuarial assumptions:

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

3. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

5. Actuarial Assumptions (Continued)

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants in the General Employees Retirement Plan were based on RP-2014 tables, while mortality rates for Public Employees Police and Fire Plan and Public Employees Correctional Plan were based on RP-2000 tables for males or females, as appropriate, with slight adjustments. For the General Employees Retirement Plan and the Public Employees Police and Fire Plan, cost of living benefit increases for retirees are assumed to be 1.0 percent. Cost of living benefit increases for retirees are assumed to be 2.5 percent for the Public Employees Correctional Plan.

Actuarial assumptions used in the June 30, 2016, valuation were based on the results of actuarial experience studies. The experience study in the General Employees Retirement Plan was for the period 2008 through 2015. The experience study for the Public Employees Police and Fire Plan was for the period 2004 through 2009. The experience study for the Public Employees Correctional Plan was for the period 2006 through 2011.

On August 16, 2016, an updated experience study was done for PERA's Public Employees Police and Fire Plan for the period 2011 through 2015, which would result in a larger pension liability. However, PERA will implement the changes in assumptions for its June 30, 2017, estimate of pension liability.

The long-term expected rate of return on pension plan investments is 7.5 percent. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

3. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

5. Actuarial Assumptions (Continued)

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

6. Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent in 2016, a reduction of the 7.90 percent used in 2015. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, the fiduciary net position of the General Employees Retirement Plan was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. In the Public Employees Police and Fire Plan and the Public Employees Correctional Plan, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members through June 30, 2056, and June 30, 2058, respectively. Beginning in fiscal years ended June 30, 2057, for the Police and Fire Plan and June 30, 2059, for the Public Employees Correctional Plan, when projected benefit payments exceed the Plans' projected fiduciary net position, benefit payments were discounted at the municipal bond rate of 2.85 percent based on an index of 20-year general obligation bonds with an average AA credit rating at the measurement date. An equivalent single discount rate of 5.60 percent for the Public Employees Police and Fire Plan and 5.31 percent for the Public Employees Correctional Plan was determined that produced approximately the same present value of the projected benefits when applied to all years of projected benefits as the present value of projected benefits using 7.50 percent applied to all years of projected benefits through the point of asset depletion and 2.85 percent thereafter.

3. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans (Continued)

7. Changes in Actuarial Assumptions

The following changes in actuarial assumptions occurred in 2016:

General Employees Retirement Plan

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

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

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

Public Employees Police and Fire Plan

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

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

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

3. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

7. Changes in Actuarial Assumptions (Continued)

Public Employees Correctional Plan

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

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

8. Pension Liability Sensitivity

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

	Proportionate Share of the					
	General Employees Retirement Plan		Public Employees Police and Fire Plan		Public Employees Correctional Plan	
	Discount Rate	Net Pension Liability	Discount Rate	Net Pension Liability	Discount Rate	Net Pension Liability
1% Decrease	6.50%	$ 4,889,611	4.60%	$ 2,921,314	4.31%	$ 495,045
Current	7.50	3,442,670	5.60	2,086,850	5.31	328,783
1% Increase	8.50	2,250,784	6.60	1,405,031	6.31	198,983

9. Pension Plan Fiduciary Net Position

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

3. Pension Plans and Other Postemployment Benefits (Continued)

B. Defined Contribution Plan

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

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

Total contributions by dollar amount and percentage of covered payroll made by Lac qui Parle County during the year ended December 31, 2016, were:

	Employee	Employer
Contribution amount	$ 5,590	$ 5,590
Percentage of covered payroll	5%	5%

C. Other Postemployment Benefits (OPEB)

Plan Description

Employees retiring from County service with at least ten years of service and meeting the established requirements to receive a pension from the Public Employees Retirement Association may have their severance pay transferred to an individual health insurance account to pay their monthly health insurance premiums until this balance is exhausted or they reach age 65. The County finances the plan on a pay-as-you-go basis and made no payments in 2016.

3. Pension Plans and Other Postemployment Benefits

C. Other Postemployment Benefits (OPEB)

Plan Description (Continued)

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

Funding Policy

The contribution requirements of the plan members and the County are established and may be amended by the Lac qui Parle County Board of Commissioners. The required contribution is based on projected pay-as-you-go financing requirements. The County has three current elected officials eligible, and one former elected officials receiving this benefit in 2016.

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

Annual OPEB Cost and Net OPEB Obligation

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

3. Pension Plans and Other Postemployment Benefits

C. Other Postemployment Benefits (OPEB)

Annual OPEB Cost and Net OPEB Obligation (Continued)

ARC	$ 67,099
Interest on net OPEB obligation	5,025
Adjustment to ARC	(6,560)
Annual OPEB cost (expense)	$ 65,564
Contributions made during the year	(61,991)
Increase in net OPEB obligation	$ 3,573
Net OPEB Obligation - Beginning of Year	111,657
Net OPEB Obligation - End of Year	$ 115,230

The County's annual OPEB cost; the percentage of annual OPEB cost contributed to the plan; and the net OPEB obligation for the years ended December 31, 2014, 2015 and 2016, were as follows:

Fiscal Year Ended	Annual OPEB Cost	Annual Employer Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
December 31, 2014	$ 66,016	$ 48,123	$ 72.9%	$ 96,682
December 31, 2015	65,770	50,795	77.2	111,657
December 31, 2016	65,564	61,991	94.6	115,230

Funded Status and Funding Progress

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

3. Pension Plans and Other Postemployment Benefits

C. Other Postemployment Benefits (OPEB) (Continued)

Actuarial Methods and Assumptions

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

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

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

The annual health care cost trend is 8.0 percent initially, reduced by decrements to an ultimate rate of 5.0 percent over 6 years. Both rates include a 2.5 percent inflation assumption. The UAAL is being amortized over 30 years on a closed basis. The remaining amortization period at December 31, 2016, was 25 years.

4. Summary of Significant Contingencies and Other Items

A. Risk Management

Lac qui Parle County and the Lac qui Parle-Yellow Bank Watershed District are exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; or natural disasters for which the County and the District carry commercial insurance. To manage these risks, the County and the District have entered into a joint powers agreement with other Minnesota counties to form the Minnesota Counties Intergovernmental Trust (MCIT). MCIT is a public entity risk pool currently operated as a common risk management and insurance program for its members. The County and the District are members of both the MCIT Workers' Compensation and Property and Casualty Divisions. For group employee health benefits, the County has entered into a joint powers agreement, the Southwest/West Central Service Cooperative. For all other risk, other than pertaining to health insurance, the County and the District carry commercial insurance. There were no significant reductions in insurance from the prior year. The amount of settlements did not exceed insurance coverage for the past three fiscal years.

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims, liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at $500,000 per claim in 2016 and 2017. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County and the District in a method and amount to be determined by MCIT.

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

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

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

B. Contingent Liabilities

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

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

Farmers Mutual Telephone Company

The County partnered with Farmers Mutual Telephone Company to apply as co-applicant for Rural Utility Service (RUS) Broadband Infrastructure Program (BIP) to install fiber optic broadband service throughout the County. The County was notified in 2010 of the approval of a $9,600,000 loan/grant for a project planned to begin in 2011. The County pledged to extend a line of credit for $2,413,239 through the Lac qui Parle County Economic Development Authority to assist with cash flows of the project. Through July 26, 2017, $248,667 has been advanced from the County's General Fund through the Economic Development Authority to Farmers Mutual Telephone Company as part of this agreement.

Lincoln-Pipestone Rural Water System

At December 31, 2016, the Lincoln-Pipestone Rural Water System had $48,946,000 of general obligation bonds and other loans outstanding through 2052. The bonds were issued by some of the participating counties in the Rural Water System to finance the construction of water system expansions and improvements.

The debt is paid by the Lincoln-Pipestone Rural Water System from special assessments levied against property specifically benefited by the applicable expansion, extension, or enlargement of the system and from the net revenues from time to time received in excess of the current costs of operating and maintaining the system. The bonds are general obligations of the issuing counties for which their full faith, credit, and taxing powers are

4. Summary of Significant Contingencies and Other Items

B. Contingent Liabilities

Lincoln-Pipestone Rural Water System (Continued)

pledged. The participating counties (Jackson, Lac qui Parle, Lincoln, Lyon, Murray, Nobles, Pipestone, Redwood, Rock, and Yellow Medicine) have adopted board resolutions and have signed joint powers agreements to define their liability for a proportional share of the debt should the issuing counties make any debt service payments. In such a situation, each of the other counties will promptly reimburse the paying counties in proportion to the percentage of Lincoln-Pipestone Rural Water System customers located in such county, in accordance with Minn. Stat. § 116A.24, subd. 3. The outstanding bonds are reported as liabilities in the annual financial statements of the Lincoln-Pipestone Rural Water System and are not reported as liabilities in the financial statements of any of the ten participating counties. The participating counties disclose a contingent liability due to the guarantee of indebtedness.

C. Joint Ventures

Countryside Public Health Service

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

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

Control is vested in the Countryside Public Health Service Board of Health. The Board consists of 11 persons, 3 from Yellow Medicine County and 2 from each of the other participating counties. Each member of the Board is appointed by the County Commissioners of the county represented.

4. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Countryside Public Health Service (Continued)

Financing is provided by state and federal grants, appropriations from member counties, and charges for services. Lac qui Parle County's contribution for 2016 was $77,237.

Complete financial statements for the Countryside Public Health Service can be obtained from its administrative office at P. O. Box 313, Benson, Minnesota 56215.

Region 6W Community Corrections

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

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

Lac qui Parle County's contribution for 2016 was $170,486.

Complete financial statements for Region 6W Community Corrections can be obtained at 1215 Black Oak Avenue, P. O. Box 551, Montevideo, Minnesota 56265.

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

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

4. Summary of Significant Contingencies and Other Items

C. Joint Ventures

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

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

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

Lincoln-Pipestone Rural Water System

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

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

Bonds were issued by Lincoln, Nobles, and Yellow Medicine Counties to finance the construction of the Rural Water System. Costs assessed to municipalities and special assessments levied against benefitted properties pay approximately 85 percent of the amount necessary to retire principal and interest on the bonds. The remainder of the funds necessary to retire the outstanding bonds and interest will be provided by appropriations from the Lincoln-Pipestone Rural Water System. Outstanding obligations at December 31, 2016, were $48,946,000.

4. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Lincoln-Pipestone Rural Water System (Continued)

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

Southwest Minnesota Regional Emergency Communications Joint Powers Board

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

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

Financing is provided by the appropriations from member parties and by state and federal grants. During 2016, Lac qui Parle County contributed $2,066 to the Joint Powers Board.

Minnesota Counties Information Systems (MCIS)

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

4. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Minnesota Counties Information Systems (MCIS) (Continued)

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

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

Separate financial information for the Minnesota Counties Information System can be obtained at 413 Southeast 7th Avenue, Grand Rapids, Minnesota 55744.

Pioneerland Library System

Lac qui Parle County, along with 32 cities and 9 other counties, participates in the Pioneerland Library System in order to provide efficient and improved regional public library service. The Pioneerland Library System is governed by the Pioneerland Library System Board, composed of 35 members appointed by member cities and counties. During the year, Lac qui Parle County contributed $75,697 to the System.

Separate financial information for the Pioneerland Library System can be obtained from its administrative office at Pioneerland Regional Library, 410 - 5th Street Southwest, Willmar, Minnesota 56201.

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

A. Summary of Significant Accounting Policies

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

Reporting Entity

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

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

A. Summary of Significant Accounting Policies

Reporting Entity (Continued)

Because of the significance of the financial relationship, Lac qui Parle County considers the District to be a major component unit.

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

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

- The Ditch Special Revenue Fund is used to account for the cost of constructing and maintaining an agricultural drainage ditch system. Financing is provided by special assessments levied against benefitted property.

Deposits

The cash balances of the General Fund and the Ditch Special Revenue Fund are pooled and invested for the purpose of increasing earnings through interest-bearing activities.

B. Detailed Notes on All Funds

1. Assets and Deferred Outflows of Resources

Deposits

Reconciliation of the District's total deposits to the basic financial statements follows:

Cash and cash equivalents	$	1,766,435
Checking	$	1,118,555
Money market savings		487,880
Non-negotiable certificates of deposit		160,000
Total Deposits	$	1,766,435

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

B. Detailed Notes on All Funds

1. Assets and Deferred Outflows of Resources

Deposits (Continued)

The District is required by Minn. Stat. § 118A.03 to protect deposits with insurance, surety bond, or collateral. The market value of collateral pledged shall be at least ten percent more than the amount on deposit at the close of the financial institution's banking day, not covered by insurance or bonds. Authorized collateral includes treasury bills, notes, and bonds; issues of U.S. government agencies; general obligations rated "A" or better and revenue obligations rated "AA" or better; irrevocable standby letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution not owned or controlled by the financial institution furnishing the collateral. As of December 31, 2016, $77,254 of the District's deposits were exposed to custodial credit risk.

The District had no investments at December 31, 2016.

Receivables

Receivables as of December 31, 2016, for the Lac qui Parle-Yellow Bank Watershed District follow:

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Special assessments	$ 508,550	$ 417,486
Accrued interest receivable	693	-
Due from other governments	39,251	-
Total Receivables	$ 548,494	$ 417,486

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

B. Detailed Notes on All Funds

1. Assets and Deferred Outflows of Resources (Continued)

Capital Assets

The Lac qui Parle-Yellow Bank Watershed District capital asset activity for the year ended December 31, 2016, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	$ 628,458	$ -	$ -	$ 628,458
Capital assets depreciated				
Buildings	$ 194,685	$ -	$ -	$ 194,685
Machinery, furniture, and equipment	81,366	-	11,591	69,775
and improvements	298,207	-	-	298,207
Infrastructure	5,334,207	-	-	5,334,207
Total capital assets depreciated	$ 5,908,465	$ -	$ 11,591	$ 5,896,874
Less: accumulated depreciation for				
Buildings	$ 34,353	$ 5,152	$ -	$ 39,505
Machinery, furniture, and equipment	40,241	5,683	11,591	34,333
Land improvements	143,794	10,355	-	154,149
Infrastructure	1,358,623	53,343	-	1,411,966
Total accumulated depreciation	$ 1,577,011	$ 74,533	$ 11,591	$ 1,639,953
Total capital assets depreciated, net	$ 4,331,454	$ (74,533)	$ -	$ 4,256,921
Capital Assets, Net	$ 4,959,912	$ (74,533)	$ -	$ 4,885,379

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

Conservation of natural resources	$ 58,495
Culture and recreation	16,038
Total Depreciation Expense	$ 74,533

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

B. Detailed Notes on All Funds (Continued)

2. Interfund Receivables, Payables, and Transfers

Due To/From Other Funds

There were no interfund balances as of December 31, 2016.

Interfund Transfers

There were no interfund transfers as of December 31, 2016.

3. Liabilities and Deferred Inflows of Resources

Payables

Payables at December 31, 2016, were as follows:

Accounts payable	$	5,512
Due to other governments		313
Salaries payable		11,905
Total Payables	$	17,730

Construction Commitments

The Lac qui Parle-Yellow Bank Watershed District had no active construction projects as of December 31, 2016.

Long-Term Debt - Loans Payable

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

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

B. Detailed Notes on All Funds

3. Liabilities and Deferred Inflows of Resources

Long-Term Debt - Loans Payable (Continued)

Long-term debt outstanding at December 31, 2016, for the Lac qui Parle-Yellow Bank Watershed District consists of the following:

Type of Indebtedness	Final Maturity	Semi-Annual Installment Amount	Interest Rate	Original Issue Amount	Remaining Commitment
Lac qui Parle River Water Mainstem CWP Project	2019	$ 16,267	2.00%	$ 293,540	$ 94,273
Lac qui Parle River Water Mainstem Quality Enhancement Project	2022	8,304	2.00%	149,859	93,468
North and South Fork Yellow Bank Rivers	2026	24,840	2.00%	448,248	448,248
Clean Water Partnership Project	Not finalized	Not finalized	Not finalized	98,245	98,245
Total Loans Payable				$ 989,892	$ 734,234

Debt service requirements at December 31, 2016, were as follows:

Year Ending December 31	Loans Payable Principal	Loans Payable Interest
2017	$ 86,533	$ 12,289
2018	88,272	10,550
2019	90,046	8,776
2020	59,160	7,128
2021	60,349	5,939
2022 - 2026	251,629	13,379
Total	$ 635,989	$ 58,061

Loans of $98,245 for the Clean Water Partnership Project were not included in the debt service requirements because fixed repayment schedules are not available.

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

B. Detailed Notes on All Funds

3. Liabilities and Deferred Inflows of Resources (Continued)

Changes in Long-Term Liabilities

Changes in long-term liabilities of the Lac qui Parle-Yellow Bank Watershed District for the year ended December 31, 2016, were:

	Balance January 1	Additions	Deductions	Balance December 31	Amount Due Within One Year
Loans payable	$ 612,842	$ 166,107	$ 44,715	$ 734,234	$ 86,533
Compensated absences	8,459	13,742	19,283	2,918	5,279
Total	$ 621,301	$ 179,849	$ 63,998	$ 737,152	$ 91,812

C. Defined Benefit Pension Plan

1. Plan Description

All full-time and certain part-time employees of the Lac qui Parle-Yellow Bank Watershed District are covered by defined benefit pension plans administered by PERA. See Note 3.A. for information on PERA.

2. Contributions

The District's contributions for the General Employees Retirement Plan for the year ended December 31, 2016, were $11,016. The contributions are equal to the contractually required contributions as set by state statute.

3. Pension Costs

At December 31, 2016, the District reported a liability of $186,749 for its proportionate share of the General Employees Retirement 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 District's proportion of the net pension liability was based on the District's contributions received by PERA during the

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

C. Defined Benefit Pension Plan

3. Pension Costs (Continued)

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 District's proportion was 0.0023 percent. It was 0.0022 percent measured as of June 30, 2015. The District recognized pension expense of $27,069 for its proportionate share of the General Employees Retirement Plan's pension expense.

The District also recognized $718 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's contribution to the General Employees Retirement Plan, which qualifies as a special funding situation. Legislation requires the State of Minnesota to contribute $6 million to the General Employees Retirement Plan each year, starting September 15, 2015, through September 15, 2031.

District's proportionate share of the net pension liability	$ 186,749
State of Minnesota's proportionate share of the net pension liability associated with the District	2,408
Total	$ 189,157

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ -	$ 14,996
Changes in actuarial assumptions	36,566	-
Difference between projected and actual investment earnings	35,078	-
Changes in proportion	3,887	2,349
Contributions paid to PERA subsequent to the measurement date	5,941	-
Total	$ 81,472	$ 17,345

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

C. Defined Benefit Pension Plan

3. Pension Costs (Continued)

The $5,941 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 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	Pension Expense Amount
2017	$ 16,117
2018	16,117
2019	19,207
2020	6,745

4. Pension Liability Sensitivity

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate 1.0 percentage point lower or 1.0 percentage point higher than the current discount rate:

	Proportionate Share of the General Employees Retirement Plan Net Pension Liability	
	Discount Rate	Net Pension Liability
1% Decrease	6.50%	$ 265,238
Current	7.50	186,749
1% Increase	8.50	122,094

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

A. Summary of Significant Accounting Policies

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

1. Reporting Entity

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

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

2. Basis of Presentation

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

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

3. Deposits and Investments

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

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

A. Summary of Significant Accounting Policies (Continued)

4. Capital Assets

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

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

B. Detailed Notes

1. Assets and Deferred Outflows of Resources

Deposits

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

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

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

B. Detailed Notes

1. Assets and Deferred Outflows of Resources (Continued)

Custodial Credit Risk

The Authority does not have a deposit policy for custodial credit risk. As of December 31, 2016, the Authority's deposits were not exposed to custodial credit risk.

The Authority did not have any investments at December 31, 2016.

Receivables

Receivables as of December 31, 2016, for the Authority are as follows:

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Taxes	$ 12,697	$ -
Accounts receivable	6,764	-
Accrued interest receivable	62	-
Loan receivable - Farmers Mutual Telephone Company	248,667	248,667
Total Receivables	$ 268,190	$ 248,667

Loan Receivable

On November 1, 2010, the Authority entered into an advancing term promissory note with Farmers Mutual Telephone Company for the purpose of providing assistance in servicing one-half of the Rural Utilities Service loan to provide fiber optic service to certain residents and businesses of Lac qui Parle County who do not currently receive said service until the project becomes self-supporting through revenue generated therefrom. The note authorizes Farmers Mutual Telephone Company to borrow up to $2,413,239 in periodic installments. The final payment shall be due on or before November 1, 2020. The outstanding principal may become

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

B. Detailed Notes

1. Assets and Deferred Outflows of Resources

Loan Receivable (Continued)

immediately due and payable without notice or demand upon the occurrence of default by Farmers Mutual Telephone Company. As of December 31, 2016, the outstanding balance of the note receivable was $248,667.

Capital Assets

The Lac qui Parle County Economic Development Authority capital asset activity for the year ended December 31, 2016, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets depreciated				
Machinery, furniture, and equipment	$ 15,168	$ -	$ -	$ 15,168
Less: accumulated depreciation for				
Machinery, furniture, and equipment	7,837	1,517	-	9,354
Capital Assets, Net	$ 7,331	$ (1,517)	$ -	$ 5,814

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

Economic development	$ 1,517

2. Liabilities and Deferred Inflows of Resources

Payables

Payables at December 31, 2016, were as follows:

Accounts payable	$ 734
Salaries payable	2,205
Due to other governments	4,423
Total Payables	$ 7,362

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

B. Detailed Notes

2. Liabilities and Deferred Inflows of Resources (Continued)

Changes in Long-Term Liabilities

Changes in long-term liabilities of the Lac qui Parle County Economic Development Authority for the year ended December 31, 2016, were:

	Balance January 1	Additions	Deductions	Balance December 31	Amount Due Within One Year
Advance from primary government	$ 248,667	$ -	$ -	$ 248,667	$ -
Compensated absences	1,759	-	1,759	-	-
Total	$ 250,426	$ -	$ 1,759	$ 248,667	$ -

Advance from Primary Government

The Authority has a balance due to Lac qui Parle County at December 31, 2016, of $248,667. Repayment for each disbursement made to the Authority, together with any accrued interest, is due ten years from the date of each disbursement.

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

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

C. Defined Benefit Pension Plan

1. Plan Description

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

2. Contributions

The Authority's contributions for the General Employees Retirement Fund for the year ended December 31, 2016, were $6,616. The contributions are equal to the contractually required contributions as set by state statute.

3. Pension Costs

At December 31, 2016, the Authority reported a liability of $97,434 for its proportionate share of the General Employees Retirement 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 Authority's proportion of the net pension liability was based on the Authority's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2015, through June 30, 2016, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016, the Authority's proportion was 0.0012 percent. It was 0.0019 percent measured as of June 30, 2015. The Authority recognized pension expense of $4,435 for its proportionate share of the General Employees Retirement Fund's pension expense.

The Authority also recognized $375 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's contribution to the General Employees Retirement Plan, which qualifies as a special funding situation. Legislation requires the State of Minnesota to contribute $6 million to the General Employees Retirement Plan each year, starting September 15, 2015, through September 15, 2031.

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

C. Defined Benefit Pension Plan

3. Pension Costs (Continued)

Authority's proportionate share of the net pension liability	$	97,434
State of Minnesota's proportionate share of the net pension liability associated with the Authority		1,256
Total	$	98,690

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ -	$ 5,825
Changes in actuarial assumptions	19,078	-
Difference between projected and actual investment earnings	14,078	-
Changes in proportion	-	27,208
Contributions paid to PERA subsequent to the measurement date	1,671	-
Total	$ 34,827	$ 33,033

A total of $1,671 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

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

C. Defined Benefit Pension Plan

3. Pension Costs (Continued)

Year Ended December 31	Pension Expense Amount
2016	$ 31
2017	31
2018	31
2019	30

4. Pension Liability Sensitivity

The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate 1.0 percentage point lower or 1.0 percentage point higher than the current discount rate:

	1% Decrease in Discount Rate (6.5%)	Discount Rate (7.5%)	1% Increase in Discount Rate (8.5%)
Proportionate share of the General Employees Retirement Plan net pension liability	$ 138,385	$ 97,434	$ 63,701

REQUIRED SUPPLEMENTARY INFORMATION

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EXHIBIT A-1

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 2,785,567	$ 2,785,567	$ 2,621,970	$ (163,597)
Other taxes	5,000	5,000	6,230	1,230
Special assessments	136,500	136,500	127,045	(9,455)
Licenses and permits	9,480	9,480	20,335	10,855
Intergovernmental	648,227	648,227	952,442	304,215
Charges for services	402,546	402,546	402,222	(324)
Fines and forfeits	-	-	5,183	5,183
Gifts and contributions	1,400	1,400	5,000	3,600
Investment earnings	16,500	16,500	13,691	(2,809)
Miscellaneous	138,670	138,670	197,785	59,115
Total Revenues	**$ 4,143,890**	**$ 4,143,890**	**$ 4,351,903**	**$ 208,013**
Expenditures				
Current				
General government				
Commissioners	$ 261,003	$ 261,003	$ 223,170	$ 37,833
Courts	20,000	20,000	19,939	61
Jury manager	-	-	1,593	(1,593)
Auditor-Treasurer	420,776	420,776	441,217	(20,441)
Data processing	184,690	184,690	163,167	21,523
Elections	32,175	32,175	44,601	(12,426)
County car	500	500	302	198
Attorney	206,266	206,266	208,936	(2,670)
Recorder	181,650	181,650	158,796	22,854
Assessor	167,223	167,223	155,634	11,589
GIS	9,000	9,000	21,708	(12,708)
Planning and zoning	38,336	38,336	28,591	9,745
Buildings and plant	136,060	136,060	127,322	8,738
Veterans service officer	98,925	98,925	83,202	15,723
Employee wellness	-	-	1,100	(1,100)
Other general government	98,999	98,999	102,429	(3,430)
Total general government	**$ 1,855,603**	**$ 1,855,603**	**$ 1,781,707**	**$ 73,896**
Public safety				
Sheriff	$ 785,645	$ 785,645	$ 801,991	$ (16,346)
Safety/AWAIR	5,000	5,000	4,225	775
Sheriff's forfeiture activity	-	-	2,345	(2,345)
County sheriff (city)	213,996	213,996	202,600	11,396
Boat and water safety	4,236	4,236	2,027	2,209
Snowmobile safety	3,340	3,340	2,343	997

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

LAC QUI PARLE COUNTY
MADISON, MINNESOTA

EXHIBIT A-1
(Continued)

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Expenditures				
Current				
Public safety (Continued)				
Coroner	9,600	9,600	11,861	(2,261)
Federal safe and sober	12,032	12,032	10,189	1,843
E-911 system	79,170	79,170	165,364	(86,194)
County jail	55,350	55,350	74,160	(18,810)
Civil defense	69,734	69,734	191,351	(121,617)
Ambulance	3,000	3,000	3,000	-
Other	2,709	2,709	4,796	(2,087)
Total public safety	**$ 1,243,812**	**$ 1,243,812**	**$ 1,476,252**	**$ (232,440)**
Sanitation				
Solid waste	$ 56,419	$ 56,419	$ 51,171	$ 5,248
Recycling	165,400	165,400	146,151	19,249
Total sanitation	**$ 221,819**	**$ 221,819**	**$ 197,322**	**$ 24,497**
Culture and recreation				
Historical society	$ 10,300	$ 10,300	$ 10,300	$ -
Parks	6,012	6,012	21,103	(15,091)
Senior citizens	500	500	500	-
County/regional library	75,697	75,697	75,697	-
Other	99,116	99,116	68,783	30,333
Total culture and recreation	**$ 191,625**	**$ 191,625**	**$ 176,383**	**$ 15,242**
Conservation of natural resources				
Extension	$ 92,189	$ 92,189	$ 88,788	$ 3,401
Soil and water conservation	107,345	107,345	151,285	(43,940)
Water quality	24,231	24,231	24,231	-
Agricultural society/County fair	13,550	13,550	13,550	-
E-waste	-	-	182	(182)
Environmental officer	30,161	30,161	26,967	3,194
Planning and zoning	64,102	64,102	11,990	52,112
Feedlot administration	31,161	31,161	26,977	4,184
Minnesota River basin	11,833	11,833	11,833	-
Other	1,000	1,000	1,586	(586)
Total conservation of natural resources	**$ 375,572**	**$ 375,572**	**$ 357,389**	**$ 18,183**

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

LAC QUI PARLE COUNTY
MADISON, MINNESOTA

EXHIBIT A-1
(Continued)

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Expenditures				
Current (Continued)				
Economic development				
Airport	$ 7,000	$ 7,000	$ 7,000	$ -
Economic development	-	-	100	(100)
Total economic development	**$ 7,000**	**$ 7,000**	**$ 7,100**	**$ (100)**
Intergovernmental				
Public safety	$ 172,191	$ 172,191	$ 172,191	$ -
Health	82,768	82,768	82,967	(199)
Total intergovernmental	**$ 254,959**	**$ 254,959**	**$ 255,158**	**$ (199)**
Total Expenditures	**$ 4,150,390**	**$ 4,150,390**	**$ 4,251,311**	**$ (100,921)**
Excess of Revenues Over (Under) Expenditures	**$ (6,500)**	**$ (6,500)**	**$ 100,592**	**$ 107,092**
Other Financing Sources (Uses)				
Transfers in	$ 6,500	$ 6,500	$ 6,500	$ -
Transfers out	-	-	(11,605)	(11,605)
Total Other Financing Sources (Uses)	**$ 6,500**	**$ 6,500**	**$ (5,105)**	**$ (11,605)**
Net Change in Fund Balance	**$ -**	**$ -**	**$ 95,487**	**$ 95,487**
Fund Balance - January 1	**2,364,776**	**2,364,776**	**2,364,776**	**-**
Fund Balance - December 31	**$ 2,364,776**	**$ 2,364,776**	**$ 2,460,263**	**$ 95,487**

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

EXHIBIT A-2

**BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 1,519,450	$ 1,519,450	$ 1,403,666	$ (115,784)
Other taxes	80,000	80,000	83,514	3,514
Intergovernmental	3,801,600	3,801,600	4,080,043	278,443
Charges for services	-	-	1,291	1,291
Investment earnings	5,000	5,000	8,273	3,273
Miscellaneous	251,585	251,585	155,809	(95,776)
Total Revenues	**$ 5,657,635**	**$ 5,657,635**	**$ 5,732,596**	**$ 74,961**
Expenditures				
Current				
Highways and streets				
Administration	$ 243,679	$ 243,679	$ 280,896	$ (37,217)
Construction	2,344,478	2,344,478	2,378,283	(33,805)
Maintenance	2,384,770	2,384,770	2,001,998	382,772
Equipment and maintenance shops	240,198	240,198	227,067	13,131
Total highways and streets	**$ 5,213,125**	**$ 5,213,125**	**$ 4,888,244**	**$ 324,881**
Intergovernmental				
Highways and streets	502,000	502,000	519,260	(17,260)
Total Expenditures	**$ 5,715,125**	**$ 5,715,125**	**$ 5,407,504**	**$ 307,621**
Excess of Revenues Over (Under) Expenditures	**$ (57,490)**	**$ (57,490)**	**$ 325,092**	**$ 382,582**
Other Financing Sources (Uses)				
Transfers in	-	-	8,000	8,000
Net Change in Fund Balance	**$ (57,490)**	**$ (57,490)**	**$ 333,092**	**$ 390,582**
Fund Balance - January 1	**3,124,131**	**3,124,131**	**3,124,131**	**-**
Increase (decrease) in inventories	**-**	**-**	**(43,011)**	**(43,011)**
Fund Balance - December 31	**$ 3,066,641**	**$ 3,066,641**	**$ 3,414,212**	**$ 347,571**

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

LAC QUI PARLE COUNTY
MADISON, MINNESOTA

EXHIBIT A-3

BUDGETARY COMPARISON SCHEDULE
FAMILY SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 1,246,564	$ 1,246,564	$ 1,151,127	$ (95,437)
Intergovernmental	1,162,418	1,162,418	1,548,750	386,332
Charges for services	261,750	261,750	243,660	(18,090)
Investment earnings	2,500	2,500	9,028	6,528
Miscellaneous	77,293	77,293	103,035	25,742
Total Revenues	**$ 2,750,525**	**$ 2,750,525**	**$ 3,055,600**	**$ 305,075**
Expenditures				
Current				
Human services				
Income maintenance	$ 719,814	$ 719,814	$ 723,242	$ (3,428)
Social services	2,030,711	2,030,711	1,738,590	292,121
Total Expenditures	**$ 2,750,525**	**$ 2,750,525**	**$ 2,461,832**	**$ 288,693**
Net Change in Fund Balance	**$ -**	**$ -**	**$ 593,768**	**$ 593,768**
Fund Balance - January 1	**3,304,058**	**3,304,058**	**3,304,058**	**-**
Fund Balance - December 31	**$ 3,304,058**	**$ 3,304,058**	**$ 3,897,826**	**$ 593,768**

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

LAC QUI PARLE COUNTY
MADISON, MINNESOTA

EXHIBIT A-4

BUDGETARY COMPARISON SCHEDULE
DITCH SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Special assessments	$ 320,813	$ 320,813	$ 556,595	$ 235,782
Intergovernmental	-	-	1,596	1,596
Investment earnings	3,000	3,000	-	(3,000)
Miscellaneous	-	-	480	480
Total Revenues	**$ 323,813**	**$ 323,813**	**$ 558,671**	**$ 234,858**
Expenditures				
Current				
Conservation of natural resources				
Other	**$ 317,313**	**$ 317,313**	**$ 369,273**	**$ (51,960)**
Intergovernmental				
Conservation	**$ -**	**$ -**	**$ 452,913**	**$ (452,913)**
Debt service				
Interest	$ -	$ -	$ 11,948	$ (11,948)
Note issuance costs	-	-	11,440	(11,440)
Total debt service	**$ -**	**$ -**	**$ 23,388**	**$ (23,388)**
Total Expenditures	**$ 317,313**	**$ 317,313**	**$ 845,574**	**$ (528,261)**
Excess of Revenues Over (Under) Expenditures	**$ 6,500**	**$ 6,500**	**$ (286,903)**	**$ (293,403)**
Other Financing Sources (Uses)				
Transfers in	$ -	$ -	$ 3,605	$ 3,605
Transfers out	(6,500)	(6,500)	(6,500)	-
Notes issued	-	-	465,000	465,000
Total Other Financing Sources (Uses)	**$ (6,500)**	**$ (6,500)**	**$ 462,105**	**$ 468,605**
Net Change in Fund Balance	**$ -**	**$ -**	**$ 175,202**	**$ 175,202**
Fund Balance - January 1	**759,292**	**759,292**	**759,292**	**-**
Fund Balance - December 31	**$ 759,292**	**$ 759,292**	**$ 934,494**	**$ 175,202**

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

LAC QUI PARLE COUNTY
MADISON, MINNESOTA

EXHIBIT A-5

SCHEDULE OF FUNDING PROGRESS
OTHER POSTEMPLOYMENT BENEFITS
DECEMBER 31, 2016

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

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

EXHIBIT A-6

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA GENERAL EMPLOYEES RETIREMENT PLAN
LAC QUI PARLE COUNTY
DECEMBER 31, 2016

Measurement Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability Associated with Lac qui Parle County (b)	Employer's Proportionate Share of the Net Pension Liability and the State's Related Share of the Net Pension Liability (Asset) (a + b)	Covered Payroll (c)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2016	0.0424%	$ 3,442,670	$ 45,011	$ 3,487,681	$ 2,631,796	130.81%	68.91%
2015	0.0407	2,109,285	N/A	2,109,285	2,394,275	88.10	78.19

This schedule is intended to show information for ten years. Additional years will be displayed as they become available.
The measurement date for each year is June 30.
N/A - Not Applicable

EXHIBIT A-7

**SCHEDULE OF CONTRIBUTIONS
PERA GENERAL EMPLOYEES RETIREMENT PLAN
LAC QUI PARLE COUNTY
DECEMBER 31, 2016**

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b - a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
2016	$ 202,193	$ 202,193	$ -	$ 2,695,883	7.50%
2015	186,855	186,855	-	2,491,400	7.50

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

LAC QUI PARLE COUNTY
MADISON, MINNESOTA

EXHIBIT A-8

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA GENERAL EMPLOYEES RETIREMENT PLAN
LAC QUI PARLE-YELLOW BANK WATERSHED DISTRICT
DECEMBER 31, 2016

Measurement Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability Associated with Lac qui Parle-Yellow Bank Watershed District (b)	Employer's Proportionate Share of the Net Pension Liability and the State's Related Share of the Net Pension Liability (Asset) (a + b)	Covered Payroll (c)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2016	0.0023%	$ 186,749	$ 2,408	$ 189,157	$ 137,077	136.24%	68.91%
2015	0.0022	114,015	N/A	114,015	133,986	85.09	78.19

This schedule is intended to show information for ten years. Additional years will be displayed as they become available.
The measurement date for each year is June 30.
N/A - Not Applicable

EXHIBIT A-9

SCHEDULE OF CONTRIBUTIONS
PERA GENERAL EMPLOYEES RETIREMENT PLAN
LAC QUI PARLE-YELLOW BANK WATERSHED DISTRICT
DECEMBER 31, 2016

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b - a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
2016	$ 11,016	$ 11,016	$ -	$ 146,883	7.50%
2015	10,077	10,077	-	134,353	7.50

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

LAC QUI PARLE COUNTY
MADISON, MINNESOTA

EXHIBIT A-10

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA PUBLIC EMPLOYEES POLICE AND FIRE PLAN
DECEMBER 31, 2016

Measurement Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	Covered Payroll (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2016	0.052%	$ 2,086,850	$ 499,799	417.54%	63.88%
2015	0.054	613,566	492,919	124.48	86.61

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

LAC QUI PARLE COUNTY
MADISON, MINNESOTA

EXHIBIT A-11

SCHEDULE OF CONTRIBUTIONS
PERA PUBLIC EMPLOYEES POLICE AND FIRE PLAN
DECEMBER 31, 2016

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b - a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
2016	$ 80,604	$ 80,604	$ -	$ 497,554	16.20%
2015	80,893	80,893	-	499,343	16.20

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

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

LAC QUI PARLE COUNTY
MADISON, MINNESOTA

EXHIBIT A-12

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA PUBLIC EMPLOYEES CORRECTIONAL PLAN
DECEMBER 31, 2016

Measurement Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	Covered Payroll (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2016	0.09%	$ 328,783	$ 164,570	199.78%	58.16%
2015	0.09	13,914	161,567	8.61	96.95

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

LAC QUI PARLE COUNTY
MADISON, MINNESOTA

EXHIBIT A-13

SCHEDULE OF CONTRIBUTIONS
PERA PUBLIC EMPLOYEES CORRECTIONAL PLAN
DECEMBER 31, 2016

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b - a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
2016	$ 14,664	$ 14,664	$ -	$ 167,592	8.75%
2015	14,134	14,134	-	161,527	8.75

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

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NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2016

1. General Budget Policies

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

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

2. Budget Basis of Accounting

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

3. Budget Amendments

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

4. Excess of Expenditures Over Budget

   Expenditures exceeded final budgets in the following funds:

Fund	Expenditures	Final Budget	Excess
General Fund	$ 4,251,311	$ 4,150,390	$ 100,921
Ditch Special Revenue	845,574	317,313	528,261

5. Other Postemployment Benefits - Funded Status

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

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

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

The following changes were reflected in the valuation performed on behalf of the Public Employees Retirement Association for the year ended June 30, 2016:

General Employees Retirement Plan

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

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

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

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

Public Employees Police and Fire Plan

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

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

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

Public Employees Correctional Plan

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

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

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SUPPLEMENTARY INFORMATION

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FIDUCIARY FUNDS

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AGENCY FUNDS

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

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

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

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

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

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LAC QUI PARLE COUNTY
MADISON, MINNESOTA

EXHIBIT B-1

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

	Balance January 1	Additions	Deductions	Balance December 31
CHILDREN'S MENTAL HEALTH COLLABORATIVE				
Assets				
Cash and cash equivalents	$ 120,762	$ 50,111	$ 56,968	$ 113,905
Liabilities				
Due to other governments	$ 120,762	$ 50,111	$ 56,968	$ 113,905
FORFEITED TAX				
Assets				
Cash and cash equivalents	$ 8,662	$ 5,900	$ 3,380	$ 11,182
Liabilities				
Due to other governments	$ 8,662	$ 5,900	$ 3,380	$ 11,182
SOCIAL WELFARE				
Assets				
Cash and cash equivalents	$ 7,730	$ 47,060	$ 51,398	$ 3,392
Liabilities				
Accounts payable	$ 7,730	$ 47,060	$ 51,398	$ 3,392

LAC QUI PARLE COUNTY
MADISON, MINNESOTA

EXHIBIT B-1
(Continued)

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

	Balance January 1	Additions	Deductions	Balance December 31
STATE				
Assets				
Cash and cash equivalents	**$ 12,205**	**$ 1,161,099**	**$ 1,146,836**	**$ 26,468**
Liabilities				
Due to other governments	**$ 12,205**	**$ 1,161,099**	**$ 1,146,836**	**$ 26,468**
TAXES AND PENALTIES				
Assets				
Cash and cash equivalents	**$ 418,800**	**$ 13,342,167**	**$ 13,147,227**	**$ 613,740**
Liabilities				
Due to other governments	**$ 418,800**	**$ 13,342,167**	**$ 13,147,227**	**$ 613,740**
TOTAL ALL AGENCY FUNDS				
Assets				
Cash and cash equivalents	**$ 568,159**	**$ 14,606,337**	**$ 14,405,809**	**$ 768,687**
Liabilities				
Accounts payable	$ 7,730	$ 47,060	$ 51,398	$ 3,392
Due to other governments	560,429	14,559,277	14,354,411	765,295
Total Liabilities	**$ 568,159**	**$ 14,606,337**	**$ 14,405,809**	**$ 768,687**

OTHER SCHEDULES

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LAC QUI PARLE COUNTY
MADISON, MINNESOTA

EXHIBIT C-1

SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2016

	Primary Government	Discretely Presented Component Unit: Lac qui Parle-Yellow Bank Watershed District
Appropriations and Shared Revenue		
State		
Highway users tax	$ 3,890,953	$ -
Market value credit	242,954	12,232
PERA rate reimbursement	12,441	132
Disparity reduction aid	51,119	-
Police aid	66,150	-
County program aid	130,370	-
Enhanced 911	77,670	-
Aquatic invasive species aid	43,940	-
Select Committee on Recycling and the Environment (SCORE)	68,710	-
Total appropriations and shared revenue	**$ 4,584,307**	**$ 12,364**
Reimbursement for Services		
State		
Minnesota Department of Human Services	$ 255,062	$ -
Minnesota Department of Public Safety	1,876	-
Local		
Lac qui Parle County	-	452,913
Total reimbursement for services	**$ 256,938**	**$ 452,913**
Payments		
Local		
Local contributions	$ -	$ -
Payments in lieu of taxes	179,102	1,385
Total payments	**$ 179,102**	**$ 1,385**
Grants		
State		
Minnesota Department/Board/Office of		
Public Safety	$ 13,575	$ -
Human Services	566,430	-
Natural Resources	75,739	-
Water and Soil Resources	81,734	5,267
Veterans Affairs	7,500	-
Pollution Control Agency	22,134	147,280
Total state	**$ 767,112**	**$ 152,547**

LAC QUI PARLE COUNTY
MADISON, MINNESOTA

EXHIBIT C-1
(Continued)

SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2016

	Primary Government	Discretely Presented Component Unit Lac qui Parle-Yellow Bank Watershed District
Grants (Continued)		
Federal		
Department of		
Agriculture	$ 66,953	$ -
Justice	5,300	-
Transportation	26,383	-
Health and Human Services	550,555	-
Homeland Security	146,181	-
Total federal	**$ 795,372**	**$ -**
Total state and federal grants	**$ 1,562,484**	**$ 152,547**
Total Intergovernmental Revenue	**$ 6,582,831**	**$ 619,209**

EXHIBIT C-2

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-through Grant Numbers	Expenditures
U.S. Department of Agriculture			
Passed Through Minnesota Department of Human Services			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	16162MN101S2514	**$ 66,953**
U.S. Department of Justice			
Passed Through Minnesota Department of Public Safety			
Crime Victim Assistance	16.575	A-CVSP-2017-LACCAO-00046	**$ 5,300**
U.S. Department of Transportation			
Passed Through Minnesota Department of Transportation			
Highway Planning and Construction	20.205	HSIP 3715 (230)	$ 16,118
Passed Through Minnesota Department of Public Safety			
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	A-ENFRC17-2017-LACQUISO-060	10,265
Total U.S. Department of Transportation			**$ 26,383**
U.S. Department of Health and Human Services			
Passed Through Minnesota Department of Human Services			
Promoting Safe and Stable Families	93.556	G-1601MNFPSS	$ 1,266
Temporary Assistance for Needy Families	93.558	1601MFTANF	37,208
Child Support Enforcement	93.563	1604MNCEST	81,250
Child Support Enforcement	93.563	1604MNCSES	1,557
(Total Child Support Enforcement 93.563 $82,807)			
Refugee and Entrant Assistance - State-Administered Programs	93.566	1601MNRCMA	63
Child Care and Development Block Grant	93.575	G1601MNCCDF	1,045
Stephanie Tubbs Jones Child Welfare Services Program	93.645	G-1601MNCWSS	350
Foster Care - Title IV-E	93.658	1601MNFOST	58,855
Social Services Block Grant	93.667	16-01MNSOSR	65,977
Chafee Foster Care Independence Program	93.674	G-1601MNCILP	390
Medical Assistance Program	93.778	05-1605MN5ADM	299,867
Medical Assistance Program	93.778	05-1605MN5MAP	2,727
(Total Medical Assistance Program 93.778 $302,594)			
Total U.S. Department of Health and Human Services			**$ 550,555**

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

EXHIBIT C-2
(Continued)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-through Grant Numbers		Expenditures
U.S. Department of Homeland Security				
Passed Through United Way				
Emergency Food and Shelter National Board Program	97.024	E375362	$	1,150
Passed Through Minnesota Department of Public Safety				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	DR-1982		1,596
Hazard Mitigation Grant	97.039	A-HMGP-DR4182-LACQUICO-006		127,780
Emergency Management Performance Grants	97.042	EMPG2016SFY17		15,655
Total U.S. Department of Homeland Security			**$**	**146,181**
Total Federal Awards			**$**	**795,372**

The County did not pass any federal awards through to subrecipients during the year ended December 31, 2016.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2016

1. Reporting Entity

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

2. Basis of Presentation

   The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Lac qui Parle County under programs of the federal government for the year ended December 31, 2016. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Lac qui Parle County, it is not intended to and does not present the financial position or changes in net position of Lac qui Parle County.

3. Summary of Significant Accounting Policies

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

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LAC QUI PARLE-YELLOW BANK WATERSHED DISTRICT

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EXHIBIT D-1

**LAC QUI PARLE-YELLOW BANK WATERSHED DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2016**

		Governmental Activities
Assets		
Cash and cash equivalents	$	1,766,435
Special assessments receivable		
Noncurrent		508,550
Accrued interest receivable		693
Due from other governments		39,251
Capital assets		
Non-depreciable		628,458
Depreciable - net of accumulated depreciation		4,256,921
Total Assets	**$**	**7,200,308**
Deferred Outflows of Resources		
Deferred pension outflows	**$**	**81,472**
Liabilities		
Accounts payable	$	5,512
Due to other governments		313
Salaries payable		11,905
Unearned revenue		5,267
ISTS loans		
Due in one year		86,533
Due in more than one year		647,701
Compensated absences		
Due within one year		5,279
Due in more than one year		2,181
Net pension liability		186,749
Total Liabilities	**$**	**951,440**
Deferred Inflows of Resources		
Deferred pension inflows	**$**	**17,345**
Net Position		
Investment in capital assets	$	4,885,379
Restricted for conservation of natural resources		293,173
Unrestricted		1,134,443
Total Net Position	**$**	**6,312,995**

EXHIBIT D-2

LAC QUI PARLE-YELLOW BANK WATERSHED DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

		Program Revenues			Net (Expense)
	Expenses	Fees, Charges, Fines, and Other	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
Functions/Programs					
Governmental activities					
Culture and recreation	$ 133,753	$ 99,875	$ -	$ -	$ (33,878)
Conservation of natural resources	513,302	213,056	598,803	-	298,557
Interest	29,959	-	-	-	(29,959)
Total Governmental Activities	**$ 677,014**	**$ 312,931**	**$ 598,803**	**$ -**	**$ 234,720**

General Revenues	
Property taxes	$ 280,823
Payments in lieu of tax	1,385
Grants and contributions not restricted to specific programs	13,082
Investment earnings	3,201
Miscellaneous	65,265
Gain on sale of capital assets	5,957
Total general revenues	**$ 369,713**
Change in net position	**$ 604,433**
Net Position - Beginning	**5,708,562**
Net Position - Ending	**$ 6,312,995**

EXHIBIT D-3

LAC QUI PARLE-YELLOW BANK WATERSHED DISTRICT
GOVERNMENTAL FUNDS BALANCE SHEET
DECEMBER 31, 2016

	General	Ditch Special Revenue	Total
Assets			
Cash and cash equivalents	$ 1,690,704	$ 75,731	$ 1,766,435
Special assessments receivable			
Noncurrent	493,550	15,000	508,550
Accrued interest receivable	693	-	693
Due from other governments	36,960	2,291	39,251
Total Assets	**$ 2,221,907**	**$ 93,022**	**$ 2,314,929**
Liabilities, Deferred Inflows of Resources, and Fund Balances			
Liabilities			
Accounts payable	$ 5,512	$ -	$ 5,512
Due to other governments	313	-	313
Salaries payable	11,905	-	11,905
Compensated absences - current	4,542	-	4,542
Unearned revenue	5,267	-	5,267
Total Liabilities	**$ 27,539**	**$ -**	**$ 27,539**
Deferred Inflows of Resources			
Unavailable revenue	**$ 500,207**	**$ 15,000**	**$ 515,207**
Fund Balances			
Restricted for			
Septic/sewer loans	$ 215,151	$ -	$ 215,151
Ditch repairs and maintenance	-	78,022	78,022
Assigned to			
Flood control	448,018	-	448,018
Unassigned	1,030,992	-	1,030,992
Total Fund Balances	**$ 1,694,161**	**$ 78,022**	**$ 1,772,183**
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	**$ 2,221,907**	**$ 93,022**	**$ 2,314,929**

LAC QUI PARLE COUNTY
MADISON, MINNESOTA

EXHIBIT D-4

LAC QUI PARLE-YELLOW BANK WATERSHED DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION--GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2016

Fund balance - total governmental funds (Exhibit D-3)		**$ 1,772,183**
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		4,885,379
Deferred outflows of resources resulting from pension obligations are not available resources and, therefore, are not reported in governmental funds.		81,472
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources--unavailable revenue in the governmental funds.		515,207
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Loans payable	$ (734,234)	
Compensated absences	(2,918)	
Net pension liability	(186,749)	(923,901)
Deferred inflows resulting from pension obligations are not due and payable in the current period and, therefore, are not reported in the governmental funds.		(17,345)
Net Position of Governmental Activities (Exhibit D-1)		**$ 6,312,995**

LAC QUI PARLE COUNTY
MADISON, MINNESOTA

EXHIBIT D-5

LAC QUI PARLE-YELLOW BANK WATERSHED DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2016

	General	Ditch Special Revenue	Total
Revenues			
Taxes	$ 280,823	$ -	$ 280,823
Special assessments	101,818	32,899	134,717
Intergovernmental	619,209	-	619,209
Charges for services	138,169	-	138,169
Investment earnings	3,201	-	3,201
Miscellaneous	65,205	-	65,205
Total Revenues	**$ 1,208,425**	**$ 32,899**	**$ 1,241,324**
Expenditures			
Current			
Culture and recreation	$ 114,211	$ -	$ 114,211
Conservation of natural resources	435,572	12,227	447,799
Debt service			
Principal	44,715	-	44,715
Interest	4,426	-	4,426
Total Expenditures	**$ 598,924**	**$ 12,227**	**$ 611,151**
Excess of Revenues Over (Under) Expenditures	**$ 609,501**	**$ 20,672**	**$ 630,173**
Other Financing Sources (Uses)			
Proceeds from sale of capital assets	$ 5,957	$ -	$ 5,957
Loans issued	140,574	-	140,574
Total Other Financing Sources (Uses)	**$ 146,531**	**$ -**	**$ 146,531**
Net Change in Fund Balance	**$ 756,032**	**$ 20,672**	**$ 776,704**
Fund Balance - January 1	**938,129**	**57,350**	**995,479**
Fund Balance - December 31	**$ 1,694,161**	**$ 78,022**	**$ 1,772,183**

LAC QUI PARLE COUNTY
MADISON, MINNESOTA

EXHIBIT D-6

LAC QUI PARLE-YELLOW BANK WATERSHED DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES--GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

Net change in fund balance - total governmental funds (Exhibit D-5)		**$ 776,704**
Amounts reported for governmental activities in the statement of activities are different because:		
In the funds, under the modified accrual basis, receivables not available for expenditure are deferred. In the statement of activities, those revenues are recognized when earned. The adjustment to revenue between the fund statements and the statement of activities is the increase or decrease as unavailable.		
Unavailable revenue - December 31	$ 515,207	
Unavailable revenue - January 1	(481,759)	33,448
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Current year depreciation		(74,533)
Governmental funds report loans issued as other financing sources. The other financing source reported in the General Fund differs by $25,533 for accumulated interest added to loan principal. However, in the statement of activities, the loans are reported as a liability.		(166,107)
Payments on long-term debt are reported as expenditures in the governmental funds, but reduce the liabilities at the government-wide level.		44,715
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Change in compensated absences	$ 5,541	
Change in net pension liability	(72,734)	
Change in deferred pension outflows	65,473	
Change in deferred pension inflows	(8,074)	(9,794)
Change in Net Position of Governmental Activities (Exhibit D-2)		**$ 604,433**

EXHIBIT D-7

LAC QUI PARLE-YELLOW BANK WATERSHED DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ -	$ -	$ 280,823	$ 280,823
Special assessments	-	-	101,818	101,818
Intergovernmental	-	-	619,209	619,209
Charges for services	90,000	90,000	138,169	48,169
Investment earnings	-	-	3,201	3,201
Miscellaneous	61,000	61,000	65,205	4,205
Total Revenues	**$ 151,000**	**$ 151,000**	**$ 1,208,425**	**$ 1,057,425**
Expenditures				
Current				
Culture and recreation				
Parks	$ 113,125	$ 113,125	$ 114,211	$ (1,086)
Conservation of natural resources				
Watershed	290,000	290,000	435,572	(145,572)
Debt service				
Principal	-	-	44,715	(44,715)
Interest	-	-	4,426	(4,426)
Total Expenditures	**$ 403,125**	**$ 403,125**	**$ 598,924**	**$ (195,799)**
Excess of Revenues Over (Under) Expenditures	**$ (252,125)**	**$ (252,125)**	**$ 609,501**	**$ 861,626**
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	$ -	$ -	$ 5,957	$ 5,957
Loans issued	-	-	140,574	140,574
Total Other Financing Sources (Uses)	**$ -**	**$ -**	**$ 146,531**	**$ 146,531**
Net Change in Fund Balance	**$ (252,125)**	**$ (252,125)**	**$ 756,032**	**$ 1,008,157**
Fund Balance - January 1	**938,129**	**938,129**	**938,129**	**-**
Fund Balance - December 31	**$ 686,004**	**$ 686,004**	**$ 1,694,161**	**$ 1,008,157**

EXHIBIT D-8

LAC QUI PARLE-YELLOW BANK WATERSHED DISTRICT
BUDGETARY COMPARISON SCHEDULE
DITCH SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Special assessments	$ -	$ -	$ 32,899	$ 32,899
Expenditures				
Current				
Conservation of natural resources				
Conservation - other	5,000	5,000	12,227	(7,227)
Net Change in Fund Balance	**$ (5,000)**	**$ (5,000)**	**$ 20,672**	**$ 25,672**
Fund Balance - January 1	**57,350**	**57,350**	**57,350**	**-**
Fund Balance - December 31	**$ 52,350**	**$ 52,350**	**$ 78,022**	**$ 25,672**

Management and Compliance Section

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LAC QUI PARLE COUNTY

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REBECCA OTTO
STATE AUDITOR

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

Independent Auditor's Report

Board of County Commissioners
Lac qui Parle County
Madison, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Lac qui Parle County, Minnesota, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 7, 2017. Our report includes a reference to other auditors who audited the financial statements of the Lac qui Parle County Economic Development Authority, a discretely presented component unit as described in our report on Lac qui Parle County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The results of our testing of the Lac qui Parle-Yellow Bank Watershed District component unit's internal control over financial reporting and on compliance and other matters are reported on separately within this Management and Compliance Section.

Internal Control Over Financial Reporting

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

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit the attention of those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses or significant deficiencies. However, material weaknesses or significant deficiencies may exist that have not been identified.

Compliance and Other Matters

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

Minnesota Legal Compliance

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

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

Lac qui Parle County's Response to Finding

Lac qui Parle County's response to the legal compliance finding identified in our audit is described in the Corrective Action Plan. The County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of This Report

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

/s/Rebecca Otto */s/Greg Hierlinger*

REBECCA OTTO
STATE AUDITOR

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

September 7, 2017

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

Independent Auditor's Report

Board of County Commissioners
Lac qui Parle County
Madison, Minnesota

Report on Compliance for Each Major Federal Program

We have audited Lac qui Parle County's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2016. Lac qui Parle County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

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

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

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

Opinion on Each Major Federal Program

In our opinion, Lac qui Parle County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2016.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2016-001. Our opinion on each major federal program is not modified with respect to this matter.

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

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit the attention of those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 2016-001, that we consider to be a significant deficiency.

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

Purpose of This Report

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

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

September 7, 2017

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2016

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Internal control over financial reporting:
- Material weaknesses identified? **No**
- Significant deficiencies identified? **No**

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

Federal Awards

Internal control over major programs:
- Material weaknesses identified? **No**
- Significant deficiencies identified? **Yes**

Type of auditor's report issued on compliance for major federal programs: **Unmodified**

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

The major federal programs are:

Child Support Enforcement	CFDA No. 93.563
Medical Assistance Program	CFDA No. 93.778

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

Lac qui Parle County qualified as a low-risk auditee? **No**

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

None.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

ITEM ARISING THIS YEAR

Finding Number 2016-001

Uniform Guidance Written Procurement Policies and Procedures

Program: U.S. Department of Health and Human Services' Medical Assistance Program (CFDA No. 93.778), Award No. 05-1605MN5ADM, 2016, and Award No. 05-1605MN5MAP, 2016

Pass-Through Agency: Minnesota Department of Human Services

Criteria: Title 2 U.S. *Code of Federal Regulations* § 200.318 states that the non-Federal entity must use its own documented procurement procedures which reflect applicable State, local, and tribal laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in this regulation.

Condition: Lac qui Parle County's accounting policies and procedures manual does not have the required components of a procurement policy in accordance with Title 2 U.S. *Code of Federal Regulations* § 200.318, including provisions for written standards of conduct and suspension and debarment.

Questioned Costs: Not applicable.

Context: This issue was discovered during the audit of the major federal program; however, it impacts federal programs entity-wide. Written policies that reflect the specific components of federal regulations establish controls to ensure compliance with federal award requirements.

Effect: Written policies and procedures that are not updated to reflect the Uniform Guidance procurement requirements could increase the risk of noncompliance with federal program requirements.

Cause: The County elected not to approve the grace period for the implementation of the procurement standards offered through December 31, 2016, and did not approve a procurement policy as required by the Uniform Guidance. Without documentation of the County's decision to continue under previous procurement standards, the County must comply with the procurement standards in the Uniform Guidance. The County was not aware a procurement policy was required if federal expenditures did not exceed $750,000.

Recommendation: We recommend the County include the specific components of the Uniform Guidance requirements in written procurement policies and procedures.

View of Responsible Official: Acknowledged

IV. OTHER FINDINGS AND RECOMMENDATIONS

MINNESOTA LEGAL COMPLIANCE

PREVIOUSLY REPORTED ITEM NOT RESOLVED

Finding Number 2012-006

Publication of Board Minutes

Criteria: Pursuant to Minn. Stat. § 375.12, within 30 days of each meeting, the County Board must have the official proceedings of its sessions or a summary published in a qualified newspaper of general circulation in the County.

Condition: We reviewed the affidavits of publication related to the publishing of a summary of the County Board minutes for 2016 and found that the summaries were not published in the County's official newspaper within the 30-day requirement.

Context: Of the 11 published summaries reviewed, only 1 was published within the 30-day requirement.

Effect: Noncompliance with Minn. Stat. § 375.12.

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

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

View of Responsible Official: Acknowledged

V. PREVIOUSLY REPORTED ITEMS RESOLVED

1999-001 Segregation of Duties
2012-005 Publication of Financial Statements
2015-001 Prior Period Adjustment

REPRESENTATION OF LAC QUI PARLE COUNTY
MADISON, MINNESOTA

CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED DECEMBER 31, 2016

Finding Number: 2016-001
Finding Title: Uniform Guidance Written Procurement Policies and Procedures
Program: Medical Assistance Program (CFDA No. 93.778)

Name of Contact Person Responsible for Corrective Action:

Jacob Sieg, County Auditor-Treasurer-Coordinator

Corrective Action Planned:

The County's accounting staff will work together to draft updated procedures and obtain compliance with the requirement.

Anticipated Completion Date:

December 31, 2017

Finding Number: 2012-006
Finding Title: Publication of Board Minutes

Name of Contact Person Responsible for Corrective Action:

Jacob Sieg, County Auditor-Treasurer-Coordinator

Corrective Action Planned:

Compliance with this statute is difficult due to the fact that the County Board typically only meets twice per month. Full compliance with this statute requires that the Board approve the minutes of the previous meeting at every regular board meeting. Nonetheless, the County agrees that delayed publication of the Board Minutes is not in compliance with statute. The Auditor-Treasurer-Coordinator has assigned additional staff to this function since mid-2017 and progress has been made toward compliance.

Anticipated Completion Date:

December 31, 2017

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REPRESENTATION OF LAC QUI PARLE COUNTY
MADISON, MINNESOTA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2016

Finding Number: 1999-001
Finding Title: Segregation of Duties

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

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

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

Finding Number: 2015-001
Finding Title: Prior Period Adjustment

Summary of Condition: A material prior period adjustment was identified that resulted in significant changes to the County's financial statements. Construction in progress was increased by $1,718,501 to account for incomplete projects that were removed in the prior year. Infrastructure was increased by $846,029 (net of related accumulated depreciation in the amount of $17,266) to account for projects that were removed from construction in progress and not capitalized as infrastructure in the prior year.

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

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

Finding Number: 2012-005
Finding Title: Publication of Financial Statements

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

Summary of Corrective Action Previously Reported: The County Auditor-Treasurer-Coordinator will work with staff to create the summary financial statement for publication purposes, starting with the 2015 audit year.

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

Finding Number: 2012-006
Finding Title: Publication of Board Minutes

Summary of Condition: After review of the affidavits of publication related to the publishing of a summary of the County Board minutes for 2015, it was found that the summaries were not published in the County's official newspaper within the 30-day requirement.

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

Status: Not Corrected. Please see Corrective Action Plan for explanation.
Was corrective action taken significantly different than the action previously reported?
Yes _______ No ___X___

LAC QUI PARLE-YELLOW BANK
WATERSHED DISTRICT

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

Independent Auditor's Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Lac qui Parle County, Minnesota, which include as supplementary information, the financial statements of the Lac qui Parle-Yellow Bank Watershed District, a discretely presented component unit, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 7, 2017.

Internal Control Over Financial Reporting

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

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit the attention of those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings and Recommendations as items 2007-001 and 2016-001, that we consider to be significant deficiencies.

Compliance and Other Matters

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

Minnesota Legal Compliance

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

In connection with our audit, nothing came to our attention that caused us to believe that the Lac qui Parle-Yellow Bank Watershed District failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Counties*, except as described in the Schedule of Findings and Recommendations as item 2016-002. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with the above referenced provisions.

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

The Lac qui Parle-Yellow Bank Watershed District's responses to the internal control and legal compliance findings identified in our audit are described in the Corrective Action Plan. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of This Report

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

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

September 7, 2017

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SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2016

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEM NOT RESOLVED

Finding Number 2007-001

Segregation of Duties

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

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

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

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

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

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

View of Responsible Official: Acknowledged

<u>ITEM ARISING THIS YEAR</u>

Finding Number 2016-001

<u>Accounting Policies and Procedures Manual</u>

Criteria: District management is responsible for the District's internal control over financial reporting. This responsibility requires performing an assessment of existing controls over significant functions used to produce financial information for the Board, management, and for external financial reporting. All governments should document their accounting policies and procedures. Although other methods may suffice, this documentation is traditionally in the form of an accounting policies and procedures manual. This manual should document the accounting policies and procedures that make up the District's internal control system. These policies and procedures should be designed to help detect and deter fraud, and include monitoring procedures.

Condition: The District does not have approved guidelines or instructions to follow in the form of a current and comprehensive accounting policies and procedures manual which should specifically list policies for capital assets and fund balances.

Context: District management has not documented the significant internal controls in its accounting system or created a formal plan to monitor its internal control structure and to ensure that Board-approved practices are followed as intended.

Effect: Without approved policies and procedures, internal controls over financial reporting are weakened and the possibility of materially misstated balances being reported is increased.

Cause: No formal action has been taken to provide District personnel with procedures to perform consistent treatment of accounting transactions.

Recommendation: We recommend the District establish an accounting policies and procedures manual. The accounting policies and procedures manual should be prepared by appropriate levels of management and be approved by the Board to emphasize its importance and authority. We recommend the policies and procedures manual document significant internal controls in the accounting system, including a risk assessment and the processes used to minimize the risks. We also recommend that a formal plan be developed that calls for monitoring the internal control structure on a regular basis, no less than annually. The monitoring activity should also be documented to show the results of the review, any changes required, and who performed the work.

View of Responsible Official: Acknowledged

II. OTHER FINDINGS AND RECOMMENDATIONS

MINNESOTA LEGAL COMPLIANCE

ITEM ARISING THIS YEAR

Finding Number 2016-002

Insufficient Collateral

Criteria: Governmental entities are required by Minn. Stat. § 118A.03, subds. 1 and 3, to obtain collateral to secure deposits to the extent that funds on deposit exceed available federal deposit insurance at the close of the financial institution's banking day. The market value of the collateral should be at least ten percent more than the uninsured and unbonded amount on deposit, unless the collateral is an irrevocable letter of credit issued by the Federal Home Loan Banks, which requires an amount at least equal to the amount on deposit.

Condition: At December 31, 2016, the District had deposits at United Prairie Bank that were not adequately covered by collateral.

Context: The amount of collateral required to secure deposits at United Prairie Bank was more than the actual amount of collateral pledged by $77,254.

Effect: The District's deposits were at risk as the District may not have been able to recover, in the event of bank default, the portion of funds for which there was no collateral.

Cause: The District was not monitoring deposits to ensure they were properly collateralized.

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

View of Responsible Official: Acknowledged

III. PREVIOUSLY REPORTED ITEM RESOLVED

2015-001 Prior Period Adjustment

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REPRESENTATION OF
LAC QUI PARLE-YELLOW BANK WATERSHED DISTRICT
MADISON, MINNESOTA

CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED DECEMBER 31, 2016

Finding Number: 2007-001
Finding Title: Segregation of Duties

Name of Contact Person Responsible for Corrective Action:

Board of Managers and Trudy Hastad, Administrator

Corrective Action Planned:

The Board of Managers and staff are aware of the lack of segregation of the accounting functions and are working to implement procedures to ensure that internal control policies and procedures be developed and implemented by staff.

Anticipated Completion Date:

Late summer/early fall 2018

Finding Number: 2016-001
Finding Title: Accounting Policies and Procedures Manual

Name of Contact Person Responsible for Corrective Action:

Board of Managers and Trudy Hastad, Administrator

Corrective Action Planned:

The Board of Managers and staff will establish an accounting policy and procedures manual to document significant internal controls in the accounting system, including a risk assessment and the processes used to minimize the risks to be reviewed annually.

Anticipated Completion Date:

Early summer 2018

Finding Number: 2016-002
Finding Title: Insufficient Collateral

Name of Contact Person Responsible for Corrective Action:

Board of Managers and Trudy Hastad, Administrator

Corrective Action Planned:

Staff will work with the banks to ensure there is adequate collateral pledged to secure deposits in accordance with Minn. Stat. § 118A.03.

Anticipated Completion Date:

Monthly

REPRESENTATION OF
LAC QUI PARLE-YELLOW BANK WATERSHED DISTRICT
MADISON, MINNESOTA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2016

Finding Number: 2007-001
Finding Title: Segregation of Duties

Summary of Condition: Due to the limited number of office personnel within the District, segregation of the accounting functions necessary to ensure adequate internal accounting control is not possible.

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

Status: Not Corrected. See Corrective Action Plan for explanation. Board and staff are currently discussing ways to segregate accounting duties with recently hired new staff.

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

Finding Number: 2015-001
Finding Title: Prior Period Adjustment

Summary of Condition: A material prior period adjustment was proposed which resulted in a significant change to the District's financial statements. The adjustment was reviewed and approved by the appropriate staff and reflected in the financial statements.

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

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