STATE OF MINNESOTA
Office of the State Auditor

Julie Blaha
State Auditor

BROWN COUNTY
NEW ULM, MINNESOTA

YEAR ENDED DECEMBER 31, 2018

Description of the Office of the State Auditor

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

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

The State Auditor performs approximately 100 financial and compliance audits per year and has oversight responsibilities for over 3,300 local units of government throughout the state. The office currently maintains five divisions:

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

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

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

Pension – monitors investment, financial, and actuarial reporting for approximately 600 public pension funds; and

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

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

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BROWN COUNTY
NEW ULM, MINNESOTA

Year Ended December 31, 2018

Audit Practice Division
Office of the State Auditor
State of Minnesota

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BROWN COUNTY
NEW ULM, MINNESOTA

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BROWN COUNTY
NEW ULM, MINNESOTA

ORGANIZATION
2018

Office	Name	Term Expires
Commissioners		
1st District	David Borchert	January 2021
2nd District	Anton Berg	January 2021
3rd District	Scott Windschitl	January 2021
4th District	Dean Simonsen*	January 2019
5th District	Dennis Potter	January 2019
Officers		
Elected		
Attorney	Chuck Hanson	January 2019
Auditor/Treasurer	Jean Prochniak	January 2019
County Recorder	Betti Kamolz	January 2019
Sheriff	Rich Hoffmann	January 2019
Appointed		
Administrator	Charles Enter	Indefinite
Assessor	Anne Grunert	December 31, 2020
Human Services Director	Tom Henderson	Indefinite
Coroner	Terry Knowles, M.D.	December 31, 2018
Probation Director	Les Schultz	Indefinite
Highway Engineer	Wayne Stevens	April 30, 2022
Human Resources Director	Ruth Schaefer	Indefinite
Planning and Zoning Administrator	Laine Sletta	Indefinite
Public Health Director	Karen Moritz	Indefinite
Veterans Service Officer	Greg Peterson	April 11, 2021
Lay Board Member	Elizabeth Mohr	December 31, 2019
Lay Board Member	Judy Kuster	December 31, 2019

*Chair

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Financial Section

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STATE OF MINNESOTA
OFFICE OF THE STATE AUDITOR

JULIE BLAHA
STATE AUDITOR

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INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Brown County
New Ulm, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Brown County, Minnesota, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Brown County Economic Development Partners, Inc., the discretely presented component unit. 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 component unit, is based solely on the report of the other auditors. In addition, we did not audit the financial statements of the South Country Health Alliance (SCHA) for the year ended December 31, 2018, in which Brown County has an equity interest. The SCHA is a joint venture discussed in Note 5.C. to the financial statements. The County's investment in the SCHA, $2,598,101, represents 2.0 percent and 2.5 percent, respectively, of the assets and net position of the governmental activities. The financial statements of the SCHA, which were prepared in accordance with financial reporting provisions permitted by the Minnesota Department of Health, were audited by other auditors, whose report thereon has been furnished to us. We have applied procedures on the conversion adjustments to the financial statements of the SCHA, which conform the financial reporting of the investment in joint venture to accounting principles generally accepted in the United States of America. Our opinion, insofar as it relates to the amount included as an investment in joint venture, prior to these conversion adjustments, 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. The financial statements of the Brown County Economic Development Partners, Inc., and the SCHA were not audited in accordance with *Government Auditing Standards*.

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 reports 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 discretely presented component unit, each major fund, and the aggregate remaining fund information of Brown County as of December 31, 2018, and the respective changes in financial position thereof and the respective budgetary comparisons of the General Fund, Road and Bridge Special Revenue Fund, Human Services Special Revenue Fund, Landfill Special Revenue Fund, and the County Ditch Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter – Change in Accounting Principle

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

Other Matters

Required Supplementary Information

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

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 5, 2019, on our consideration of Brown County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Brown County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Brown County's internal control over financial reporting and compliance. It does not include the Brown County Economic Development Partners, Inc., or the SCHA, which were 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/Julie Blaha	*/s/Greg Hierlinger*
JULIE BLAHA STATE AUDITOR	GREG HIERLINGER, CPA DEPUTY STATE AUDITOR

September 5, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

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BROWN COUNTY
NEW ULM, MINNESOTA

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

As management of Brown County, we offer readers of the Brown County financial statements this narrative overview and analysis of the financial activities of Brown County for the fiscal year ended December 31, 2018. We encourage readers to consider the information presented here in conjunction with the County's basic financial statements following this section. All amounts, unless otherwise indicated, are expressed in whole dollars.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of Brown County exceeded its liabilities and deferred inflows of resources at the close of 2018 by $105,137,048. Of this amount, $3,598,821 (unrestricted net position) may be used to meet Brown County's ongoing obligations to citizens and creditors.

- Brown County's total net position increased by $4,465,874 in 2018 (after restatement), or 4.4 percent.

- At the close of 2018, Brown County's governmental funds reported combined ending fund balances of $24,946,167. The amount of $2,806,974 is unassigned and is available for spending at the County's discretion.

- At the close of 2018, unassigned fund balance for the General Fund was $3,407,189, or 24.4 percent, of total General Fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

This Management's Discussion and Analysis is intended to serve as an introduction to Brown County's basic financial statements. Brown County's basic financial statements are comprised of three components: (1) county-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

County-Wide Financial Statements

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

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

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

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

The county-wide financial statements include not only Brown County itself (the primary government), but also the legally separate Economic Development Partners, Inc. (EDP). The EDP, although legally separate, functions for all practical purposes as an integral part of Brown County and, therefore, has been included in the county-wide financial statements.

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

Fund Financial Statements

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

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

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

Brown County reports five major funds and one nonmajor governmental fund. The major funds are: the General Fund, Road and Bridge Special Revenue Fund, Human Services Special Revenue Fund, Landfill Special Revenue Fund, and County Ditch Special Revenue Fund. The nonmajor governmental fund is the Building and Capital Improvements Capital Projects Fund. Information is presented separately for the major funds and in the aggregate for the nonmajor funds in Exhibits 3 and 5.

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

Brown County's governmental fund financial statements are on Exhibits 3 through 11, and Brown County's fiduciary funds are on Exhibit 12.

Notes to the Financial Statements

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

Other Information

In addition to the basic financial statements and notes, this report also presents certain required supplementary information concerning Brown County's changes in its other postemployment benefits liability and schedules of the proportionate share of net pension liability and schedules of contributions. Required supplementary information can be found on Exhibits A-1 through A-7. In addition, the County also provides supplementary information on Brown County's deposits and investments, intergovernmental revenues, and expenditures of federal awards (Exhibits D-1 through D-3).

Brown County adopts an annual appropriated budget for its General Fund, the special revenue funds, and the capital projects fund. Budgetary comparison statements have been provided to demonstrate compliance with these budgets.

COUNTY-WIDE FINANCIAL ANALYSIS

Over time, net position serves as a useful indicator of the County's financial position. Brown County's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $105,137,048 at the close of 2018. The largest portion of Brown County's net position (86.0 percent) reflects its investment in capital assets (such as land, buildings, and equipment); however, it should be noted that these assets are not available for future spending. Comparative data with 2017 is presented.

Table 1
Governmental Net Position

	2018	2017
Assets		
Current and other assets	$ 32,670,891	$ 32,558,611
Capital assets	95,108,203	91,284,284
Total Assets	$ 127,779,094	$ 123,842,895
Deferred Outflows of Resources	$ 3,461,711	$ 5,228,710
Liabilities		
Long-term liabilities outstanding	$ 18,794,214	$ 22,239,804
Other liabilities	2,051,367	1,757,291
Total Liabilities	$ 20,845,581	$ 23,997,095
Deferred Inflows of Resources	$ 5,258,176	$ 4,477,892
Net Position		
Investment in capital assets	$ 90,467,918	$ 86,210,181
Restricted	11,070,309	10,547,985
Unrestricted	3,598,821	3,838,452
Total Net Position	$ 105,137,048	$ 100,596,618

The unrestricted net position amount of $3,598,821 as of December 31, 2018, may be used to meet the County's ongoing obligations to citizens and creditors.

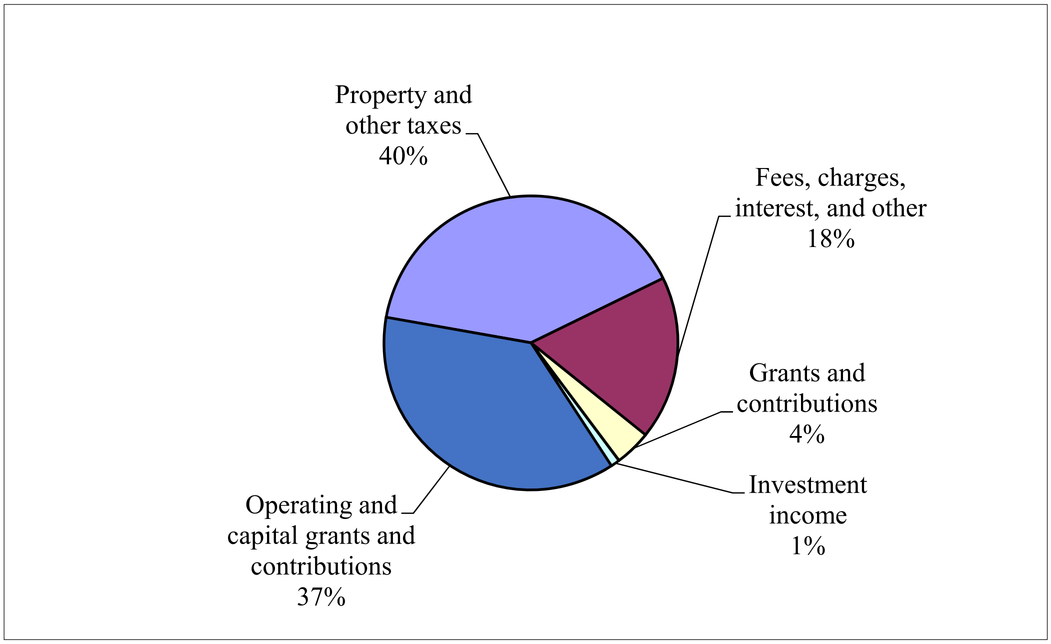
Governmental Activities

The County's activities from operations increased net position by $4,465,874, or 4.4 percent ($100,671,174, as restated, in 2017 to $105,137,048 in 2018). Table 2 summarizes the changes in net position for 2017.

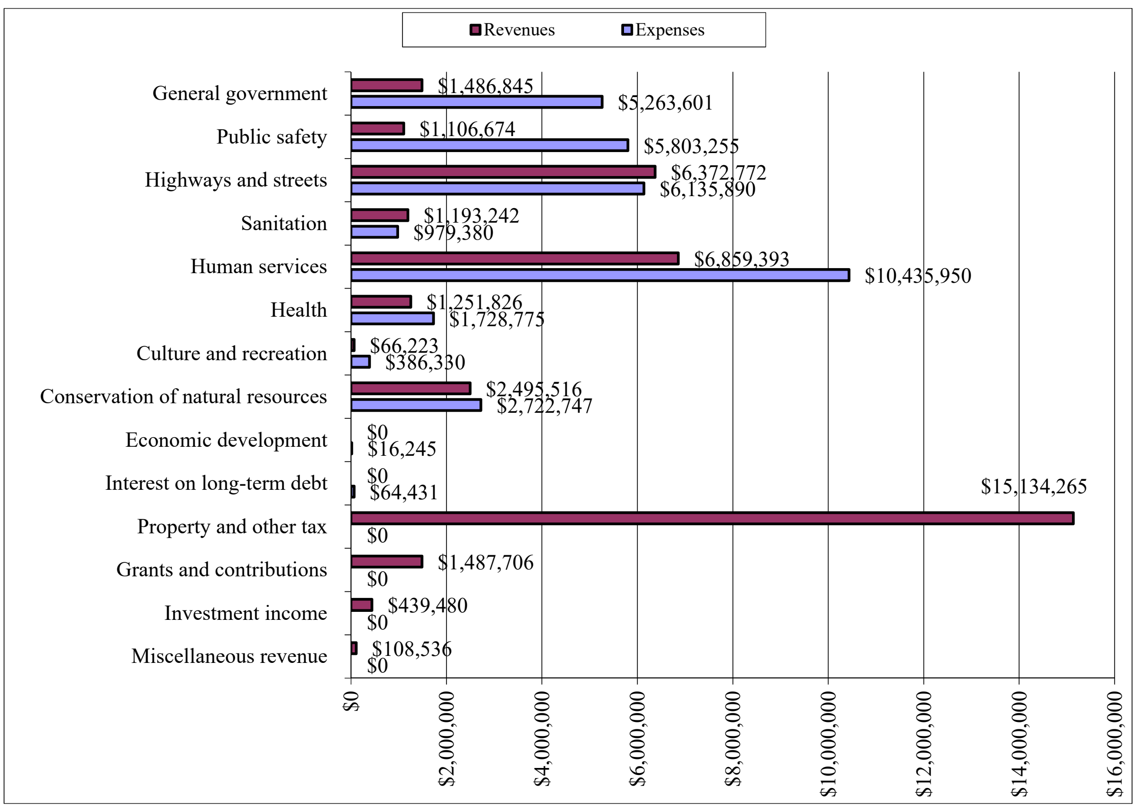
Table 2
Changes in Governmental Net Position

	2018	2017
Revenues		
Program revenues		
Charges for services	$ 6,928,226	$ 5,231,143
Operating grants and contributions	13,767,379	12,722,632
Capital grants and contributions	136,886	66,415
General revenues		
Property taxes	12,808,252	12,401,470
Other	4,361,735	3,754,681
Total Revenues	$ 38,002,478	$ 34,176,341
Expenses		
General government	$ 5,263,601	$ 5,215,103
Public safety	5,803,255	6,691,293
Highways and streets	6,135,890	5,511,756
Sanitation	979,380	1,523,643
Human services	10,435,950	9,334,186
Health	1,728,775	1,828,413
Culture and recreation	386,330	666,506
Conservation of natural resources	2,722,747	1,461,451
Economic development	16,245	11,945
Interest	64,431	118,242
Total Expenses	$ 33,536,604	$ 32,362,538
Increase in Net Position	$ 4,465,874	$ 1,813,803
Net Position – January 1	$ 100,596,618	$ 98,782,815
Restatement (Note 1.E.)	74,556	-
Net Position – January 1, as restated	$ 100,671,174	$ 98,782,815
Net Position – December 31	$ 105,137,048	$ 100,596,618

Revenues by Source – 2018



Expenses and Revenues – 2018



Total revenues for the County were $38,002,478, while total expenses were $33,536,604. This reflects a $4,465,874 increase in net position for the year ended December 31, 2018.

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

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

Governmental Funds

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

At the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of $24,946,167, a decrease of $498,316 in comparison with the prior year. Of this amount, $2,806,974 constitutes unassigned fund balance. The remainder of fund balance is nonspendable, restricted, or assigned to indicate that it is not available for new spending.

The General Fund is the chief operating fund of Brown County. At the end of the current fiscal year, unassigned fund balance of the General Fund was $3,407,189, while total General Fund balance was $5,699,645. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 24.4 percent of total General Fund expenditures, while total fund balance represents 40.7 percent of that same amount. In 2018, the total fund balance in the General Fund increased $55,234.

In 2018, the Road and Bridge Special Revenue Fund reported a net change in fund balance of $1,604,949 and an increase in inventories of $56,458. The increase in fund balance is due to less than anticipated expenditures and delays in project costs during the year.

In 2018, the Human Service Special Revenue Fund's fund balance decreased by $759,673. This decrease is due to an unanticipated increase in County funded social services.

In 2018, the Landfill Special Revenue Fund's fund balance decreased by $741,791. This decrease was a budgeted use of fund balance in 2018 and was anticipated.

In 2018, the County Ditch Fund's fund balance decreased by $795,191. This decrease was a budgeted use of fund balance in 2018 and was anticipated.

General Fund Budgetary Highlights

There were no changes between the original budget and the final amended budget. Total General Fund revenues exceeded budgeted revenues by $401,686 due, in large part, to unbudgeted state and federal grant funding and from investment earnings in 2018. Overall, actual expenditures exceeded budgeted expenditures by $5,846.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The County's investment in capital assets for its governmental activities as of December 31, 2018, amounts to $95,108,203 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, and infrastructure. The total increase in the County's investment in capital assets for the current fiscal year was $3,823,919.

Table 3
Governmental Capital Assets
(Net of Depreciation)

	2018	2017
Land	$ 1,838,388	$ 1,838,388
Construction in progress	348,977	2,005,837
Land improvements	2,577,898	1,342,521
Buildings and improvements	11,399,595	11,376,899
Machinery, furniture, and equipment	3,221,734	3,308,195
Computer software – intangible	572,146	549,757
Infrastructure	75,149,465	70,862,687
Totals	$ 95,108,203	$ 91,284,284

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

Long-Term Debt

At the end of the current fiscal year, the County has total general obligations bonds outstanding of $4,435,000.

Governmental Outstanding Debt

	2018	2017
General obligation bonds and notes	$ 4,435,000	$ 4,875,000

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

- Brown County's average unemployment rate was 3.6 percent as of the end of 2018. This was slightly above the statewide rate of 3.2 percent.

- Mortgage interest rates have risen only slightly during 2018, resulting in a stable volume of mortgage refinancing.

- At the end of 2018, Brown County set its 2019 revenue and expenditure budgets.

REQUESTS FOR INFORMATION

This annual financial report is designed to provide a general overview of the County's finances for all those with an interest in the County's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Brown County Auditor/Treasurer, Brown County Courthouse, 14 South State Street, PO Box 115, New Ulm, Minnesota 56073.

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BASIC FINANCIAL STATEMENTS

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COUNTY-WIDE FINANCIAL STATEMENTS

EXHIBIT 1

STATEMENT OF NET POSITION
DECEMBER 31, 2018

	Primary Government Governmental Activities	Economic Development Partners, Inc., Component Unit
Assets		
Cash and pooled investments	$ 25,115,897	$ 35,402
Taxes receivable		
Delinquent	96,620	-
Special assessments receivable		
Delinquent	32,658	-
Current	445,770	-
Noncurrent	744,284	-
Accounts receivable	1,166,562	-
Accrued interest receivable	76,176	-
Loans receivable	-	270,490
Due from other governments	2,075,134	-
Inventories	319,689	-
Investment in joint venture	2,598,101	-
Capital assets		
Non-depreciable	2,187,365	-
Depreciable – net of accumulated depreciation	92,920,838	-
Total Assets	**$ 127,779,094**	**$ 305,892**
Deferred Outflows of Resources		
Deferred pension outflows	$ 3,442,337	$ -
Deferred other postemployment benefits outflows	19,374	-
Total Deferred Outflows of Resources	**$ 3,461,711**	**$ -**
Liabilities		
Accounts payable	$ 688,580	$ 418
Salaries payable	415,004	-
Contracts payable	43,344	-
Due to other governments	746,981	-
Accrued interest payable	29,456	-
Unearned revenue	128,002	-
Long-term liabilities		
Due within one year	583,695	-
Due in more than one year	7,559,414	-
Net pension liability	9,944,848	-
Other postemployment benefits liability	706,257	-
Total Liabilities	**$ 20,845,581**	**$ 418**

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

EXHIBIT 1
(Continued)

STATEMENT OF NET POSITION
DECEMBER 31, 2018

	Primary Government Governmental Activities	Economic Development Partners, Inc., Component Unit
Deferred Inflows of Resources		
Prepaid property taxes	$ 83,485	$ -
Deferred pension inflows	5,174,691	-
Total Deferred Inflows of Resources	**$ 5,258,176**	**$ -**
Net Position		
Net investment in capital assets	$ 90,467,918	$ -
Restricted for		
General government	64,626	-
Public safety	563,842	-
Highways and streets	5,082,459	-
Sanitation	129,812	-
Human services	2,615,434	-
Conservation of natural resources	1,088,396	-
Landfill closure/postclosure	1,525,740	-
Other purposes	-	4,100
Unrestricted	3,598,821	301,374
Total Net Position	**$ 105,137,048**	**$ 305,474**

BROWN COUNTY
NEW ULM, MINNESOTA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

	Expenses	Fees, Charges, Fines, and Other
Functions/Programs		
Primary government		
Governmental activities		
General government	$ 5,263,601	$ 1,130,024
Public safety	5,803,255	254,552
Highways and streets	6,135,890	57,278
Sanitation	979,380	1,121,660
Human services	10,435,950	1,254,285
Health	1,728,775	696,801
Culture and recreation	386,330	16,109
Conservation of natural resources	2,722,747	2,397,517
Economic development	16,245	-
Interest	64,431	-
Total Primary Government	**$ 33,536,604**	**$ 6,928,226**
Component unit		
Economic Development Partners, Inc.	**$ 27,910**	**$ 11,971**

General Revenues
Property taxes
Transportation sales tax
Wheelage tax
Grants and contributions not restricted to specific programs
Payments in lieu of tax
Investment income
Miscellaneous

Total general revenues

Change in net position

Net Position – January 1, as restated (Note 1.E.)

Net Position – December 31

EXHIBIT 2

Program Revenues		Net (Expense) Revenue and Change in Net Position	
Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Economic Development Partners, Inc., Component Unit
$ 356,821	$ -	$ (3,776,756)	
852,122	-	(4,696,581)	
6,241,031	74,463	236,882	
71,582	-	213,862	
5,542,685	62,423	(3,576,557)	
555,025	-	(476,949)	
50,114	-	(320,107)	
97,999	-	(227,231)	
-	-	(16,245)	
-	-	(64,431)	
$ 13,767,379	**$ 136,886**	**$ (12,704,113)**	
$ -	**$ -**		**$ (15,939)**
		$ 12,808,252	$ -
		1,700,430	-
		592,421	-
		1,487,706	10,000
		33,162	-
		439,480	-
		108,536	100
		$ 17,169,987	**$ 10,100**
		$ 4,465,874	**$ (5,839)**
		100,671,174	**311,313**
		$ 105,137,048	**$ 305,474**

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FUND FINANCIAL STATEMENTS

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2018

	General	Road and Bridge
Assets		
Cash and pooled investments	$ 5,039,413	$ 9,448,330
Taxes receivable		
Delinquent	64,492	13,026
Special assessments receivable		
Delinquent	15,319	-
Current	101,742	-
Noncurrent	207,201	-
Accounts receivable	205,441	-
Accrued interest receivable	76,176	-
Due from other funds	25,527	8,351
Due from other governments	246,295	865,854
Advances to other funds	774,511	-
Inventories	-	319,689
Total Assets	**$ 6,756,117**	**$ 10,655,250**
Liabilities, Deferred Inflows of Resources, and Fund Balances		
Liabilities		
Accounts payable	$ 136,954	$ 12,807
Salaries payable	233,306	42,215
Contracts payable	-	42,259
Due to other funds	3,302	-
Due to other governments	104,720	499
Unearned revenue	126,309	-
Advances from other funds	-	-
Total Liabilities	**$ 604,591**	**$ 97,780**
Deferred Inflows of Resources		
Unavailable revenue	$ 394,143	$ 671,997
Prepaid property taxes	57,738	8,098
Total Deferred Inflows of Resources	**$ 451,881**	**$ 680,095**
Fund Balances		
Nonspendable	$ 774,511	$ 319,689
Restricted	1,025,437	4,419,126
Assigned	492,508	5,138,560
Unassigned	3,407,189	-
Total Fund Balances	**$ 5,699,645**	**$ 9,877,375**
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	**$ 6,756,117**	**$ 10,655,250**

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

Human Services	Landfill	County Ditch	Nonmajor Building and Capital Improvements	Total Governmental Funds
$ 5,127,201	$ 4,228,275	$ 871,812	$ 400,866	$ 25,115,897
18,796	-	-	306	96,620
-	14,551	2,788	-	32,658
-	-	344,028	-	445,770
-	-	537,083	-	744,284
899,440	61,681	-	-	1,166,562
-	-	-	-	76,176
7,353	-	-	-	41,231
920,750	-	41,455	780	2,075,134
-	-	-	-	774,511
-	-	-	-	319,689
$ 6,973,540	**$ 4,304,507**	**$ 1,797,166**	**$ 401,952**	**$ 30,888,532**
$ 218,650	$ 252,838	$ 67,331	$ -	$ 688,580
136,805	2,678	-	-	415,004
-	-	1,085	-	43,344
16,721	-	13,855	7,353	41,231
619,745	-	22,017	-	746,981
-	1,693	-	-	128,002
-	-	774,511	-	774,511
$ 991,921	**$ 257,209**	**$ 878,799**	**$ 7,353**	**$ 2,837,653**
$ 1,052,818	$ 11,472	$ 890,640	$ 157	$ 3,021,227
15,762	-	-	1,887	83,485
$ 1,068,580	**$ 11,472**	**$ 890,640**	**$ 2,044**	**$ 3,104,712**
$ -	$ -	$ -	$ -	$ 1,094,200
17,333	3,060,735	627,942	-	9,150,573
4,895,706	975,091	-	392,555	11,894,420
-	-	(600,215)	-	2,806,974
$ 4,913,039	**$ 4,035,826**	**$ 27,727**	**$ 392,555**	**$ 24,946,167**
$ 6,973,540	**$ 4,304,507**	**$ 1,797,166**	**$ 401,952**	**$ 30,888,532**

BROWN COUNTY
NEW ULM, MINNESOTA

EXHIBIT 4

RECONCILIATION OF THE FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION—GOVERNMENTAL ACTIVITIES DECEMBER 31, 2018

Fund balances – total governmental funds (Exhibit 3)			**$**	**24,946,167**
Amounts reported for governmental activities in the statement of net position are different because:				
Investments in joint ventures are recorded in governmental activities and are not financial resources. Therefore, they are not reported in the governmental funds.				2,598,101
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.				95,108,203
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred inflows of resources in the governmental funds.				3,021,227
Deferred outflows of resources and deferred inflows of resources are created as a result of various differences related to pensions that are not recognized in the governmental funds.				
Deferred pension outflows	$	3,442,337		
Deferred pension inflows		(5,174,691)		(1,732,354)
Deferred outflows of resources are created as a result of various differences related to other postemployment benefits not recognized in the governmental funds.				19,374
Governmental funds do not report a liability for accrued interest on long-term liabilities until due and payable.				(29,456)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.				
General obligation bonds	$	(4,435,000)		
Unamortized premium on bonds		(156,989)		
Loans payable		(206,503)		
Compensated absences		(1,939,434)		
Landfill closure/postclosure liability		(1,405,183)		
Net pension liability		(9,944,848)		
Other postemployment benefits liability		(706,257)		(18,794,214)
Net Position of Governmental Activities (Exhibit 1)			**$**	**105,137,048**

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

BROWN COUNTY
NEW ULM, MINNESOTA

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

	General	Road and Bridge
Revenues		
Taxes	$ 8,747,008	$ 3,906,387
Special assessments	144,994	-
Licenses and permits	25,986	-
Intergovernmental	2,880,882	6,738,775
Charges for services	1,785,751	32,104
Fines and forfeits	9,219	-
Gifts and contributions	300	-
Investment earnings	437,225	-
Miscellaneous	353,809	25,174
Total Revenues	**$ 14,385,174**	**$ 10,702,440**
Expenditures		
Current		
General government	$ 5,514,749	$ -
Public safety	5,745,716	-
Highways and streets	-	8,245,021
Sanitation	-	-
Human services	-	-
Health	1,844,556	-
Culture and recreation	359,836	-
Conservation of natural resources	428,300	-
Economic development	16,245	-
Intergovernmental	-	419,685
Debt service		
Principal	75,598	440,000
Interest	4,334	172,075
Total Expenditures	**$ 13,989,334**	**$ 9,276,781**
Excess of Revenues Over (Under) Expenditures	**$ 395,840**	**$ 1,425,659**
Other Financing Sources (Uses)		
Transfers in	$ -	$ 179,290
Transfers out	(365,394)	-
Proceeds from loans	24,788	-
Total Other Financing Sources (Uses)	**$ (340,606)**	**$ 179,290**
Net Change in Fund Balance	**$ 55,234**	**$ 1,604,949**
Fund Balance – January 1	**5,644,411**	**8,215,968**
Increase (decrease) in inventories	**-**	**56,458**
Fund Balance – December 31	**$ 5,699,645**	**$ 9,877,375**

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

EXHIBIT 5

Human Services	Landfill	County Ditch	Nonmajor Building and Capital Improvements	Total Governmental Funds
$ 2,396,042	$ -	$ -	$ 59,110	$ 15,108,547
-	399,809	1,488,062	-	2,032,865
-	480	-	-	26,466
5,758,530	72,170	-	16,668	15,467,025
1,107,707	777,594	-	-	3,703,156
-	-	-	-	9,219
13,159	-	-	-	13,459
-	-	-	-	437,225
77,999	10,230	-	19,807	487,019
$ 9,353,437	**$ 1,260,283**	**$ 1,488,062**	**$ 95,585**	**$ 37,284,981**
$ -	$ -	$ -	$ 19,019	$ 5,533,768
-	-	-	-	5,745,716
-	-	-	-	8,245,021
-	2,083,010	-	-	2,083,010
10,199,911	-	-	-	10,199,911
-	-	-	-	1,844,556
-	-	-	918	360,754
-	-	2,295,570	-	2,723,870
-	-	-	-	16,245
-	-	-	-	419,685
-	-	-	-	515,598
-	-	-	-	176,409
$ 10,199,911	**$ 2,083,010**	**$ 2,295,570**	**$ 19,937**	**$ 37,864,543**
$ (846,474)	**$ (822,727)**	**$ (807,508)**	**$ 75,648**	**$ (579,562)**
$ 86,801	$ 80,936	$ 12,317	$ 6,050	$ 365,394
-	-	-	-	(365,394)
-	-	-	-	24,788
$ 86,801	**$ 80,936**	**$ 12,317**	**$ 6,050**	**$ 24,788**
$ (759,673)	**$ (741,791)**	**$ (795,191)**	**$ 81,698**	**$ (554,774)**
5,672,712	**4,777,617**	**822,918**	**310,857**	**25,444,483**
-	**-**	**-**	**-**	**56,458**
$ 4,913,039	**$ 4,035,826**	**$ 27,727**	**$ 392,555**	**$ 24,946,167**

BROWN COUNTY
NEW ULM, MINNESOTA

EXHIBIT 6

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

Change in fund balances – total governmental funds (Exhibit 5)			**$ (554,774)**
Amounts reported for governmental activities in the statement of activities are different because:			
In the funds, distributions of joint venture equity interest are reported as revenue. In the statement of net position, an asset is reported for the equity interest, and distributions, increases, and decreases in joint venture equity are reported in the statement of activities. The adjustment is the increase or decrease in equity in the joint venture.			(52,076)
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. This is the amount by which capital outlays exceeded depreciation in the current period.			
Capital outlay expenditures	$	6,877,808	
Depreciation expense		(3,049,860)	3,827,948
The net effect of various miscellaneous transactions involving capital assets (such as sales, trade-ins, and retirements) is to decrease net position.			
Net book value of assets disposed of			(4,029)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.			
Increase in deferred inflows of resources for unavailable revenues			641,300
The issuance of long-term debt (such as bonds or loans) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.			
Proceeds of new debt			
Loans Issued	$	(24,788)	
Principal payments on debt		515,598	
Amortization of premium on bonds		17,888	508,698

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

EXHIBIT 6
(Continued)

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

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Increase in inventories	$ 56,458	
Decrease in deferred pension outflows	(1,786,373)	
Decrease in accrued interest payable	94,090	
Increase in compensated absences payable	(147,013)	
Decrease in net pension liability	3,177,089	
Increase in other postemployment benefits liability, as restated	(45,447)	
Increase in landfill postclosure care costs	(122,293)	
Increase in deferred other postemployment benefits outflows	19,374	
Increase in deferred pension inflows	(1,147,078)	98,807
Change in Net Position of Governmental Activities (Exhibit 2)		**$ 4,465,874**

BROWN COUNTY
NEW ULM, MINNESOTA

EXHIBIT 7

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

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 8,603,848	$ 8,603,848	$ 8,747,008	$ 143,160
Special assessments	171,637	171,637	144,994	(26,643)
Licenses and permits	38,210	38,210	25,986	(12,224)
Intergovernmental	2,677,994	2,677,994	2,880,882	202,888
Charges for services	2,003,159	2,003,159	1,785,751	(217,408)
Fines and forfeits	13,200	13,200	9,219	(3,981)
Gifts and contributions	-	-	300	300
Investment earnings	93,598	93,598	437,225	343,627
Miscellaneous	381,842	381,842	353,809	(28,033)
Total Revenues	**$ 13,983,488**	**$ 13,983,488**	**$ 14,385,174**	**$ 401,686**
Expenditures				
Current				
General government				
Commissioners	$ 272,946	$ 272,946	$ 260,476	$ 12,470
Courts	124,384	124,384	93,705	30,679
Law library	18,800	18,800	19,786	(986)
County auditor/treasurer	648,487	648,487	671,078	(22,591)
License bureau	230,949	230,949	252,748	(21,799)
County assessor	558,511	558,511	539,844	18,667
Elections	144,124	144,124	195,792	(51,668)
Accounting and auditing	58,000	58,000	55,441	2,559
Data processing	570,799	570,799	554,877	15,922
Central services	207,421	207,421	208,475	(1,054)
Personnel administration	378,606	378,606	349,579	29,027
Attorney	594,150	594,150	595,402	(1,252)
Recorder	507,501	507,501	480,302	27,199
Planning and zoning	151,292	151,292	214,303	(63,011)
Buildings and plant	637,341	637,341	611,717	25,624
Veterans service officer	125,255	125,255	137,317	(12,062)
Veterans shuttle	11,000	11,000	16,109	(5,109)
Other	165,186	165,186	257,798	(92,612)
Total general government	**$ 5,404,752**	**$ 5,404,752**	**$ 5,514,749**	**$ (109,997)**

BROWN COUNTY
NEW ULM, MINNESOTA

EXHIBIT 7
(Continued)

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

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Expenditures				
Current (Continued)				
Public safety				
Sheriff	$ 2,387,016	$ 2,387,016	$ 2,326,759	$ 60,257
Regional radio board operations	1,035	1,035	-	1,035
Boat and water safety	14,416	14,416	3,572	10,844
Emergency services	54,777	54,777	55,818	(1,041)
Coroner	12,000	12,000	13,654	(1,654)
E-911 system	106,565	106,565	75,923	30,642
County jail	1,560,468	1,560,468	1,565,817	(5,349)
Probation and parole	1,741,080	1,741,080	1,698,479	42,601
Sheriff's contingency	3,000	3,000	3,000	-
Snowmobile safety	3,399	3,399	2,694	705
Total public safety	**$ 5,883,756**	**$ 5,883,756**	**$ 5,745,716**	**$ 138,040**
Health				
Nursing service	**$ 1,860,927**	**$ 1,860,927**	**$ 1,844,556**	**$ 16,371**
Culture and recreation				
Historical society	$ 89,179	$ 89,179	$ 89,179	$ -
Parks	125,366	125,366	119,126	6,240
County/regional library	77,633	77,633	77,633	-
Snowmobile trails	-	-	50,114	(50,114)
Other	23,749	23,749	23,784	(35)
Total culture and recreation	**$ 315,927**	**$ 315,927**	**$ 359,836**	**$ (43,909)**
Conservation of natural resources				
Cooperative extension	$ 83,252	$ 83,252	$ 72,844	$ 10,408
Soil and water conservation	120,921	120,921	120,921	-
Agricultural society/County fair	28,500	28,500	28,500	-
Water planning	79,185	79,185	104,099	(24,914)
Wetlands	18,386	18,386	16,096	2,290
Septic loan program	91,705	91,705	78,480	13,225
Other conservation	-	-	7,360	(7,360)
Total conservation of natural resources	**$ 421,949**	**$ 421,949**	**$ 428,300**	**$ (6,351)**

BROWN COUNTY
NEW ULM, MINNESOTA

EXHIBIT 7
(Continued)

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

	Budgeted Amounts		Actual	Variance with
	Original	**Final**	**Amounts**	**Final Budget**
Expenditures				
Current (Continued)				
Economic development				
Community development	**$ 16,245**	**$ 16,245**	**$ 16,245**	**$ -**
Debt service				
Principal	$ 75,598	$ 75,598	$ 75,598	$ -
Interest	4,334	4,334	4,334	-
Total debt service	**$ 79,932**	**$ 79,932**	**$ 79,932**	**$ -**
Total Expenditures	**$ 13,983,488**	**$ 13,983,488**	**$ 13,989,334**	**$ (5,846)**
Excess of Revenues Over (Under) Expenditures	**$ -**	**$ -**	**$ 395,840**	**$ 395,840**
Other Financing Sources (Uses)				
Transfers out	$ -	$ -	$ (365,394)	$ (365,394)
Proceeds from loans	-	-	24,788	24,788
Total Other Financing Sources (Uses)	**$ -**	**$ -**	**$ (340,606)**	**$ (340,606)**
Net Change in Fund Balance	**$ -**	**$ -**	**$ 55,234**	**$ 55,234**
Fund Balance – January 1	**5,644,411**	**5,644,411**	**5,644,411**	**-**
Fund Balance – December 31	**$ 5,644,411**	**$ 5,644,411**	**$ 5,699,645**	**$ 55,234**

BROWN COUNTY
NEW ULM, MINNESOTA

EXHIBIT 8

BUDGETARY COMPARISON STATEMENT
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 3,809,547	$ 3,809,547	$ 3,906,387	$ 96,840
Intergovernmental	7,158,389	7,158,389	6,738,775	(419,614)
Charges for services	30,000	30,000	32,104	2,104
Miscellaneous	33,000	33,000	25,174	(7,826)
Total Revenues	**$ 11,030,936**	**$ 11,030,936**	**$ 10,702,440**	**$ (328,496)**
Expenditures				
Current				
Highways and streets				
Administration	$ 413,510	$ 413,510	$ 450,298	$ (36,788)
Maintenance	1,884,544	1,884,544	1,694,652	189,892
Construction	6,696,426	6,696,426	4,949,126	1,747,300
Equipment maintenance and shop	989,641	989,641	970,260	19,381
Materials and services for resale	160,500	160,500	180,685	(20,185)
Total highways and streets	**$ 10,144,621**	**$ 10,144,621**	**$ 8,245,021**	**$ 1,899,600**
Intergovernmental				
Highways and streets	**$ 360,000**	**$ 360,000**	**$ 419,685**	**$ (59,685)**
Debt service				
Principal	$ 440,000	$ 440,000	$ 440,000	$ -
Interest	172,075	172,075	172,075	-
Total debt service	**$ 612,075**	**$ 612,075**	**$ 612,075**	**$ -**
Total Expenditures	**$ 11,116,696**	**$ 11,116,696**	**$ 9,276,781**	**$ 1,839,915**
Excess of Revenues Over (Under) Expenditures	**$ (85,760)**	**$ (85,760)**	**$ 1,425,659**	**$ 1,511,419**
Other Financing Sources (Uses)				
Transfers in	85,760	85,760	179,290	93,530
Net Change in Fund Balance	**$ -**	**$ -**	**$ 1,604,949**	**$ 1,604,949**
Fund Balance – January 1	**8,215,968**	**8,215,968**	**8,215,968**	**-**
Increase (decrease) in inventories	**-**	**-**	**56,458**	**56,458**
Fund Balance – December 31	**$ 8,215,968**	**$ 8,215,968**	**$ 9,877,375**	**$ 1,661,407**

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

BROWN COUNTY
NEW ULM, MINNESOTA

EXHIBIT 9

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

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 2,390,403	$ 2,390,403	$ 2,396,042	$ 5,639
Intergovernmental	5,941,890	5,941,890	5,758,530	(183,360)
Charges for services	1,147,892	1,147,892	1,107,707	(40,185)
Gifts and contributions	6,700	6,700	13,159	6,459
Miscellaneous	81,754	81,754	77,999	(3,755)
Total Revenues	**$ 9,568,639**	**$ 9,568,639**	**$ 9,353,437**	**$ (215,202)**
Expenditures				
Current				
Human services				
Income maintenance	$ 2,514,207	$ 2,514,207	$ 2,592,420	$ (78,213)
Social services	6,456,074	6,456,074	6,776,170	(320,096)
Heartland express	798,703	798,703	831,321	(32,618)
Total Expenditures	**$ 9,768,984**	**$ 9,768,984**	**$ 10,199,911**	**$ (430,927)**
Excess of Revenues Over (Under) Expenditures	**$ (200,345)**	**$ (200,345)**	**$ (846,474)**	**$ (646,129)**
Other Financing Sources (Uses)				
Transfers in	49,093	49,093	86,801	37,708
Net Change in Fund Balance	**$ (151,252)**	**$ (151,252)**	**$ (759,673)**	**$ (608,421)**
Fund Balance – January 1	**5,672,712**	**5,672,712**	**5,672,712**	**-**
Fund Balance – December 31	**$ 5,521,460**	**$ 5,521,460**	**$ 4,913,039**	**$ (608,421)**

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

BROWN COUNTY
NEW ULM, MINNESOTA

EXHIBIT 10

BUDGETARY COMPARISON STATEMENT
LANDFILL SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

	Budgeted Amounts		Actual	Variance with
	Original	**Final**	**Amounts**	**Final Budget**
Revenues				
Special assessments	$ 359,487	$ 359,487	$ 399,809	$ 40,322
Licenses and permits	300	300	480	180
Intergovernmental	74,858	74,858	72,170	(2,688)
Charges for services	740,250	740,250	777,594	37,344
Miscellaneous	10,000	10,000	10,230	230
Total Revenues	**$ 1,184,895**	**$ 1,184,895**	**$ 1,260,283**	**$ 75,388**
Expenditures				
Current				
Sanitation				
Solid waste	1,920,393	1,920,393	2,083,010	(162,617)
Excess of Revenues Over (Under) Expenditures	**$ (735,498)**	**$ (735,498)**	**$ (822,727)**	**$ (87,229)**
Other Financing Sources (Uses)				
Transfers in	70,000	70,000	80,936	10,936
Net Change in Fund Balance	**$ (665,498)**	**$ (665,498)**	**$ (741,791)**	**$ (76,293)**
Fund Balance – January 1	**4,777,617**	**4,777,617**	**4,777,617**	**-**
Fund Balance – December 31	**$ 4,112,119**	**$ 4,112,119**	**$ 4,035,826**	**$ (76,293)**

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

BROWN COUNTY
NEW ULM, MINNESOTA

EXHIBIT 11

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

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Special assessments	$ 51,625	$ 51,625	$ 1,488,062	$ 1,436,437
Expenditures				
Current				
Conservation of natural resources				
Ditch maintenance	758,125	758,125	2,295,570	(1,537,445)
Excess of Revenues Over (Under) Expenditures	**$ (706,500)**	**$ (706,500)**	**$ (807,508)**	**$ (101,008)**
Other Financing Sources (Uses)				
Transfers in	6,500	6,500	12,317	5,817
Net Change in Fund Balance	**$ (700,000)**	**$ (700,000)**	**$ (795,191)**	**$ (95,191)**
Fund Balance – January 1	**822,918**	**822,918**	**822,918**	**-**
Fund Balance – December 31	**$ 122,918**	**$ 122,918**	**$ 27,727**	**$ (95,191)**

BROWN COUNTY
NEW ULM, MINNESOTA

EXHIBIT 12

STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
DECEMBER 31, 2018

Assets	
Cash and pooled investments	**$ 1,077,889**
Liabilities	
Due to other governments	**$ 1,077,889**

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, 2018. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the County are discussed below.

A. Financial Reporting Entity

Brown County was established February 11, 1856, 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 Brown County (primary government) and its component unit 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 Unit

While part of the reporting entity, the discretely presented component unit is presented in a separate column in the county-wide financial statements to emphasize that it is legally separate from the County. The following component unit of Brown County is discretely presented:

Component Unit	Included in the Reporting Entity Because	Separate Financial Statements
Brown County Economic Development Partners, Inc.	The County appoints its governing board, can impose its will on the entity, and the entity is fiscally dependent on the County.	Brown County Economic Development Partners, Inc. c/o Brown County Administrator's Office 14 South State PO Box 248 New Ulm, Minnesota 56073-0248

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity (Continued)

Joint Ventures and Jointly-Governed Organizations

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

B. Basic Financial Statements

1. County-Wide Statements

The county-wide financial statements (the statement of net position and the statement of activities) display information about the primary government and its component unit. These statements include the financial activities of the overall County government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities.

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

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

1. Summary of Significant Accounting Policies

   B. Basic Financial Statements (Continued)

      2. Fund Financial Statements

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

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

The Landfill Special Revenue Fund is used to account for restricted revenue sources from the federal and state government, as well as assigned special assessment and service revenues from the County to be used for the cost of County landfill and recycling operations.

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

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

Additionally, the County reports the following funds/fund types:

The Building and Capital Improvements Capital Projects Fund is used to account for assigned property tax revenues to be used to pay the cost of constructing and maintaining County buildings.

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Brown County considers all revenues as available if collected within 60 days after the end of the current period. Property and other taxes, shared revenues, licenses, and interest are all considered susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent that they have matured. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

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

1. Summary of Significant Accounting Policies (Continued)

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

1. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Auditor/Treasurer for the purpose of increasing earnings through investment activities. Pooled investments are reported at their fair value at December 31, 2018. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments are credited to the General Fund. Other funds are allocated interest as transfers from the General Fund based on the average cash balance of the fund. Pooled investment earnings for 2018 were $437,225.

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

2. Receivables and Payables

Activities between funds representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds." Advances made by the General Fund are offset by nonspendable fund balance to indicate that they are not available for appropriation and are not expendable available resources. All other outstanding balances between funds are reported as "due to/from other funds."

Property taxes are levied as of January 1 on property values assessed as of the same date. The tax levy notice is mailed in March with the first half payment due May 15 and the second half payment due October 15. Unpaid property taxes at December 31 become liens on the respective property and are classified in the financial statements as delinquent taxes receivable. Special assessments receivable consist of delinquent special assessments payable in the years 2013 through 2018 and current/noncurrent special assessments payable in 2019 and after. Unpaid special assessments at December 31 are classified in the financial statements as delinquent special assessments.

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

1. Summary of Significant Accounting Policies

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

3. Inventories

The Road and Bridge Special Revenue Fund inventory is valued using the weighted average method. Inventories in governmental funds are recorded as expenditures when purchased rather than when consumed. Inventories at the county-wide level are reported as expenses when consumed.

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

4. Capital Assets

Capital assets, which include property, plant, equipment, intangibles, and infrastructure assets (for example, roads, bridges, and similar items) are reported in the governmental activities column in the county-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost of more than $5,000 ($100,000 for infrastructure) and an estimated useful life in excess of 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 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.

Property, plant, and equipment of the County, as well as its component unit, are depreciated/amortized using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings and improvements	20 – 150
Land improvements	3 – 150
Infrastructure	50 – 150
Intangibles	5 – 20
Machinery, furniture, and equipment	3 – 20

1. Summary of Significant Accounting Policies

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

5. Compensated Absences

The liability for compensated absences reported in the financial statements consists of unpaid, accumulated annual 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. Compensated absences are accrued when incurred in the county-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The current portion is the greater of the prior year actual severance payout or the average of the previous five years of severance payouts. Compensated absences are liquidated by the General Fund and the Road and Bridge, Human Services, and Landfill Special Revenue Funds.

6. Long-Term Obligations

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

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

7. 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

1. Summary of Significant Accounting Policies

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

7. Deferred Outflows/Inflows of Resources (Continued)

future period(s) and will not be recognized as an outflow of resources (expenditure/expense) until then. The County reports deferred outflows of resources only under the full accrual basis of accounting associated with pension plans and other postemployment benefits (OPEB) and, accordingly, they are reported only in the statement of net position.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The County has three types of deferred inflows. Prepaid property taxes represent the County's share of tax collections collected prior to year-end that were not due until the following year. Since the property taxes were levied for use in a future year, the revenue is deferred and recognized in the period for which the amount is levied. These amounts arise under both the modified accrual and the full accrual basis of accounting and are reported in both the governmental fund balance sheet and the statement of net position. The County reports unavailable revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Unavailable revenue arises only under a modified accrual basis of accounting and, accordingly, is reported only in the governmental funds balance sheet. Unavailable revenue is deferred and recognized as an inflow of resources in the period that amounts become available. The County also reports deferred inflows of resources associated with pension benefits. These inflows arise only under the full accrual basis of accounting and, accordingly, are reported only in the statement of net position.

8. 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,

1. Summary of Significant Accounting Policies

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

8. Pension Plan (Continued)

plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Plan investments are reported at fair value. The net pension liability is liquidated by the General Fund and the Road and Bridge, Human Services, and Landfill Special Revenue Funds.

9. Unearned Revenue

Governmental funds and county-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 county-wide financial statements is classified in the following categories:

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

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

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

11. Classification of Fund Balances

The County's fund balance policy established a minimum unrestricted fund balance within the range of 35 to 50 percent of fund operating revenues. In the event the unrestricted fund balance drops below the established minimum level, the County Board will develop a plan to replenish the fund balance to the established level.

1. Summary of Significant Accounting Policies

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

11. Classification of Fund Balances (Continued)

Fund balance is divided into five classifications based primarily on the extent to which the County is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

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

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

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

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

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

1. Summary of Significant Accounting Policies

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

11. Classification of Fund Balances (Continued)

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

12. Use of Estimates

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

E. Change in Accounting Principles

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

	Governmental Activities
Net Position, January 1, 2018, as previously reported	$ 100,596,618
Change in accounting principles	74,556
Net Position, January 1, 2018, as restated	$ 100,671,174

2. Stewardship, Compliance, and Accountability

A. Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund, special revenue funds, and the capital projects fund. All annual appropriations lapse at year-end.

On or before mid-August of each year, all departments submit requests for appropriations to the County Auditor/Treasurer so that a budget can be prepared. Before October 31, the proposed budget is presented to the County Board for review.

The Board holds public hearings, and a final budget must be prepared and adopted no later than December 31.

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

B. Excess of Expenditures Over Budget

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

	Expenditures	Budget	Excess
General Fund	$ 13,989,334	$ 13,983,488	$ 5,846
Special Revenue Funds			
Human Services	10,199,911	9,768,984	430,927
Landfill	2,083,010	1,920,393	162,617
County Ditch	2,295,570	758,125	1,537,445

The excess of expenditures over budget was funded by unanticipated revenues and available fund balance.

C. Deficit Fund Equity

The County Ditch Special Revenue Fund has a positive fund balance of $27,727 as of December 31, 2018, although 21 ditches had deficit balances. The deficits will be eliminated with future special assessment levies against the benefited properties. The following is a summary of the individual ditch systems:

2. Stewardship, Compliance, and Accountability

C. Deficit Fund Equity (Continued)

73 ditches with positive fund balances	$	627,942
21 ditches with deficit fund balances		(600,215)
Total Fund Balance	$	27,727

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

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

Primary government		
Cash and pooled investments	$	25,115,897
Fiduciary funds		
Agency funds		
Cash and pooled investments		1,077,889
Total Cash and Investments	$	26,193,786

a. Deposits

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

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

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

a. Deposits (Continued)

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits may not be returned to it. The County's policy states all deposits should be fully collateralized. As of December 31, 2018, the County's deposits were not exposed to custodial credit risk.

b. Investments

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

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

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

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

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

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

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

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

Fair Value of Investments

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

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

At December 31, 2018, the County had the following recurring fair value measurements.

		Fair Value Measurements Using		
	December 31, 2018	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Debt securities				
U.S. agencies	$ 8,677,700	$ -	$ 8,677,700	$ -
Negotiable certificates of deposit	7,148,594	-	7,148,594	-
Total Debt Securities	$ 15,826,294	$ -	$ 15,826,294	$ -
Investments measured at the net asset value (NAV)				
MAGIC Portfolio	$ 4,138,461			

3. Detailed Notes on All Funds

   A. Assets

      1. Deposits and Investments

         b. Investments

            Fair Value of Investments (Continued)

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

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

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

            Interest Rate Risk

            Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. It is the County's policy to minimize its exposure to interest rate risk by investing operating funds primarily in shorter-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity required for operations.

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

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 the safest types of securities; pre-qualify the financial institutions, brokers/dealers, and advisors with which an entity will do business; and diversify the investment portfolio so that potential losses on individual securities are minimized.

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 that are in the possession of an outside party. The County's policy states the County will minimize investment custodial credit risk by permitting brokers that obtained investments to hold them only to the extent there is SIPC (Securities Investor Protection Corporation) coverage and excess SIPC coverage available. Securities purchased that exceed available SIPC coverage shall be transferred to the County's custodian. At December 31, 2018, none of the County's investments were exposed to custodial credit risk.

Concentration of Credit Risk

The concentration of credit risk is the risk of loss that may be caused by the County's investment in a single issuer. It is the County's policy to diversify its investment portfolio to avoid overconcentration of investments from a specific issuer, excluding U.S. Treasury securities, which may be held without limit.

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

The following table presents the County's deposit and investment balances at December 31, 2018, and information relating to potential investment risks:

	Credit Risk	Concentration Risk	Interest Rate Risk			
	Credit Rating (2)	Over 5 Percent of Portfolio	Less Than 1 Year	1 – 5 Years	More Than 5 Years	Carrying (Fair) Value
U.S. government securities/bonds						
Federal Home Loan Bank (1)	AA+	<5%	$ -	$ 907,103	$ -	$ 907,103
Federal National Mortgage Association (1)	AA+	7.4%	-	1,486,695	-	1,486,695
Federal Home Loan Mortgage Corporation (1)	AA+	26.2%	-	5,226,131	-	5,226,131
Federal Farm Credit Bank (1)	AA+	5.3%	-	1,057,771	-	1,057,771
Total U.S. government securities/bonds			$ -	$ 8,677,700	$ -	$ 8,677,700
Investment pools – MAGIC Fund	N/R	N/A	4,138,461	-	-	4,138,461
Negotiable certificates of deposit (1)	N/R	<5%	2,446,037	4,702,557	-	7,148,594
Total investments			$ 6,584,498	$ 13,380,257	$ -	$ 19,964,755
Deposits						6,227,991
Change funds						1,040
Total Cash and Investments						$ 26,193,786

(1) These investments have step provisions which could result in them being called prior to maturity.
(2) As rated by Standard and Poor's
N/R – Not Rated
N/A – Not Applicable
<5% – Concentration by individual issuer is less than 5% of investments

3. Detailed Notes on All Funds

A. Assets (Continued)

2. Receivables

Receivables as of December 31, 2018, for the County's governmental activities are as follows:

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental Activities		
Taxes – delinquent	$ 96,620	$ -
Special assessments – delinquent	32,658	-
Special assessments	1,190,054	744,284
Accounts	1,166,562	-
Accrued interest	76,176	-
Due from other governments	2,075,134	-
Total Governmental Activities	$ 4,637,204	$ 744,284

3. Capital Assets

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

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	$ 1,838,388	$ -	$ -	$ 1,838,388
Construction in progress	2,005,837	60,826	1,717,686	348,977
Total capital assets not depreciated	$ 3,844,225	$ 60,826	$ 1,717,686	$ 2,187,365
Capital assets depreciated				
Buildings and improvements	$ 15,486,662	$ 241,370	$ -	$ 15,728,032
Land improvements	3,404,818	1,297,914	-	4,702,732
Machinery, furniture, and equipment	8,781,675	564,768	604,419	8,742,024
Computer software – intangible	781,553	90,322	-	871,875
Infrastructure – highway	98,067,301	6,340,294	-	104,407,595
Infrastructure – dam	2,098,857	-	-	2,098,857
Total capital assets depreciated	$ 128,620,866	$ 8,534,668	$ 604,419	$ 136,551,115

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

	Beginning Balance	Increase	Decrease	Ending Balance
Less: accumulated depreciation for				
Buildings and improvements	$ 4,109,763	$ 218,674	$ -	$ 4,328,437
Land improvements	2,062,297	62,537	-	2,124,834
Machinery, furniture, and equipment	5,473,480	647,200	600,390	5,520,290
Computer software – intangible	231,796	67,933	-	299,729
Infrastructure – highway	28,948,917	2,039,350	-	30,988,267
Infrastructure – dam	354,554	14,166	-	368,720
Total accumulated depreciation	$ 41,180,807	$ 3,049,860	$ 600,390	$ 43,630,277
Total capital assets depreciated, net	$ 87,440,059	$ 5,484,808	$ 4,029	$ 92,920,838
Governmental Activities Capital Assets, Net	$ 91,284,284	$ 5,545,634	$ 1,721,715	$ 95,108,203

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

Governmental Activities	
General government	$ 187,943
Public safety	234,907
Highways and streets, including depreciation of infrastructure assets	2,474,299
Sanitation	34,797
Human services	82,461
Health	5,321
Culture and recreation, including depreciation of infrastructure assets	24,994
Conservation of natural resources	5,138
Total Depreciation Expense – Governmental Activities	$ 3,049,860

3. Detailed Notes on All Funds (Continued)

B. Interfund Receivables, Payables, and Transfers

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

1. Due To/From Other Funds

Receivable Fund	Payable Fund	Amount	Purpose
General	Human Services Special Revenue	$ 11,672	Labor and internet
	Ditch Special Revenue	13,855	Interest on advance
Total due to General Fund		$ 25,527	
Road and Bridge Special Revenue	General	$ 3,302	Fuel
	Human Services Special Revenue	5,049	Fuel and service work
Total due to Road and Bridge Special Revenue Fund		$ 8,351	
Human Services Special Revenue	Building and Capital Improvements Capital Projects	$ 7,353	Reimbursement
Total Due To/From Other Funds		$ 41,231	

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

2. Advances From/To Other Funds

Receivable Fund	Payable Fund	Amount	Amounts Not Scheduled to be Paid During the Subsequent Year
General	Ditch Special Revenue	$ 774,511	$ 474,827

The advance from the General Fund to the Ditch Special Revenue Fund was to cover the costs of establishing buffer strips on drainage systems.

3. Detailed Notes on All Funds

B. Interfund Receivables, Payables, and Transfers (Continued)

3. Transfers

Interfund transfers for the year ended December 31, 2018, consisted of transfers from the General Fund to allocate investment earnings:

Transfers Out	Transfers In	Amount	Purpose
General	Road and Bridge Special Revenue	$ 179,290	Allocated interest
	Human Services Special Revenue	86,801	Allocated interest
	Landfill Special Revenue	80,936	Allocated interest
	County Ditch Special Revenue	12,317	Allocated interest
	Building and Capital Improvements Capital Projects	6,050	Allocated interest
Total Transfers In/Out		$ 365,394	

C. Liabilities and Deferred Inflows of Resources

1. Construction and Other Contract Commitments

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

	Spent-to-Date	Remaining Commitment
Road and Bridge Special Revenue Fund		
CSAH 29 Concrete Overlay Project	$ -	$ 5,864,084
Building and Capital Improvements Capital Projects Fund		
Historical Society Building Restoration	-	459,667

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources (Continued)

2. Long-Term Debt

Bonds

Type of Indebtedness	Final Maturity	Installment Amount	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2018
G.O. State Aid Bonds, Series 2017A	2027	$440,000 – $545,000	2.05 – 3.00	$ 4,875,000	$ 4,435,000
Plus: unamortized premium					156,989
Total General Obligation Bonds, Net					$ 4,591,989

State aid bonds will be retired by the Road and Bridge Special Revenue Fund.

Loans Payable

The County entered into loan agreements with the Minnesota Pollution Control Agency for funding Clean Water Partnership (CWP) Projects and loan agreements with the Minnesota Department of Agriculture for financing the repair of failing septic systems. The loans are secured by special assessments placed on the individual parcels. Loan payments are reported in the General Fund.

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2018
Ag Best Management Practices Septic System Replacement Loans	2021	$ 2,665	-	$ 78,088	$ 40,778
2007 Middle Minnesota Watershed CWP Project	2020	18,121	2.00	327,008	70,708
2007 Cottonwood River Watershed Pollution Reduction Project	2020	6,413	2.00	115,735	25,025
2009 Cottonwood River Watershed Phosphorus TMDL Continuation CWP Project	2022	9,147	2.00	165,066	69,992
Total Loans Payable					$ 206,503

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources (Continued)

3. Debt Service Requirements

Year Ending December 31	General Obligation Bonds Principal	General Obligation Bonds Interest	Loans Payable* Principal	Loans Payable* Interest
2019	$ 440,000	$ 110,673	$ 69,700	$ 2,994
2020	450,000	97,322	70,993	1,700
2021	465,000	83,598	22,999	626
2022	480,000	69,422	18,023	271
2023	490,000	54,872	-	-
2024 – 2027	2,110,000	89,179	-	-
Total	$ 4,435,000	$ 505,066	$ 181,715	$ 5,591

*The debt service requirements for loans from the Minnesota Department of Agriculture of $24,788 are not known as of December 31, 2018.

4. Changes in Long-Term Liabilities

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
G.O. State Aid Bonds, Series 2017	$ 4,875,000	$ -	$ 440,000	$ 4,435,000	$ 440,000
Plus: unamortized premium on bonds	174,877	-	17,888	156,989	-
Total Bonds Payable	$ 5,049,877	$ -	$ 457,888	$ 4,591,989	$ 440,000
Landfill closure/postclosure liability	1,282,890	122,293	-	1,405,183	-
Loans payable	257,313	24,788	75,598	206,503	69,700
Compensated absences	1,792,421	1,791,201	1,644,188	1,939,434	73,995
Long-Term Liabilities	$ 8,382,501	$ 1,938,282	$ 2,177,674	$ 8,143,109	$ 583,695

5. Landfill Closure and Postclosure Care Costs

State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources

5. Landfill Closure and Postclosure Care Costs (Continued)

accepting waste, the County reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The $1,405,183 landfill closure and postclosure care liability at December 31, 2018, represents the cumulative amount reported to date based on the use of 57 percent of the ultimate capacity of the landfill. The County will recognize the remaining estimated cost of closure and postclosure care of $1,063,570 as the remaining capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2018. The County expects to close the landfill in 2041. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

The County is required by state and federal laws and regulations to make annual contributions to a trust to finance closure and postclosure care. The County is in compliance with these requirements and, at December 31, 2018, investments of $2,930,923 are restricted for these purposes. Accumulated annual contributions and any payments of landfill postclosure care costs are reported in the Landfill Special Revenue Fund. Brown County expects that future inflation costs will be paid from investment earnings on these annual contributions. However, if investment earnings are inadequate or additional postclosure care requirements are determined (due to changes in technology or applicable laws and regulations, for example), these costs may need to be covered by charges to future landfill users or from future tax revenue.

6. Unavailable Revenue

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

	Unavailable Revenue
Taxes and special assessments, delinquent and noncurrent	$ 1,273,317
Highway allotments that do not provide current financial resources	663,333
Grants	272,268
Charges for services	795,218
Interest	17,091
Total Governmental Funds	$ 3,021,227

3. Detailed Notes on All Funds (Continued)

D. Fund Balances

The detail of Brown County's fund balance classification is as follows:

	General	Road and Bridge	Human Services	Landfill	County Ditch	Nonmajor Building and Capital Improvements	Total Governmental Funds
Nonspendable							
Advance to other funds	$ 774,511	$ -	$ -	$ -	$ -	$ -	$ 774,511
Inventories	-	319,689	-	-	-	-	319,689
Total nonspendable	$ 774,511	$ 319,689	$ -	$ -	$ -	$ -	$ 1,094,200
Restricted							
Law library	$ 8,510	$ -	$ -	$ -	$ -	$ -	$ 8,510
Recorder's equipment purchases	13,320	-	-	-	-	-	13,320
Enhanced 911	501,616	-	-	-	-	-	501,616
Land records	29,833	-	-	-	-	-	29,833
Sheriff's contingency	3,182	-	-	-	-	-	3,182
Gun permits program	26,617	-	-	-	-	-	26,617
Probation special needs program	23,146	-	-	-	-	-	23,146
Septic/sewer loans	396,969	-	-	-	-	-	396,969
Attorney forfeitures	12,963	-	-	-	-	-	12,963
Sheriff non-DWI forfeitures	917	-	-	-	-	-	917
Sheriff DWI forfeitures	8,364	-	-	-	-	-	8,364
Highway construction	-	4,419,126	-	-	-	-	4,419,126
Donations	-	-	17,333	-	-	-	17,333
Landfill closure/postclosure	-	-	-	2,930,923	-	-	2,930,923
Solid waste operations	-	-	-	129,812	-	-	129,812
Ditch maintenance and construction	-	-	-	-	627,942	-	627,942
Total restricted	$ 1,025,437	$ 4,419,126	$ 17,333	$ 3,060,735	$ 627,942	$ -	$ 9,150,573
Assigned							
Jail commissions	$ 34,978	$ -	$ -	$ -	$ -	$ -	$ 34,978
County septic loans	206,329	-	-	-	-	-	206,329
Parks	145,280	-	-	-	-	-	145,280
Veterans shuttle	63,863	-	-	-	-	-	63,863
Boat and water safety	37,718	-	-	-	-	-	37,718
Well sealing program	4,340	-	-	-	-	-	4,340
Road and bridge	-	5,138,560	-	-	-	-	5,138,560
Human services	-	-	4,895,706	-	-	-	4,895,706
Landfill	-	-	-	975,091	-	-	975,091
Capital improvements	-	-	-	-	-	392,555	392,555
Total assigned	$ 492,508	$ 5,138,560	$ 4,895,706	$ 975,091	$ -	$ 392,555	$ 11,894,420
Unassigned	$ 3,407,189	$ -	$ -	$ -	$ (600,215)	$ -	$ 2,806,974
Total Fund Balances	$ 5,699,645	$ 9,877,375	$ 4,913,039	$ 4,035,826	$ 27,727	$ 392,555	$ 24,946,167

3. Detailed Notes on All Funds (Continued)

E. Other Postemployment Benefits (OPEB)

Plan Description

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

The County provides health insurance benefits for eligible retired employees and their dependents as required by Minn. Stat. § 471.61, subd. 2b. Retirees are required to pay 100 percent of the total premium cost. Since the premium is determined on the entire active and retiree population, the retirees are receiving an implicit rate subsidy.

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

As of the December 31, 2018, actuarial valuation, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	2
Active plan participants	227
Total	229

Total OPEB Liability

The County's total OPEB liability of $706,257 was measured as of December 31, 2018, and was determined by an actuarial valuation as of that date. The OPEB liability is liquidated through governmental funds that have personal services.

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

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

3. Detailed Notes on All Funds

E. Other Postemployment Benefits (OPEB)

Total OPEB Liability (Continued)

The current year discount rate is 3.30 percent, which is a change from the prior year rate of 3.50 percent. The discount rate was selected from a yield for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Mortality rates are based on RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale (with Blue Collar adjustment for Police and Fire personnel).

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

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at December 31, 2017	$ 660,810
Changes for the year	
Service cost	$ 56,767
Interest	23,116
Benefit payments	(34,436)
Net change	$ 45,447
Balance at December 31, 2018	$ 706,257

OPEB Liability Sensitivity

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

3. Detailed Notes on All Funds

E. Other Postemployment Benefits (OPEB)

OPEB Liability Sensitivity (Continued)

	Discount Rate	Total OPEB Liability
1% Decrease	2.30%	$ 758,891
Current	3.30	706,257
1% Increase	4.30	656,677

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

	Health Care Trend Rate	Total OPEB Liability
1% Decrease	5.50% Decreasing to 4.00%	$ 634,481
Current	6.50% Decreasing to 5.00%	706,257
1% Increase	7.50% Decreasing to 6.00%	789,903

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

For the year ended December 31, 2018, the County recognized OPEB expense of ($26,073).

The $19,374 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended December 31, 2019.

Changes in Actuarial Methods and Assumptions

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

- The actuarial cost method used changed from the Projected Unit Credit to the Entry Age as prescribed by GASB 75.

3. Detailed Notes on All Funds

   E. Other Postemployment Benefits (OPEB)

      Changes in Actuarial Methods and Assumptions (Continued)

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

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

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

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

      - The percentage of future spouses of retirees who are assumed to continue on one of the County's medical plans post-employment was increased from ten percent to 25 percent.

   F. Defined Benefit Pension Plans

      1. Plan Description

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

3. Detailed Notes on All Funds

F. Defined Benefit Pension Plans

1. Plan Description (Continued)

The General Employees Plan (accounted for in the General Employees Fund) has multiple benefit structures with members belonging to the Coordinated Plan, the Basic Plan, or the Minneapolis Employees Retirement Fund. Coordinated Plan members are covered by Social Security and Basic Plan and Minneapolis Employees Retirement Fund members are not. The Basic Plan was closed to new members in 1967. The Minneapolis Employees Retirement Fund was closed to new members during 1978 and merged into the General Employees Plan in 2015. All new members must participate in the Coordinated Plan, for which benefits vest after five years of credited service. No County employees belong to either the Basic Plan or the Minneapolis Employees Retirement Fund.

Police officers, firefighters, and peace officers who qualify for membership by statute are covered by the Police and Fire Plan (accounted for in the Police and Fire Fund). For members first hired after June 30, 2010, but before July 1, 2014, benefits vest on a prorated basis starting with 50 percent after five years and increasing ten percent for each year of service until fully vested after ten years. Benefits for members first hired after June 30, 2014, vest on a prorated basis from 50 percent after ten years and increasing 5.00 percent for each year of service until fully vested after 20 years.

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

2. Benefits Provided

PERA provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefit provisions are established by state statute and can be modified only by the state legislature. Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. General Employees Plan and Police and Fire Plan

3. Detailed Notes on All Funds

F. Defined Benefit Pension Plans

2. Benefits Provided (Continued)

benefit recipients receive a future annual 1.00 percent for the post-retirement benefit increase, while Correctional Plan benefit recipients receive 2.50 percent. If the funding ratio reaches 90 percent for two consecutive years, the benefit increase will be 2.50 percent. If, after reverting to a 2.50 percent benefit increase, the funding ratio declines to less than 80 percent for one year or less than 85 percent for two consecutive years, the benefit increase will decrease to 1.00 percent.

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

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

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

3. Detailed Notes on All Funds

   F. 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 Plan members were required to contribute 6.50 percent of their annual covered salary in 2018. Police and Fire Plan members were required to contribute 10.80 percent of their annual covered salary in 2018. Correctional Plan members were required to contribute 5.83 percent of their annual covered salary in 2018.

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

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

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

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

General Employees Plan	$	843,196
Police and Fire Plan		133,396
Correctional Plan		72,927

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

3. Detailed Notes on All Funds

F. Defined Benefit Pension Plans (Continued)

4. Pension Costs

General Employees Plan

At December 31, 2018, the County reported a liability of $9,075,857 for its proportionate share of the General Employees Plan's net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2017, through June 30, 2018, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2018, the County's proportion was 0.1636 percent. It was 0.1703 percent measured as of June 30, 2017. The County recognized pension expense of $872,389 for its proportionate share of the General Employees Plan's pension expense.

The County also recognized $69,438 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's contribution to the General Employees Plan, which qualifies as a special funding situation. Legislation requires the State of Minnesota to contribute $16 million to the General Employees Plan for the fiscal years ended June 30, 2018 and 2019, and $6 million thereafter, through calendar year 2031.

The County's proportionate share of the net pension liability	$	9,075,857
State of Minnesota's proportionate share of the net pension liability associated with the County		297,764
Total	$	9,373,621

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

3. Detailed Notes on All Funds

F. Defined Benefit Pension Plans

4. Pension Costs

General Employees Plan (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 249,621	$ 262,438
Changes in actuarial assumptions	859,555	1,048,356
Difference between projected and actual investment earnings	-	989,476
Changes in proportion	328,840	345,410
Contributions paid to PERA subsequent to the measurement date	420,173	-
Total	$ 1,858,189	$ 2,645,680

The $420,173 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2019	$ 308,526
2020	(465,245)
2021	(861,516)
2022	(189,429)

Police and Fire Plan

At December 31, 2018, the County reported a liability of $800,489 for its proportionate share of the Police and Fire Plan's net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation

3. Detailed Notes on All Funds

F. Defined Benefit Pension Plans

4. Pension Costs

Police and Fire Plan (Continued)

as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2017, through June 30, 2018, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2018, the County's proportion was 0.075 percent. It was 0.078 percent measured as of June 30, 2017. The County recognized pension expense of $90,470 for its proportionate share of the Police and Fire Plan's pension expense.

The County also recognized $6,759 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's on-behalf contribution to the Police and Fire Plan. Legislation requires the State of Minnesota to contribute $9 million to the Police and Fire Plan each year, starting in fiscal year 2014, until the plan is 90 percent funded.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 32,985	$ 188,679
Changes in actuarial assumptions	967,378	1,222,895
Difference between projected and actual investment earnings	-	184,378
Changes in proportion	150,817	47,029
Contributions paid to PERA subsequent to the measurement date	67,955	-
Total	$ 1,219,135	$ 1,642,981

3. Detailed Notes on All Funds

F. Defined Benefit Pension Plans

4. Pension Costs

Police and Fire Plan (Continued)

The $67,955 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2019	$ (19,111)
2020	(53,755)
2021	(105,432)
2022	(304,337)
2023	(9,166)

Correctional Plan

At December 31, 2018, the County reported a liability of $68,502 for its proportionate share of the Correctional Plan's net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2017, through June 30, 2018, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2018, the County's proportion was 0.42 percent. It was 0.42 percent measured as of June 30, 2017. The County recognized pension expense of ($80,780) for its proportionate share of the Correctional Plan's pension expense.

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

3. Detailed Notes on All Funds

F. Defined Benefit Pension Plans

4. Pension Costs

Correctional Plan (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 3,579	$ 7,383
Changes in actuarial assumptions	325,848	793,200
Difference between projected and actual investment earnings	-	77,579
Changes in proportion	-	7,868
Contributions paid to PERA subsequent to the measurement date	35,586	-
Total	$ 365,013	$ 886,030

The $35,586 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2019	$ 32,324
2020	(307,391)
2021	(267,194)
2022	(14,342)

Total Pension Expense

The total pension expense for all plans recognized by the County for the year ended December 31, 2018, was $882,079.

3. Detailed Notes on All Funds

F. Defined Benefit Pension Plans (Continued)

5. Actuarial Assumptions

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

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

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants for all plans were based on RP-2014 tables for males or females, as appropriate, with slight adjustments. Cost of living benefit increases for retirees are assumed to be 1.25 percent for the General Employees Plan and 2.00 percent for the Correctional Plan. For the Police and Fire Plan, cost of living benefit increases for retirees are 1.00 percent as set by state statute.

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

The long-term expected rate of return on pension plan investments is 7.50 percent. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

3. Detailed Notes on All Funds

F. Defined Benefit Pension Plans

5. Actuarial Assumptions (Continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic stocks	36%	5.10%
International stocks	17	5.30
Bonds (fixed income)	20	0.75
Alternative assets (private markets)	25	5.90
Cash	2	0.00

6. Discount Rate

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

7. Changes in Actuarial Assumptions

The following changes in actuarial assumptions occurred in 2018:

General Employees Plan

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

Police and Fire Plan

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

3. Detailed Notes on All Funds

F. Defined Benefit Pension Plans

7. Changes in Actuarial Assumptions

Police and Fire Plan (Continued)

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

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

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

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

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

Correctional Plan

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

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

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

3. Detailed Notes on All Funds

F. Defined Benefit Pension Plans (Continued)

8. Pension Liability Sensitivity

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

	Proportionate Share of the					
	General Employees Plan		Police and Fire Plan		Correctional Plan	
	Discount Rate	Net Pension Liability	Discount Rate	Net Pension Liability	Discount Rate	Net Pension Liability
1% Decrease	6.50%	$ 14,749,430	6.50%	$ 1,716,298	6.50%	$ 586,257
Current	7.50	9,075,857	7.50	800,489	7.50	68,502
1% Increase	8.50	4,392,485	8.50	43,152	8.50	(345,687)

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.

G. Defined Contribution Plan

Five employees of Brown 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

3. Detailed Notes on All Funds

G. Defined Contribution Plan (Continued)

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 Brown County during the year ended December 31, 2018, were:

	Employee	Employer
Contribution amount	$ 7,473	$ 7,473
Percentage of covered payroll	5.00%	5.00%

4. Conduit Debt

Oak Hills Living Center Project

On December 31, 2008, the County issued a variable rate Health Care Facilities Revenue Note, Series 2008, in the amount of $6,000,000 to finance the cost of improvements to the Oak Hills Living Center in New Ulm, Minnesota. This note is secured by the fixtures, the equipment, and the revenues and income of Oak Hills Living Center.

The County is not obligated in any manner for repayment of the note. Accordingly, the note is not reported as a liability in the financial statements. The outstanding balance at December 31, 2018, is $4,967,103.

5. Summary of Significant Contingencies and Other Items

A. Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. The County has entered into a joint powers agreement with other Minnesota counties to form the Minnesota Counties Intergovernmental Trust (MCIT). The County is a member of both the MCIT Workers' Compensation and Property and Casualty Divisions. For other

5. Summary of Significant Contingencies and Other Items

   A. Risk Management (Continued)

   risk, the County carries commercial insurance. There were no significant reductions in insurance from the prior year. The amount of settlements did not exceed insurance coverage for the past three fiscal years.

   The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at $500,000 per claim in 2018 and 2019. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

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

   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.

   C. Joint Ventures

   Brown-Nicollet Community Health Services Board

   The Brown-Nicollet Community Health Services Board was established pursuant to Minn. Stat. ch. 145A and a joint powers agreement, effective July 1, 1975. The Health Services Board consists of ten members, five each from Brown and Nicollet Counties. The primary function of the joint venture is to provide health services and to promote

5. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Brown-Nicollet Community Health Services Board (Continued)

efficiency and economy in the delivery of health services. The joint venture is financed primarily from state and federal grants. For the year ended December 31, 2017 (the most current information available), the Health Services Board had net position of $460,689.

Complete financial information can be obtained from the Brown-Nicollet Community Health Services Board, 622 South Front Street, St. Peter, Minnesota 56082.

Red Rock Rural Water System

The Red Rock Rural Water System was established pursuant to Minn. Stat. ch. 116A, through a joint powers agreement pursuant to Minn. Stat. § 471.59, and under the jurisdiction of the Fifth Judicial District. Brown, Cottonwood, Jackson, Lyon, Martin, Murray, Nobles, Redwood, and Watonwan Counties have agreed to guarantee their shares of debt arising within each respective county. The Red Rock Rural Water System provides water for participating rural water users and cities within the water district. The cost of providing these services is recovered through user charges.

The governing body is composed of nine members appointed to three-year terms by the District Court. Each county is responsible for levying and collecting the special assessments from the benefited properties within the county. The bond issue and notes payable are shown as long-term debt in the financial statements of the Red Rock Rural Water System.

Complete financial information can be obtained from the Red Rock Rural Water System, 305 West Whited Street, Jeffers, Minnesota 56145.

Families First Collaborative

The Families First Collaborative was established in 1997 under the authority of Minn. Stat. § 471.59. The Collaborative includes Brown County Human Services, Public Health, and Probation agencies; New Ulm, Comfrey, Sleepy Eye, and Springfield School Districts; River Bend Education District; and Minnesota Valley Action Council. The mission of the Families First Collaborative is to promote the healthy development of children and families in Brown County. The Collaborative provides improved

5. Summary of Significant Contingencies and Other Items

   C. Joint Ventures

      Families First Collaborative (Continued)

coordination for children and families through information sharing, elimination of duplicate services, and cooperative efforts. The Collaborative funds selected projects and services that support intervention and the prevention of out-of-home placement of children at risk.

The Collaborative is funded by Local Collaborative Time Study (LCTS) funds and fees. Control of the Collaborative is vested in a Board of Directors consisting of ten members. Brown County Human Services acts as a fiscal agent for the Collaborative. During 2018, Brown County provided $200 in funding to the Collaborative Integrated Fund ($100 – Human Services and $100 – Public Health).

Any withdrawing party remains liable for fiscal obligations incurred prior to the effective date of withdrawal and shall not be entitled to any compensation as long as the Collaborative continues in existence. Should the Collaborative cease to exist, the Families First Collaborative Board of Directors shall distribute all property, real and personal, at the time of termination.

As the administrative county, Brown County Human Services may be liable to the state or federal government for the disallowance, sanction, or audit exception attributable to the Families First Collaborative, including but not limited to, federal fiscal disallowances or sanctions based upon the Collaborative's implementation of the LCTS or any of the other state and federal funding sources and their related requirements. In the event of any such audit disallowance or sanction, the following participating partners, Brown County Human Services, Public Health, and Probation agencies; New Ulm, Comfrey, Sleepy Eye, and Springfield School Districts; and the River Bend Education District, share the liability.

Financial information can be obtained by contacting the Brown County Human Services Department.

5. Summary of Significant Contingencies and Other Items

C. Joint Ventures (Continued)

Three Counties for Kids Children's Mental Health Collaborative

The Three Counties for Kids Children's Mental Health Collaborative was established in 1996 under the authority of Minn. Stat. § 471.59. The Collaborative includes Brown, Sibley, and Watonwan Counties; River Bend Education District; Sioux Trails Mental Health Center; and Greater Minnesota Family Services. The purpose of the Collaborative is to join local units of government together to ensure a unified, unduplicated, and family-friendly system of intervention and care of families and children. The Collaborative provides improved coordination for children and families through information sharing, elimination of duplicate services, and cooperative efforts. The Collaborative funds selected projects and services that support intervention and the prevention of out-of-home placement of children at risk.

The Collaborative is financed by LCTS funds and program reimbursements. Control of the Collaborative is vested in a Board of Directors consisting of seven members. Brown County Human Services acts as a fiscal agent for the Collaborative. During 2018, Brown County did not provide funding to the Collaborative.

Any withdrawing party remains liable for fiscal obligations incurred prior to the effective date of withdrawal and shall not be entitled to any compensation as long as the Collaborative continues in existence. Should the Collaborative cease to exist, the Three Counties for Kids Children's Mental Health Collaborative Board of Directors shall distribute all property, real and personal, at the time of termination.

As the administrative county, Brown County Human Services may be liable to the state or federal government for any disallowance, sanction, or audit exception attributable to the Three Counties for Kids Children's Mental Health Collaborative, including but not limited to, federal fiscal disallowances or sanctions based upon the Collaborative's implementation of the LCTS or any of the other state and federal funding sources and their related requirements. In the event of any such audit disallowance or sanction, the following participating partners, Brown, Sibley, and Watonwan Counties and the River Bend Education District, share the liability.

Financial information can be obtained by contacting the Brown County Human Services Department.

5. Summary of Significant Contingencies and Other Items

C. Joint Ventures (Continued)

South Country Health Alliance

The South Country Health Alliance (SCHA) was created by a joint powers agreement between Brown, Dodge, Freeborn, Goodhue, Kanabec, Mower, Sibley, Steele, Wabasha, and Waseca Counties on July 24, 1998, under Minn. Stat. § 471.59. Mower County has since withdrawn. In 2007, Cass, Crow Wing, Morrison, Todd, and Wadena Counties became members. As of December 31, 2010, Cass, Freeborn, and Crow Wing Counties withdrew from the joint powers. The agreement was in accordance with Minn. Stat. § 256B.692, which allows the formation of a Board of Directors to operate, control, and manage all matters concerning the participating member counties' health care functions, referred to as county-based purchasing.

The purpose of the SCHA is to improve the social and health outcomes of its clients and all citizens of its member counties by better coordinating social service, public health and medical services, and promoting the achievement of public health goals. The SCHA is authorized to provide prepaid comprehensive health maintenance services to persons enrolled under Medicaid and General Assistance Medical Care in each of the member counties.

Each member county has an explicit and measurable right to its share of the total capital surplus of the SCHA. Gains and losses are allocated annually to all members based on the percentage of their utilization. Brown County's equity interest in the SCHA at December 31, 2018, was $2,598,101. The equity interest is reported as an investment in joint venture on the county-wide statement of net position. Changes in equity are included in the county-wide statement of activities as Human Services program expenses or revenues.

Complete financial statements for the SCHA can be obtained from Scott Schufman, SCHA Chief Fiscal Officer, 2300 Park Drive, Suite 100, Owatonna, Minnesota 55060.

South Central Minnesota Regional Emergency Communications Board

The South Central Minnesota Regional Emergency Communications Board (formerly known as the South Central Minnesota Regional Radio Board) was established pursuant to Minn. Stat. §§ 471.59 and 403.39 and a joint powers agreement effective May 27, 2008. It comprises Blue Earth, Brown, Faribault, Le Sueur, Martin, McLeod, Nicollet,

5. Summary of Significant Contingencies and Other Items

C. Joint Ventures

South Central Minnesota Regional Emergency Communications Board (Continued)

Sibley, Waseca, and Watonwan Counties, and the Cities of Hutchinson and Mankato. The primary function of the joint venture is to provide regional administration of enhancements to the Statewide Public Safety Radio and Communication System for the Allied Radio Matrix for Emergency Response (ARMER) owned and operated by the State of Minnesota and to enhance and improve interoperable public safety communications.

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

Blue Earth County acts as the fiscal agent for the Board. During 2018, Brown County did not provide funding to the Joint Powers Board. The Chair of the Board is Kip Bruender, and the address is PO Box 8608, Mankato, Minnesota 56002-8608.

Brown-Lyon-Redwood Drug Task Force

The Brown-Lyon-Redwood Drug Task Force was established between Brown, Lyon, Redwood, and Renville Counties, and the Cities of New Ulm, Redwood Falls, and Marshall, pursuant to Minn. Stat. § 471.59. The Task Force was established to create a cooperative law enforcement effort that provides drug enforcement services for member organizations.

The Task Force is governed by an Advisory Board consisting of one appointed member from each party. Financing is provided through contributions of the participating counties, grants, and forfeitures. During the year, Brown County paid $81,311 to the Task Force. Fiscal agent responsibilities for the Task Force are with the City of New Ulm. The Task Force is reported as an agency fund in the City of New Ulm's financial statements.

5. Summary of Significant Contingencies and Other Items

C. Joint Ventures (Continued)

South Central Workforce Services Area Joint Powers Board

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

Brown County did not make any payments to this organization in 2018. Separate financial information can be obtained from the South Central Workforce Council, 706 North Victory Drive, Mankato, Minnesota 56001.

Rural Minnesota Energy Board

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

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

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

5. Summary of Significant Contingencies and Other Items

C. Joint Ventures (Continued)

Brown-Lyon-Redwood-Renville Emergency Response Unit

The Brown-Lyon-Redwood-Renville Emergency Response Unit was established between Brown, Lyon, Redwood, and Renville Counties, and the Cities of New Ulm, Redwood Falls, and Marshall, pursuant to Minn. Stat. § 471.59. The Emergency Response Unit was established to provide specialized police services for its members during high risk or critical incident situations in a more effective and efficient manner than the services could be provided by the individual member on its own.

The Emergency Response Unit is governed by a Board of Directors consisting of the Chief Law Enforcement Officer from each member county and city as well as a prosecuting attorney from one of the member counties selected by the Directors. Financing is provided through equal annual contributions made by each member.

The New Ulm Police Departments acts as the fiscal agent for the Board. During 2018, Brown County did not provide funding to the Emergency Response Unit.

Financial information can be obtained by contacting the City of New Ulm Police Department.

D. Jointly-Governed Organizations

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

The Area II Minnesota River Basin Project provides cost-share and technical assistance for the implementation of flood reduction measures to the area between the Cities of Ortonville and Mankato. During the year, Brown County paid $12,971 to the Project.

The Redwood-Cottonwood Rivers Control Area (RCRCA) works to improve water quality, reduce erosion, and enhance recreational opportunities by providing education, outreach, monitoring, and technical assistance within the boundaries of the watersheds of the Redwood and Cottonwood Rivers for the participating counties. The RCRCA consists of Brown, Cottonwood, Lincoln, Lyon, Murray, Pipestone, Redwood, and Yellow Medicine Counties. During the year, Brown County made payments of $10,050 to the RCRCA.

5. Summary of Significant Contingencies and Other Items

   D. Jointly-Governed Organizations (Continued)

The South Central Emergency Medical Service (SCEMS) Joint Powers Board consists of Blue Earth, Brown, Faribault, Le Sueur, Martin, Nicollet, Sibley, Waseca, and Watonwan Counties. The purpose of the SCEMS is to ensure quality patient care is available throughout the nine-county area by maximizing the response capabilities of emergency medical personnel and to promote public education on injury prevention and appropriate response during a medical emergency. Each county appoints one member for the Joint Powers Board. Brown County did not contribute to the SCEMS in 2018.

The South Central Regional ImmTrack (Immunization Registry) Joint Powers Board promotes an implementation and maintenance of a regional immunization information system to ensure age-appropriate immunizations through complete and accurate records. During the year, Brown County paid $6,937 to ImmTrack.

The South Central Community-Based Initiative was established pursuant to Minn. Stat. §§ 471.59 and 245.4661 and a joint powers agreement effective June 20, 2008. The purpose of this joint powers agreement is to provide services to persons with mental illness in the most clinically-appropriate, person-centered, least restrictive, and cost-effective ways. The focus is on improved access and outcomes for persons with mental illness as a result of the collaboration between state-operated services programs and community-based treatment. The membership of the Board is comprised of one representative appointed by Blue Earth, Brown, Faribault, Freeborn, Le Sueur, Martin, Nicollet, Rice, Sibley, and Watonwan Counties. Brown County did not contribute to the Joint Powers Board in 2018.

The Intelligent Transit System (ITS) Transit Consortium was established to implement and maintain the ITS among its members, which include Brown, Martin, Meeker, Pipestone, Sherburne, and Wright Counties. Initial transit software and services were funded by an American Recovery and Reinvestment Act grant. Each individual consortium member is responsible for future mapping support and upgrade costs. It is expected that there will be upgrades every three years. During the year, Brown County did not contribute to the Transit Consortium.

5. Summary of Significant Contingencies and Other Items

D. Jointly-Governed Organizations (Continued)

The Minnesota Criminal Justice Data Communications Network joint powers agreement exists to create access for the County Sheriff and County Attorney, County Probation, and County Human Services Departments to systems and tools available from the State of Minnesota, Department of Public Safety, and the Bureau of Criminal Apprehension to carry out criminal justice. During the year, Brown County made no payments to the Network.

The State of Minnesota Parks and Trails and Brown County Sentence-to-Serve (STS) joint powers agreement states that Brown County STS will provide all labor necessary to split wood at Fort Ridgely State Park.

The Trail Systems Coordination joint powers consists of Brown County and the Cities of Comfrey, Hanska, New Ulm, Sleepy Eye, and Springfield. These parties have joined together to coordinate, consider, review, study, and analyze trails and their use in and around Brown County. The County did not contribute to the Trails System Coordination during 2018.

The Greater Blue Earth River Basin Alliance (GBERBA) establishes goals, policies, and objectives to protect and enhance land and water resources in the Greater Blue Earth River Basin. The Board consists of County Commissioners and members of the Soil and Water Conservation Districts. During the year, Brown County did not make any payments to GBERBA.

The Region Five – Southwest Minnesota Security Emergency Management Organization was established to provide for regional coordination of planning, training, purchase of equipment, and allocating emergency services and staff in order to better respond to emergencies and natural or other disasters within the region. Control is vested in the Board, which comprises representatives appointed by each Board of County Commissioners. Brown County's responsibility does not extend beyond making this appointment.

The Minnesota Counties Computer Cooperative (MCCC) was established under Minnesota Joint Powers Law, Minn. Stat. § 471.59. Minnesota counties have created the MCCC to jointly provide for the establishment, operation, and maintenance of data processing systems, facilities, and management information systems. During the year, Brown County expended $198,232 to the MCCC.

6. Brown County Economic Development Partners, Inc., Component Unit Disclosures

A. Summary of Significant Accounting Policies

The Brown County Economic Development Partners, Inc., (EDP) was organized on October 3, 1990, under Minn. Stat. ch. 317A, as a nonprofit corporation. The purpose is to promote the development and expansion of existing businesses within Brown County and to assist in the development of new businesses in Brown County, which will increase opportunities for employment. The Board of Directors consists of nine directors: one appointed from each of the County Commissioner Districts, two appointed at-large, and two appointed from the Brown County Board of Commissioners. The Brown County Economic Development Partners, Inc., is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code.

Basis of Accounting

The EDP's financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. Under ASU No. 2016-14, the EDP is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Revenue

The EDP receives substantially all of its revenue from interest on loan payments, grants, and appropriations from Brown County.

Cash and Cash Equivalents

The EDP considers all highly liquid investments with a maturity of nine months or less when purchased to be cash equivalents.

6. Brown County Economic Development Partners, Inc., Component Unit Disclosures

   A. Summary of Significant Accounting Policies (Continued)

      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 estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

   B. Loans Receivable

      Loans receivable, totaling $270,490 as of December 31, 2018, consist of 16 loans made for economic development.

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REQUIRED SUPPLEMENTARY INFORMATION

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BROWN COUNTY
NEW ULM, MINNESOTA

EXHIBIT A-1

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

	2018
Total OPEB Liability	
Service cost	$ 56,767
Interest	23,116
Benefit payments	(34,436)
Net change in total OPEB liability	**$ 45,447**
Total OPEB Liability – Beginning	**660,810**
Total OPEB Liability – Ending	**$ 706,257**
Covered-employee payroll	$ 12,459,297
Total OPEB liability (asset) as a percentage of covered-employee payroll	5.67%

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

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

BROWN COUNTY
NEW ULM, MINNESOTA

EXHIBIT A-2

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

Measurement Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability Associated with Brown County (b)	Employer's Proportionate Share of the Net Pension Liability and the State's Related Share of the Net Pension Liability (Asset) (a + b)	Covered Payroll (c)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2018	0.1636 %	$ 9,075,857	$ 297,764	$ 9,373,621	$ 10,995,318	82.54 %	79.53 %
2017	0.1703	10,871,840	136,683	11,008,523	10,970,750	99.10	75.90
2016	0.1622	13,169,835	172,088	13,341,923	10,039,961	131.17	68.91
2015	0.1641	8,504,514	N/A	8,504,514	9,655,925	88.08	78.19

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

BROWN COUNTY
NEW ULM, MINNESOTA

EXHIBIT A-3

SCHEDULE OF CONTRIBUTIONS
PERA GENERAL EMPLOYEES RETIREMENT PLAN
DECEMBER 31, 2018

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b – a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
2018	$ 843,196	$ 843,196	$ -	$ 11,242,571	7.50 %
2017	802,808	802,808	-	10,705,465	7.50
2016	779,982	779,982	-	10,399,719	7.50
2015	761,372	761,372	-	10,151,627	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.

EXHIBIT A-4

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA PUBLIC EMPLOYEES POLICE AND FIRE PLAN
DECEMBER 31, 2018

Measurement Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	Covered Payroll (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2018	0.075 %	$ 800,489	$ 791,682	101.11 %	88.84 %
2017	0.078	1,053,093	797,926	131.98	85.43
2016	0.073	2,929,617	704,477	415.86	63.88
2015	0.070	795,364	645,081	123.30	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.

BROWN COUNTY
NEW ULM, MINNESOTA

EXHIBIT A-5

SCHEDULE OF CONTRIBUTIONS
PERA PUBLIC EMPLOYEES POLICE AND FIRE PLAN
DECEMBER 31, 2018

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b – a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
2018	$ 133,396	$ 133,396	$ -	$ 823,429	16.20 %
2017	128,699	128,699	-	794,439	16.20
2016	116,017	116,017	-	716,154	16.20
2015	114,198	114,198	-	704,925	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.

EXHIBIT A-6

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA PUBLIC EMPLOYEES LOCAL GOVERNMENT CORRECTIONAL SERVICE RETIREMENT PLAN
DECEMBER 31, 2018

Measurement Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	Covered Payroll (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2018	0.42 %	$ 68,502	$ 850,588	8.05 %	97.64 %
2017	0.42	1,197,004	847,945	141.17	67.89
2016	0.42	1,534,319	797,329	192.43	58.16
2015	0.43	66,478	781,204	8.51	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.

BROWN COUNTY
NEW ULM, MINNESOTA

EXHIBIT A-7

SCHEDULE OF CONTRIBUTIONS
PERA PUBLIC EMPLOYEES LOCAL GOVERNMENT CORRECTIONAL SERVICE RETIREMENT PLAN
DECEMBER 31, 2018

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b – a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
2018	$ 72,927	$ 72,927	$ -	$ 833,451	8.75 %
2017	72,977	72,977	-	834,024	8.75
2016	70,896	70,896	-	810,238	8.75
2015	71,867	71,867	-	821,342	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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1. Other Postemployment Benefits Funded Status

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

2. Employer Contributions to Other Postemployment Benefits

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

The following changes in actuarial assumptions occurred in 2018:

- The actuarial cost method used changed from the Projected Unit Credit to the Entry Age as prescribed by GASB 75.

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

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

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

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

- The percentage of future spouses of retirees who are assumed to continue on one of the County's medical plans post-employment was increased from ten percent to 25 percent.

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

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

General Employees Retirement Plan

2018

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

2017

- The Combined Service Annuity (CSA) loads were changed from 0.80 percent for active members and 60 percent for vested and non-vested deferred members (30 percent for deferred Minneapolis Employees Retirement Fund members). The revised CSA loads are now 0.00 percent for active member liability, 15 percent for vested deferred member liability, and 3.00 percent for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year for all years to 1.00 percent per year through 2044 and 2.50 percent per year thereafter.
- Minneapolis Employees Retirement Fund plan provisions change the employer supplemental contribution to $21 million in calendar years 2017 and 2018 and returns to $31 million through calendar year 2031. The state's required contribution is $16 million in PERA's fiscal years 2018 and 2019 and returns to $6 million annually through calendar year 2031.

2016

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

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

General Employees Retirement Plan

2016 (Continued)

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

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

Public Employees Police and Fire Plan

2018

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

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

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

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

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

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

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

Public Employees Police and Fire Plan (Continued)

2017

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

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

- The CSA load was 30 percent for vested and non-vested, deferred members. The CSA has been changed to 33 percent for vested members and 2.00 percent for non-vested members.

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

- The assumed termination rates were decreased to 3.00 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.

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

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

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

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

Public Employees Police and Fire Plan

2017 (Continued)

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

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

2016

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

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

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

Public Employees Local Government Correctional Service Retirement Plan

2018

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

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

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

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

Public Employees Local Government Correctional Service Retirement Plan (Continued)

2017

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

- The CSA load was 30 percent for vested and non-vested, deferred members. The CSA has been changed to 35 percent for vested members and 1.00 percent for non-vested members.

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

2016

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

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

SUPPLEMENTARY INFORMATION

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COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES

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BROWN COUNTY
NEW ULM, MINNESOTA

NONMAJOR GOVERNMENTAL FUND

CAPITAL PROJECTS FUND

Building and Capital Improvements – to account for funds used for capital outlay and maintenance. Financing is provided by a tax levy.

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BROWN COUNTY
NEW ULM, MINNESOTA

EXHIBIT B-1

BUDGETARY COMPARISON SCHEDULE
BUILDING AND CAPITAL IMPROVEMENTS CAPITAL PROJECTS FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 59,059	$ 59,059	$ 59,110	$ 51
Intergovernmental	16,726	16,726	16,668	(58)
Miscellaneous	8,622	8,622	19,807	11,185
Total Revenues	**$ 84,407**	**$ 84,407**	**$ 95,585**	**$ 11,178**
Expenditures				
Current				
General government				
Buildings and plant	$ 87,540	$ 87,540	$ 19,019	$ 68,521
Culture and recreation				
Historical society	-	-	918	(918)
Total Expenditures	**$ 87,540**	**$ 87,540**	**$ 19,937**	**$ 67,603**
Excess of Revenues Over (Under) Expenditures	**$ (3,133)**	**$ (3,133)**	**$ 75,648**	**$ 78,781**
Other Financing Sources (Uses)				
Transfers in	3,133	3,133	6,050	2,917
Net Change in Fund Balance	**$ -**	**$ -**	**$ 81,698**	**$ 81,698**
Fund Balance – January 1	**310,857**	**310,857**	**310,857**	**-**
Fund Balance – December 31	**$ 310,857**	**$ 310,857**	**$ 392,555**	**$ 81,698**

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AGENCY FUNDS

Assurance – to account for the collection and payment of assurance funds to the state.

Mortgage Registry Tax – to account for the collection and distribution of mortgage registry tax to the County and other governments.

Prepaid Tax – to account for taxes paid in advance.

Region Nine – to account for the collection and distribution of funds to the Region Nine Regional Development Commission.

School Districts – to account for the school districts' share of taxes collected by the County.

Social Welfare – to account for the collection and distribution of social welfare accounts.

State Deed Tax – to account for the collection and distribution of deed tax to the County and other governments.

Three Counties for Kids Collaborative – to account for the funds of a multi-county/school district children's mental health collaborative.

Families First Family Services Collaborative – to account for the funds of the County/multi-school district family services collaborative.

Taxes and Penalties – to account for the collection and payment of taxes and penalties collected to the various taxing districts.

Towns and Cities – to account for the collection and payment of taxes due to towns and cities.

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BROWN COUNTY
NEW ULM, MINNESOTA

EXHIBIT C-1

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Balance January 1	Additions	Deductions	Balance December 31
ASSURANCE				
Assets				
Cash and pooled investments	$ 16,076	$ 484	$ 258	$ 16,302
Liabilities				
Due to other governments	$ 16,076	$ 484	$ 258	$ 16,302
MORTGAGE REGISTRY TAX				
Assets				
Cash and pooled investments	$ 763	$ 281,419	$ 282,028	$ 154
Liabilities				
Due to other governments	$ 763	$ 281,419	$ 282,028	$ 154
PREPAID TAX				
Assets				
Cash and pooled investments	$ 845,843	$ 272,095	$ 1,031,307	$ 86,631
Liabilities				
Due to other governments	$ 845,843	$ 272,095	$ 1,031,307	$ 86,631

BROWN COUNTY
NEW ULM, MINNESOTA

EXHIBIT C-1
(Continued)

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Balance January 1	Additions	Deductions	Balance December 31
REGION NINE				
Assets				
Cash and pooled investments	$ 344	$ 58,632	$ 58,473	$ 503
Liabilities				
Due to other governments	$ 344	$ 58,632	$ 58,473	$ 503
SCHOOL DISTRICTS				
Assets				
Cash and pooled investments	$ 45,762	$ 8,032,021	$ 8,027,886	$ 49,897
Liabilities				
Due to other governments	$ 45,762	$ 8,032,021	$ 8,027,886	$ 49,897
SOCIAL WELFARE				
Assets				
Cash and pooled investments	$ 128,479	$ 943,263	$ 932,745	$ 138,997
Liabilities				
Due to other governments	$ 128,479	$ 943,263	$ 932,745	$ 138,997

BROWN COUNTY
NEW ULM, MINNESOTA

EXHIBIT C-1
(Continued)

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Balance January 1	Additions	Deductions	Balance December 31
STATE DEED TAX				
Assets				
Cash and pooled investments	$ 1,229	$ 330,382	$ 331,310	$ 301
Liabilities				
Due to other governments	$ 1,229	$ 330,382	$ 331,310	$ 301
THREE COUNTIES FOR KIDS COLLABORATIVE				
Assets				
Cash and pooled investments	$ 261,029	$ 83,719	$ 86,676	$ 258,072
Liabilities				
Due to other governments	$ 261,029	$ 83,719	$ 86,676	$ 258,072
FAMILIES FIRST FAMILY SERVICES COLLABORATIVE				
Assets				
Cash and pooled investments	$ 127,647	$ 119,768	$ 120,258	$ 127,157
Liabilities				
Due to other governments	$ 127,647	$ 119,768	$ 120,258	$ 127,157

BROWN COUNTY
NEW ULM, MINNESOTA

EXHIBIT C-1
(Continued)

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Balance January 1	Additions	Deductions	Balance December 31
TAXES AND PENALTIES				
Assets				
Cash and pooled investments	$ 172,715	$ 39,278,804	$ 39,281,798	$ 169,721
Liabilities				
Due to other governments	$ 172,715	$ 39,278,804	$ 39,281,798	$ 169,721
TOWNS AND CITIES				
Assets				
Cash and pooled investments	$ 911,758	$ 15,195,397	$ 15,877,001	$ 230,154
Liabilities				
Due to other governments	$ 911,758	$ 15,195,397	$ 15,877,001	$ 230,154
TOTAL ALL AGENCY FUNDS				
Assets				
Cash and pooled investments	$ 2,511,645	$ 64,595,984	$ 66,029,740	$ 1,077,889
Liabilities				
Due to other governments	$ 2,511,645	$ 64,595,984	$ 66,029,740	$ 1,077,889

SCHEDULES

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BROWN COUNTY
NEW ULM, MINNESOTA

EXHIBIT D-1

SCHEDULE OF DEPOSITS AND INVESTMENTS
DECEMBER 31, 2018

	Interest Rate	Amount
Deposits and Investments		
Checking accounts	Varies	$ 5,782,991
Certificates of deposit	Varies	445,000
Change funds	None	1,040
MAGIC Fund	Varies	4,138,461
Government securities	Varies	8,677,700
Negotiable certificates of deposit	Varies	7,148,594
Total Deposits and Investments		**$ 26,193,786**

EXHIBIT D-2

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

Appropriations and shared revenue		
State		
Highway users tax	$	6,555,147
County program aid		1,061,807
PERA rate reimbursement		39,317
Disparity reduction aid		27,050
Police aid		95,701
Aquatic invasive species aid		54,338
Local performance aid		3,534
Enhanced 911		101,673
Market value credit		355,998
SCORE		71,582
Total appropriations and shared revenue	**$**	**8,366,147**
Reimbursement for services		
State		
Minnesota Department of Human Services	**$**	**915,266**
Payments		
Local		
Local contributions	$	149,684
Payments in lieu of taxes		33,162
Total payments	**$**	**182,846**
Grants		
State		
Minnesota Department/Board of		
Agriculture	$	588
Corrections		307,410
Health		133,445
Human Services		1,857,673
Natural Resources		77,029
Public Safety		4,619
Secretary of State		59,456
Transportation		458,923
Trial Courts		18,564
Veterans Affairs		10,000
Water and Soil Resources		114,780
Supreme Court		53,140
Peace Officer Standards and Training Board		15,312
Total state	**$**	**3,110,939**

EXHIBIT D-2
(Continued)

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

Grants (Continued)	
Federal	
Department of	
Agriculture	$ 319,041
Justice	77,811
Transportation	166,626
Veterans Affairs	9,942
Health and Human Services	2,291,701
Homeland Security	26,706
Total federal	**$ 2,891,827**
Total state and federal grants	**$ 6,002,766**
Total Intergovernmental Revenue	**$ 15,467,025**

BROWN COUNTY
NEW ULM, MINNESOTA

EXHIBIT D-3

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

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-Through Grant Numbers	Expenditures
U.S. Department of Agriculture			
Passed Through Brown-Nicollet Community Health Services			
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	12-700-00060	$ 107,214
Passed Through Minnesota Department of Human Services			
SNAP Cluster			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	182MN101S2514	211,827
Total U.S. Department of Agriculture			**$ 319,041**
U.S. Department of Justice			
Passed Through Minnesota Department of Public Safety			
Crime Victim Assistance	16.575	F-CVS-2018-BRWNPROB	**$ 77,811**
U.S. Department of Transportation			
Passed Through Minnesota Department of Transportation			
Formula Grants for Rural Areas	20.509	AGR#1029460	**$ 238,136**
U.S. Department of Veterans Affairs			
Direct			
Burial Expenses Allowance for Veterans	64.101		**$ 9,942**
U.S. Department of Health and Human Services			
Passed Through Brown-Nicollet Community Health Services			
Public Health Emergency Preparedness	93.069	U90TP000529	$ 36,967
Universal Newborn Hearing Screening	93.251	Not provided	750
TANF Cluster			
Temporary Assistance for Needy Families	93.558	1801MNTANF	33,843
(Total Temporary Assistance for Needy Families 93.558 $229,490)			
Maternal and Child Health Services Block Grant to the States	93.994	12-700-00060	31,054
Passed Through Minnesota Department of Human Services			
Promoting Safe and Stable Families	93.556	G-1701MNFPSS	7,551
TANF Cluster			
Temporary Assistance for Needy Families	93.558	1801MNTANF	195,647
(Total Temporary Assistance for Needy Families 93.558 $229,490)			
Child Support Enforcement	93.563	1804MNCSES	105,694
Child Support Enforcement	93.563	1804MNCEST	348,428
(Total Child Support Enforcement 93.563 $454,122)			
Community-Based Child Abuse Prevention Grants	93.590	G-1702MNFRPG	5,672
CCDF Cluster			
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	G1801MNCCDF	13,070
Stephanie Tubbs Jones Child Welfare Services Program	93.645	G-1701MNCWSS	5,640
Foster Care – Title IV-E	93.658	1801MNFOST	214,929

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

EXHIBIT D-3
(Continued)

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

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-Through Grant Numbers	Expenditures
U.S. Department of Health and Human Services			
Passed Through Minnesota Department of Human Services (Continued)			
Social Services Block Grant	93.667	G-1801MNSOSR	148,875
Chafee Foster Care Independence Program	93.674	G-1801MNCILP	4,653
Children's Health Insurance Program	93.767	1805MN5R21	235
Medicaid Cluster			
Medical Assistance Program	93.778	1805MN5ADM	1,103,693
Total U.S. Department of Health and Human Services			**$ 2,256,701**
U.S. Department of Homeland Security			
Passed Through Minnesota Department of Public Safety			
Hazard Mitigation Grant	97.039	F-HMGP-DR4182-BROWNCO	$ 4,336
Emergency Management Performance Grants	97.042	F-EMPG-2018-BROWNCO	22,370
Total U.S. Department of Homeland Security			**$ 26,706**
Total Federal Awards			**$ 2,928,337**

Totals by Cluster	
Total expenditures for SNAP Cluster	$ 211,827
Total expenditures for TANF Cluster	229,490
Total expenditures for CCDF Cluster	13,070
Total expenditures for Medicaid Cluster	1,103,693

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

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BROWN COUNTY
NEW ULM, MINNESOTA

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

1. Reporting Entity

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

2. Basis of Presentation

   The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Brown County under programs of the federal government for the year ended December 31, 2018. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Brown County, it is not intended to and does not present the financial position or changes in net position of Brown 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. Brown County has elected to not use the ten percent de minimis indirect cost rate allowed under the Uniform Guidance.

4. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	$	2,891,827
Grants received more than 60 days after year-end, unavailable in 2018		
Formula Grants for Rural Areas (CFDA No. 20.509)		120,676
Promoting Safe and Stable Families (CFDA No. 93.556)		1,888
Temporary Assistance for Needy Families (CFDA No. 93.558)		36,774
Community-Based Child Abuse Prevention Grants (CFDA No. 93.590)		1,418
Stephanie Tubbs Jones Child Welfare Services Program (CFDA No. 93.645)		1,410
Chafee Foster Care Independence Program (CFDA No. 93.674)		1,128
Grants unavailable in 2017, recognized as revenue in 2018		
Formula Grants for Rural Areas (CFDA No. 20.509)		(49,166)
Promoting Safe and Stable Families (CFDA No. 93.556)		(15,457)
Temporary Assistance for Needy Families (CFDA No. 93.558)		(34,803)
Child Support Enforcement (CFDA No. 93.563)		(21,000)
Community-Based Child Abuse Prevention Grants (CFDA No. 93.590)		(2,663)
Stephanie Tubbs Jones Child Welfare Services Program (CFDA No. 93.645)		(1,557)
Chafee Foster Care Independence Program (CFDA No. 93.674)		(2,138)
Expenditures Per Schedule of Expenditures of Federal Awards	$	2,928,337

Management and Compliance Section

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STATE OF MINNESOTA
OFFICE OF THE STATE AUDITOR

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

Independent Auditor's Report

Board of County Commissioners
Brown County
New Ulm, 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 discretely presented component unit, each major fund, and the aggregate remaining fund information of Brown County, Minnesota, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 5, 2019. Our report includes references to other auditors who audited the financial statements of Brown County Economic Development Partners, Inc., the discretely presented component unit, and the South Country Health Alliance joint venture, as described in our report on the County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the Brown County Economic Development Partners, Inc., and the South Country Health Alliance were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Minnesota Legal Compliance

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

In connection with our audit, nothing came to our attention that caused us to believe that Brown 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 2016-004. 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.

Brown County's Response to Findings

Brown County's responses to the internal control and legal compliance findings identified in our audit are described in the Corrective Action Plan. The County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of This Report

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

/s/Julie Blaha

JULIE BLAHA
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

September 5, 2019

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

Independent Auditor's Report

Board of County Commissioners
Brown County
New Ulm, Minnesota

Report on Compliance for Each Major Federal Program

We have audited Brown County's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2018. Brown 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 Brown 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 Brown 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.

Opinion on Each Major Federal Program

In our opinion, Brown 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, 2018.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2017-001 and 2017-003. Our opinion on each major federal program is not modified with respect to these matters.

Brown County's responses to the noncompliance findings identified in our audit are described in the accompanying Corrective Action Plan. The County's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control Over Compliance

Management of Brown 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 did identify certain deficiencies in internal control over compliance, described in the accompanying Schedule of Findings and Questioned Costs as items 2017-001 and 2017-003, that we consider to be significant deficiencies.

Brown County's responses to the internal control over compliance findings identified in our audit are described in the accompanying Corrective Action Plan. The County's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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

/s/Julie Blaha

JULIE BLAHA
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

September 5, 2019

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

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

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

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:

SNAP Cluster	CFDA No. 10.561
Medicaid Cluster	CFDA No. 93.778

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

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

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

INTERNAL CONTROL

ITEM ARISING THIS YEAR

Finding Number 2018-001

Audit Adjustment

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

Condition: A material misstatement was identified that resulted in adjustments to Brown County's financial statements.

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

Effect: The Ditch Special Revenue Fund required an adjustment of $820,510 to increase special assessments receivable and unavailable revenue to report additional special assessments approved by the County Board in 2018.

Cause: This activity was overlooked when financial statement information was prepared.

Recommendation: We recommend County staff implement procedures over financial reporting to ensure the information is complete and accurate so the County's financial statements are fairly presented in accordance with GAAP.

View of Responsible Official: Acknowledged

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

Finding Number 2017-001

Eligibility

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

Pass-Through Agency: Minnesota Department of Human Services

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

Condition: The Minnesota Department of Human Services (DHS) maintains the computer system, MAXIS, which is used by the County to support the eligibility determination process. In the case files reviewed for eligibility, not all documentation was available, updated, or input correctly in MAXIS to support participant eligibility. The following exceptions were noted in the sample of 40 case files tested:

- For four case files, the asset information in MAXIS was unsupported or did not match the supporting documentation provided by the participant.
- For one case file, the application was not signed by the participant.

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

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

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

Effect: The lack of updated information in MAXIS increases the risk that a program participant will receive benefits when they are not eligible.

Cause: Program personnel entering case information into MAXIS did not ensure all required information was obtained, verified, maintained in the case files, or updated in the MAXIS system.

Recommendation: We recommend the County implement additional review procedures to provide reasonable assurance that all necessary documentation to support eligibility determinations exists and is properly input or updated in MAXIS.

View of Responsible Official: Acknowledged

Finding Number 2017-003

<u>Procurement, Suspension, and Debarment</u>

Programs: U.S. Department of Health and Human Services' Medical Assistance Program (CFDA No. 93.778), Award No. 1805MN5ADM, 2018 and U.S. Department of Agriculture's State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (CFDA No. 10.561), Award No. 182MN101S2514, 2018

Pass-Through Agency: Minnesota Department of Human Services

Criteria: Non-federal entities must follow federal guidance over verifying debarment, suspension, and exclusions as provided in Title 2 U.S. *Code of Federal Regulations* §§ 180.300, 200.213, and 200.318(h) when entering into covered transactions.

Condition: For the two covered transactions tested for compliance with federal regulations, procedures were not performed to determine whether the vendor was debarred, suspended, or otherwise excluded from participation in federal assistance programs or activities.

Questioned Costs: None.

Context: For the purpose of our testing, in accordance with Title 2 U.S. *Code of Federal Regulations* § 180.220, covered transactions were identified as procurement transactions in excess of $25,000.

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

Effect: The County is not in compliance with federal regulations.

Cause: The County indicated that policies and procedures had not been fully implemented to ensure compliance with this requirement.

Recommendation: For covered transactions, we recommend the County document verification that vendors are not debarred, suspended, or that other exclusions apply prior to entering into a contract.

View of Responsible Official: Acknowledged

IV. OTHER FINDINGS AND RECOMMENDATIONS

<u>MINNESOTA LEGAL COMPLIANCE</u>

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

Finding Number 2016-004

<u>Forfeited Property – Apportionment of Proceeds</u>

Criteria: Annually, the net proceeds from the sale of any parcel of forfeited land must be apportioned by the County to the taxing districts interested in the land in accordance with Minn. Stat. § 282.08.

Condition: Brown County has not apportioned all net proceeds from forfeited land sales in accordance with Minn. Stat. § 282.08.

Context: At December 31, 2018, the County Forfeited Tax Fund had a cash balance of approximately $170,000. This balance consists of tax forfeiture sale proceeds accumulated over multiple years.

Effect: The County has not complied with Minn. Stat. § 282.08. Other tax districts within the County, including towns, cities, and school districts that may be entitled to a portion of proceeds have not received their share.

Cause: The County indicated that proceeds are being withheld with the intent of using them to offset significant costs for pending property forfeitures.

Recommendation: We recommend that amounts in the Tax Forfeited Fund be annually distributed in accordance with Minn. Stat. § 282.08.

View of Responsible Official: Acknowledged

V. PREVIOUSLY REPORTED ITEM RESOLVED

2017-002 Uniform Guidance Written Procurement Policies and Procedures

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Cindy Rueckert	Jill Derksen	Cindy Meyer	Shawn Wilfahrt	Steven Rutscher	Resa Harris	Kelly Hotovec
Collections	Drainage	Elections	Financial	Financial	Taxation	Tax Forfeiture
233-6699	233-6811	233-6614	233-6613	233-6618	233-6615	233-6617

REPRESENTATION OF BROWN COUNTY
NEW ULM, MINNESOTA

CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED DECEMBER 31, 2018

Finding Number: 2016-004
Finding Title: Forfeited Property - Apportionment of Proceeds

Name of Contact Persons Responsible for Corrective Action:

Jean Prochniak, County Auditor/Treasurer and Kelly Hotovec, Assistant Auditor/Treasurer

Corrective Action Planned:

The Brown County Board is aware of the need for future apportionment and has agreed that the anticipated settlement is contingent upon the sale or demolition of George's Ballroom.

Anticipated Completion Date:

Anticipated completion date is contingent upon the sale or demo of George's Ballroom.

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

Name of Contact Person Responsible for Corrective Action:

Theresa Schroeder

Corrective Action Planned:

Medical Assistance audit findings were discussed with the Income Maintenance Unit at several staff meetings along with ideas for continuous case maintenance improvements. Income Maintenance Supervisor has been conducting random case file reviews for cases within the legacy system MAXIS. Work has been ongoing since our last audit. While we have always strived for correct and complete cases, the addition of our Electronic Document Imaging System Caseworks has been beneficial to our unit with ensuring that cases have correct documentation.

Anticipated Completion Date:

A new Medical Assistance case review document was published by MNPrairie Counties and shared with Brown County. This document is now being used for regular Medical Assistance case reviews for cases that are administered within the legacy system MAXIS. This form was implemented in April, 2019. Reviews prior to that were completed using DHS-5312C, which is an obsolete form and no longer available through DHS. DHS has no current case review document for review of Medical Assistance cases.

Finding Number: 2017-003
Finding Title: Procurement, Suspension, and Debarment
Program: State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (CFDA No. 10.561) and Medical Assistance Program (CFDA No. 93.778)

Name of Contact Person Responsible for Corrective Action:

Steven Rutscher, Brown County Financial Manager

Corrective Action Planned:

Brown County has followed the State Auditor's recommendation, and has adopted an updated Procurement policy, which became effective 12/27/2018. This policy makes reference of the need for verification of vendor status, and that the vendor with whom the County intends to do business may not be in a disqualified status. Further provisions will be added to document the vendor status, with regard to those suspended, debarred, or otherwise excluded, in accordance with federal regulations.

Anticipated Completion Date:

12/31/2019 (implementation of updated procedures will coincide with the Board approved updated Procurement policy).

Finding Number: 2018-001
Finding Title: Audit Adjustment

Name of Contact Person Responsible for Corrective Action:

Steven Rutscher, Brown County Financial Manager

Corrective Action Planned:

Greater communication and on-going training is needed to detect and prevent audit adjustments. The action planned to prevent audit adjustment involves providing greater opportunities for enhanced communication and additional training resources.

Anticipated Completion Date:

December 31, 2019.

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Brown County

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Collections	Drainage	Elections	Financial	Financial	Taxation	Tax Forfeiture
233-6699	233-6811	233-6614	233-6613	233-6618	233-6615	233-6617

REPRESENTATION OF BROWN COUNTY
NEW ULM, MINNESOTA

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

Finding Number: 2016-004
Finding Title: Forfeited Property - Apportionment of Proceeds

Summary of Condition: Brown County has not apportioned all net proceeds from forfeited land sales in accordance with Minn. Stat. § 282.08.

Summary of Corrective Action Previously Reported: Brown County is currently working on the distribution of the tax forfeiture land funds as per the directives of the Department of Revenue.

Status: Not Corrected. Proceeds remain withheld with the intent of using them to offset the cost of significant upcoming tax forfeiture projects. The Brown County Board is aware of the need for apportionment and has agreed that the anticipated settlement is contingent upon the sale or demolition of George's Ballroom.

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

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

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

Summary of Corrective Action Previously Reported: Income Maintenance Supervisor will work on a case review document for Medical Assistance cases. The case deficiencies from this audit were discussed at staff unit meetings. There were pieces of information which did not convert from the old, paper system to the Electronic Document Imaging system. These cases are all medical assistance eligible however now have all proper documentation on file. The Income Maintenance Unit will work on a continuous improvement project to ensure case records reflect current Medical Assistance program eligibility.

Status: Partially Corrected. A new Medical Assistance case review document was published by MNPrairie Counties and shared with Brown County. This document is now being used for regular Medical Assistance case reviews for cases that are administered within the legacy system MAXIS. This form was implemented in April, 2019. Reviews prior to that were completed using DHS-5312C, which is an obsolete form and no longer available through DHS. DHS has no current case review document for review of Medical Assistance cases.

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

Finding Number: 2017-002
Finding Title: Uniform Guidance Written Procurement Policies and Procedures
Program: Medical Assistance Program (CFDA No. 93.778)

Summary of Condition: Brown County's written procurement policies did not have all of the required components of a procurement policy in accordance with Title 2 U.S. *Code of Federal Regulations* § 200.318.

Summary of Corrective Action Previously Reported: Brown County will follow the State Auditor's recommendation and the procurement policy will be updated to ensure all applicable components of the Uniform Guidance requirements are included, accordingly.

Status: Fully Corrected. Corrective action was taken.

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

Finding Number: 2017-003
Finding Title: Procurement, Suspension, and Debarment
Program: Medical Assistance Program (CFDA No. 93.778)

Summary of Condition: Of the five procurement transactions tested for compliance with federal regulations, one instance was noted where the history of the procurement was not documented. Additionally, there was no verification performed by the County to determine whether vendors were debarred, suspended, or other exclusions existed for one covered transaction that was selected for testing.

Summary of Corrective Action Previously Reported: Brown County will follow the State Auditor's recommendation to implement procedures which better document the history of procurement transactions as well as the verification of vendors which are not suspended, debarred, or otherwise excluded, in accordance with federal regulations.

Status: Partially Corrected. Brown County has followed the State Auditor's recommendation, and has adopted an updated Procurement policy, which became effective 12/27/2018. This policy makes reference of the need for verification of vendor status, and that the vendor with whom the County intends to do business may not be in a disqualified status. Further provisions will be added to document the vendor status, with regard to those suspended, debarred, or otherwise excluded, in accordance with federal regulations.

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