

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

YELLOW MEDICINE COUNTY
GRANITE FALLS, MINNESOTA

YEAR ENDED DECEMBER 31, 2016

Description of the Office of the State Auditor

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

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

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

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

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

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

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

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

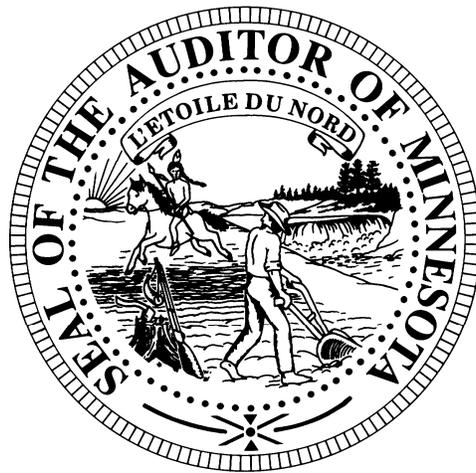
The State Auditor serves on the State Executive Council, State Board of Investment, Land Exchange Board, Public Employees Retirement Association Board, Minnesota Housing Finance Agency, and the Rural Finance Authority Board.

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**YELLOW MEDICINE COUNTY
GRANITE FALLS, MINNESOTA**

Year Ended December 31, 2016



**Audit Practice Division
Office of the State Auditor
State of Minnesota**

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**YELLOW MEDICINE COUNTY
GRANITE FALLS, MINNESOTA**

TABLE OF CONTENTS

	<u>Exhibit</u>	<u>Page</u>
Introductory Section		
Organization		1
Financial Section		
Independent Auditor's Report		2
Management's Discussion and Analysis		5
Basic Financial Statements		
Government-Wide Financial Statements		
Statement of Net Position	1	15
Statement of Activities	2	16
Fund Financial Statements		
Governmental Funds		
Balance Sheet	3	17
Reconciliation of Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position--Governmental Activities	4	19
Statement of Revenues, Expenditures, and Changes in Fund Balance	5	20
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Government-Wide Statement of Activities--Governmental Activities	6	22
Fiduciary Funds		
Statement of Fiduciary Net Position	7	23
Statement of Changes in Fiduciary Net Position	8	24
Notes to the Financial Statements		25

**YELLOW MEDICINE COUNTY
GRANITE FALLS, MINNESOTA**

TABLE OF CONTENTS

	Exhibit	Page
Financial Section (Continued)		
Required Supplementary Information		
Budgetary Comparison Schedules		
General Fund	A-1	77
Special Revenue Funds		
Road and Bridge Fund	A-2	81
Human Services Fund	A-3	82
Ditch Fund	A-4	83
Schedule of Funding Progress - Other Postemployment Benefits	A-5	84
PERA General Employees Retirement Plan		
Schedule of Proportionate Share of Net Pension Liability	A-6	85
Schedule of Contributions	A-7	86
PERA Public Employees Police and Fire Plan		
Schedule of Proportionate Share of Net Pension Liability	A-8	87
Schedule of Contributions	A-9	87
PERA Public Employees Correctional Plan		
Schedule of Proportionate Share of Net Pension Liability	A-10	88
Schedule of Contributions	A-11	88
Notes to the Required Supplementary Information		89
Supplementary Information		
Governmental Funds		
Budgetary Comparison Schedule - Debt Service Fund	B-1	93
Fiduciary Funds		
Agency Funds		94
Combining Statement of Changes in Assets and Liabilities - All Agency Funds	C-1	95

**YELLOW MEDICINE COUNTY
GRANITE FALLS, MINNESOTA**

TABLE OF CONTENTS

	<u>Exhibit</u>	<u>Page</u>
Financial Section		
Supplementary Information (Continued)		
Other Schedules		
Schedule of Intergovernmental Revenue	D-1	97
Schedule of Expenditures of Federal Awards	D-2	98
Notes to the Schedule of Expenditures of Federal Awards		100
Management and Compliance Section		
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		102
Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance		105
Schedule of Findings and Questioned Costs		108
Corrective Action Plan		111
Summary Schedule of Prior Audit Findings		112

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**YELLOW MEDICINE COUNTY
GRANITE FALLS, MINNESOTA**

ORGANIZATION
2016

Office	Name	Term Expires
Commissioners		
1st District	Greg Renneke	January 2019
2nd District	John Berends ¹	January 2019
3rd District	Gary Lee Johnson ²	January 2017
4th District	Ronald Antony	January 2017
5th District	Louis Sherlin	January 2017
Officers		
Elected		
Attorney	Keith Helgeson	January 2019
District Judge	Dwayne Knutsen	January 2019
Sheriff	Bill Flaten	January 2019
Appointed		
Administrator	Peggy Heglund	Indefinite
Finance Manager	Michelle May	Indefinite
Assessor	Connie Erickson	Indefinite
Coroner	A. Quinn Strobl, MD	Indefinite
Highway Engineer	Andrew Sander	Indefinite
Family Services Director	Rae Ann Keeler-Aus	Indefinite
Planning and Zoning	Chris Balfany	Indefinite
Property and Public Services	Janel Timm	Indefinite
Veterans Service Officer	Michelle Gatz	Indefinite

¹Chair 2016

²Chair 2017

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REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

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INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Yellow Medicine County
Granite Falls, Minnesota

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of

expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Yellow Medicine County as of December 31, 2016, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 21, 2017, on our consideration of Yellow Medicine County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 Yellow Medicine County's internal control over financial reporting and compliance.

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

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

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

July 21, 2017

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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**YELLOW MEDICINE COUNTY
GRANITE FALLS, MINNESOTA**

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

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

FINANCIAL HIGHLIGHTS

- Governmental activities' total net position is \$80,680,959, of which \$72,346,333 is net investment in capital assets, and \$1,142,293 is restricted for specific purposes. The \$7,192,333 remaining may be used to meet the County's ongoing obligations to citizens and creditors.
- The County's net position increased by \$989,683 for the year ended December 31, 2016.
- The net cost of governmental activities for the current fiscal year was \$10,000,770. The net cost was funded by general revenues totaling \$10,990,453.
- The fund balances of the governmental funds decreased by \$2,090,565.
- For the year ended December 31, 2016, the unrestricted fund balance of the General Fund was \$3,937,532, or 36.7 percent, of the total General Fund expenditures for the year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

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

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

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

Fiduciary funds are used to account for resources held for the benefit of parties outside of the County. Fiduciary funds are not reflected in the government-wide statements because the resources of these funds are not available to support the County’s own programs or activities. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position on Exhibits 7 and 8.

Notes to the Financial Statements

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 25 through 76 of this report.

Other Information

Other information is provided as supplementary information regarding Yellow Medicine County’s intergovernmental revenue and federal awards programs.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Over time, net position serves as a useful indicator of the County’s financial position. The County’s assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$80,680,959 at the close of 2016. The largest portion of the net position (89.7 percent) reflects the County’s investment in capital assets (land, buildings, equipment, and infrastructure such as roads and bridges) less any related outstanding debt used to acquire those assets. However, it should be noted that these assets are not available for future spending or for liquidating any remaining debt. Comparative data with 2015 is presented.

	Net Position	
	(in thousands)	
	Governmental Activities	
	2016	2015
Assets		
Current and other assets	\$ 20,898	\$ 23,368
Capital assets	77,712	73,514
Total Assets	\$ 98,610	\$ 96,882
Deferred Outflows of Resources		
Deferred pension outflows	\$ 5,204	\$ 776

	Governmental Activities	
	2016	2015
Liabilities		
Long-term liabilities	\$ 19,284	\$ 14,511
Other liabilities	1,483	1,549
Total Liabilities	<u>\$ 20,767</u>	<u>\$ 16,060</u>
Deferred Inflows of Resources		
Deferred pension inflows	\$ 1,003	\$ 607
Advance from other governments	1,363	1,300
Total Deferred Inflows of Resources	<u>\$ 2,366</u>	<u>\$ 1,907</u>
Net Position		
Net investment in capital assets	\$ 72,346	\$ 71,810
Restricted	1,143	835
Unrestricted	7,192	7,046
Total Net Position	<u>\$ 80,681</u>	<u>\$ 79,691</u>

Unrestricted net position--the part of net position that may be used to meet the County's ongoing obligations to citizens and creditors without constraints established by debt covenants, enabling legislation, or other legal requirements--is 8.9 percent of net position.

Governmental Activities

The County's governmental activities increased net position by 1.2 percent (\$989,683 for 2016 compared to \$2,604,894 for 2015). Key elements of this decrease in net position are as follows:

Changes in Net Position (in thousands)

	Governmental Activities	
	2016	2015
Revenues		
Program revenues		
Fees, charges, fines, and other	\$ 2,114	\$ 2,195
Operating grants and contributions	7,200	7,350
Capital grants and contributions	51	126
General revenues		
Property taxes	9,937	9,358
Other	1,054	1,055
Total Revenues	<u>\$ 20,356</u>	<u>\$ 20,084</u>

	Governmental Activities	
	2016	2015
Expenses		
General government	\$ 3,113	\$ 3,114
Public safety	3,749	3,027
Highways and streets	5,376	5,214
Sanitation	135	137
Human services	4,538	4,202
Health	212	201
Culture and recreation	272	264
Conservation of natural resources	1,899	1,139
Economic development	16	23
Interest	56	158
Total Expenses	<u>\$ 19,366</u>	<u>\$ 17,479</u>
Change in Net Position	\$ 990	\$ 2,605
Net Position - January 1	<u>79,691</u>	<u>77,086</u>
Net Position - December 31	<u>\$ 80,681</u>	<u>\$ 79,691</u>

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

Governmental Funds

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

At the end of the current fiscal year, governmental funds reported combined ending fund balances of \$14,309,735, a decrease of \$2,090,565 in comparison with the prior year. Of the combined ending fund balances, \$11,889,301 represents committed, assigned, and unassigned fund balance, which is available for spending at the County's discretion. The remainder of the fund balance is classified as either nonspendable or restricted to indicate that it is not available for new spending because it has already been restricted for various reasons either by state law, grant agreements, bond covenants, or is nonspendable.

The General Fund is the main operating fund for the County. At the end of the current fiscal year, it had an unrestricted fund balance of \$3,937,532. As a measure of the General Fund's liquidity, it may be useful to compare unrestricted fund balance to total expenditures. The General Fund's unrestricted fund balance represents 36.7 percent of total General Fund expenditures. During 2016, the ending fund balance decreased by \$3,092,609. The primary reason for this decrease was expenditures for the Justice Center building construction project.

The Road and Bridge Special Revenue Fund had an unrestricted fund balance of \$4,008,234 at fiscal year-end, representing 65.5 percent of its annual expenditures. The ending fund balance increased \$859,595 during 2016, primarily due to a decrease in construction project expenditures.

The Human Services Special Revenue Fund had an unrestricted fund balance of \$3,943,535 at fiscal year-end, representing 89.5 percent of its annual expenditures. The ending fund balance increased \$147,548 during 2016, primarily due to an increase in intergovernmental revenues.

The Ditch Special Revenue Fund had no unrestricted fund balance at fiscal year-end, as the entire fund balance is restricted. The ending fund balance decreased \$226,750 during 2016, primarily due to the increase in drainage repair and maintenance expenditures.

The Debt Service Fund had no unrestricted fund balance at fiscal year-end, as the entire fund balance is restricted. The ending fund balance increased \$221,651 during 2016, primarily due an increase in property tax revenue.

Governmental Activities

The County’s total revenues were \$20,356,377. Table 1 presents the percent of total County revenues by source for the year ended December 31, 2016.

**Table 1
Total County Revenues**

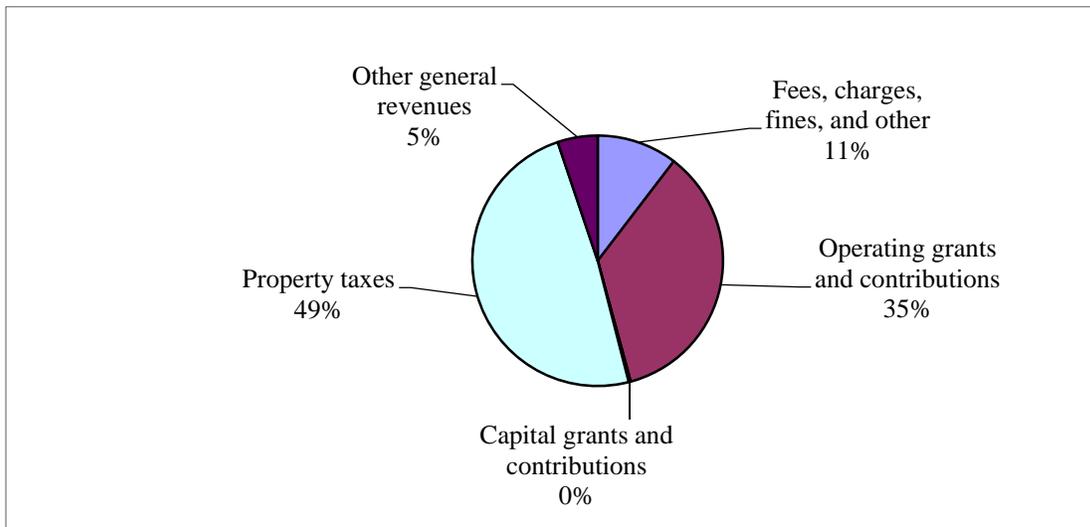
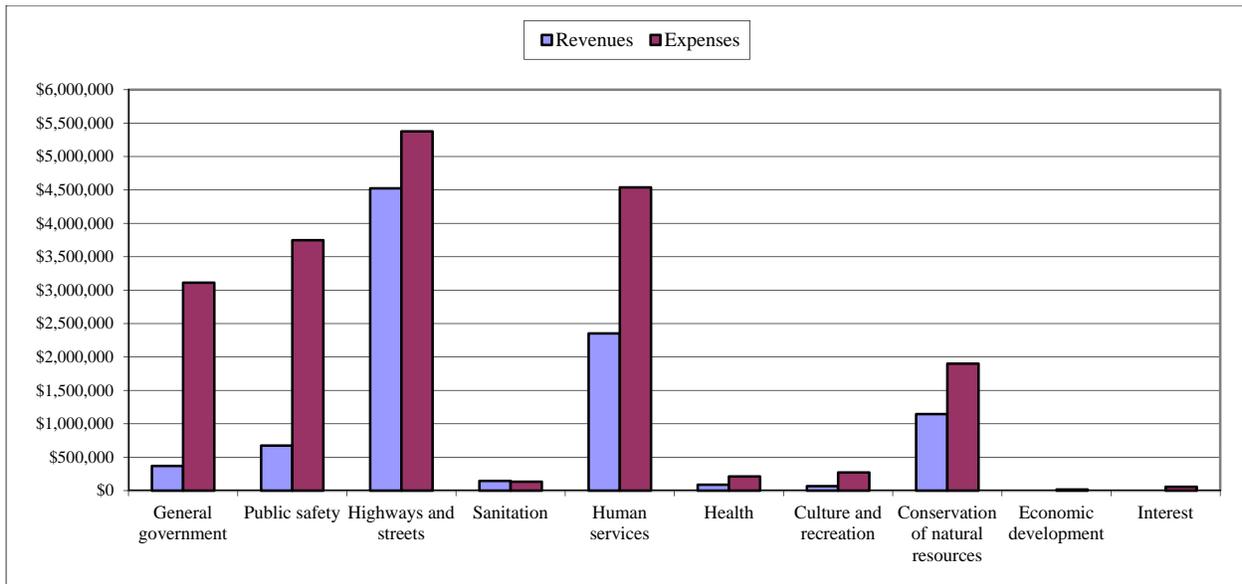


Table 2 presents the cost and revenue of each program of the County.

Total program and general revenues for the County were \$20,356,377, while total expenses were \$19,366,694. This reflects a \$989,683 increase in net position for the year ended December 31, 2016.

**Table 2
Expenses and Program Revenues**



The cost of all governmental activities this year was \$19,366,694. However, as shown on the Statement of Activities on Exhibit 2, the amount that taxpayers ultimately financed for these activities through County taxes was only \$9,937,252 because some of the costs were paid by those who directly benefited from the programs (\$2,114,257) or by other governments, organizations, and individuals that subsidized certain programs with grants and contributions (\$7,251,667). The County paid for the remaining “public benefit” portion of governmental activities with \$10,990,453 in general revenues, primarily taxes (some of which could be used only for certain programs) and other revenues, such as grants and contributions not restricted to specific programs and interest.

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

**Table 3
Governmental Activities
(in thousands)**

	Total Cost of Services		Net Cost (Revenue) of Services	
	2016	2015	2016	2015
Highways and streets	\$ 5,376	\$ 5,214	\$ 852	\$ 285
Human services	4,538	4,202	2,186	1,973
Public safety	3,749	3,027	3,075	2,316
General government	3,113	3,114	2,742	2,834
Conservation of natural resources	1,899	1,139	754	(56)
All others	691	784	392	457
Totals	\$ 19,366	\$ 17,480	\$ 10,001	\$ 7,809

General Fund Budgetary Highlights

Over the course of the year, the County Board revised the General Fund budget. These budget amendments fall into three categories: new information changing original budget estimates, greater than anticipated revenues and/or costs, and new grant awards.

With these adjustments, the actual charges to appropriations (expenditures) were \$626,304 below the final budget amounts. The most significant negative variance (\$37,830) occurred in public safety where Jail was \$41,271 more than budgeted, Sheriff expenses were \$35,958 more than anticipated, also various other costs were less than anticipated. This \$626,304 variance resulted in a 5.5 percent decrease in expected expenditures. Reasons for other significant variances of actual expenditures to final budget include less than anticipated expenditures for Justice Center construction in Buildings (\$610,901), lower than anticipated insurance expenses in Risk Management (\$70,328), and several other departments also spent less than anticipated.

On the other hand, resources available for appropriation were \$421,897 above the final budgeted amount. The most significant positive variance occurred in charges for services (\$180,647) due to receiving additional boarding fees in the Jail; there was also a greater than anticipated MCIT dividend, which is included in the miscellaneous revenues variance (\$71,001).

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The County's capital assets for its governmental activities at December 31, 2016, totaled \$77,712,202 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, and infrastructure. The investment in capital assets, net of depreciation, increased \$4,197,913, or 5.7 percent, from the previous year. The major capital asset events were:

- \$2,438,157 construction of highways and streets; and
- \$3,449,090 construction of a building.

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

	2016	2015
Land	\$ 1,109	\$ 1,098
Infrastructure	62,451	61,827
Buildings	4,461	4,396
Improvements other than buildings	229	241
Machinery and equipment	2,980	2,807
Works of art and historical treasures	223	223
Construction in progress	6,259	2,922
Total	\$ 77,712	\$ 73,514

(Unaudited)

Page 12

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

Long-Term Debt

At the end of the current fiscal year, the County had total net outstanding debt of \$8,270,011, which was backed by the full faith and credit of the government.

**Table 5
Outstanding Debt
(in thousands)**

	2016	2015
General obligation bonds	\$ 8,259	\$ 8,480
Capital leases	12	24
Total	\$ 8,271	\$ 8,504

The County’s debt related to general obligation bonds decreased by \$221,583 (2.6 percent) during the fiscal year.

Minnesota statutes limit the amount of debt a county may levy to three percent of its total market value. At the end of 2016, the County’s outstanding debt was 0.25 percent of its total estimated market value.

Additional information on the County’s long-term debt can be found in Note 2.C.4. through Note 2.C.8. to the financial statements of this report.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS

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

- The unemployment rate for Yellow Medicine County at the end of 2016 was 4.2 percent. This compares with the state and federal unemployment rates of 4.1 percent and 4.5 percent, respectively. This rate of unemployment could impact the level of services requested by County residents.
- The County has a strong agricultural base. New construction added \$6.8 million to the base for spreading future taxes. Keeping the County’s tax base vital and healthy is very important to the County’s overall financial health and condition.
- The rapid rising cost of health insurance has a large impact on the budgeting process.

- General Fund expenditures for 2017 are budgeted to increase 4.3 percent (\$307,172) over the 2016 original budget. The 2017 anticipated revenues, other than tax levy, special assessments, state county program aid, and state market value credits, are budgeted to increase 5.7 percent (\$85,181) from the 2016 original budget.
- The 2017 gross property tax levy for the County increased 1.55 percent (\$160,881) from 2016; but, after reducing the levy by state county program aid (\$165,941), the net tax levy (the amount spread to taxpayers) increased 1.57 percent (\$159,562) over the net tax levy for 2016.
- Considering cost-effective and efficient means for delivery of County programs and services will influence the development of future budgets.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Yellow Medicine County's finances. If you have questions concerning any of the information provided in this report or requests for additional financial information, address them to the County's Finance Manager, Michelle A. May, Yellow Medicine County Courthouse, 180 Eighth Avenue, Granite Falls, Minnesota 56241.

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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YELLOW MEDICINE COUNTY
GRANITE FALLS, MINNESOTA

EXHIBIT 1

STATEMENT OF NET POSITION
GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2016

Assets

Cash and pooled investments	\$	15,310,998
Investments		1,050,504
Receivables		3,874,733
Inventories		262,944
Prepaid items		44,059
Note receivable		355,000
Capital assets		
Non-depreciable		7,590,582
Depreciable - net of accumulated depreciation		70,121,620
Total Assets	\$	98,610,440

Deferred Outflows of Resources

Deferred pension outflows	\$	5,204,044
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Liabilities

Accounts payable and other current liabilities	\$	1,283,034
Accrued interest payable		103,164
Unearned revenue		97,240
Long-term liabilities		
Due within one year		626,639
Due in more than one year		9,055,838
Net other postemployment benefits obligation		109,395
Net pension liability		9,491,848
Total Liabilities	\$	20,767,158

Deferred Inflows of Resources

Deferred pension inflows	\$	1,003,400
Advance from other governments		1,362,967
Total Deferred Inflows of Resources	\$	2,366,367

Net Position

Net investment in capital assets	\$	72,346,333
Restricted for		
Highways and streets		686,942
Public safety		224,625
Debt service		141,318
Other purposes		89,408
Unrestricted		7,192,333
Total Net Position	\$	80,680,959

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

Page 15

**YELLOW MEDICINE COUNTY
GRANITE FALLS, MINNESOTA**

EXHIBIT 2

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Program Revenues			Net (Expense)	
Expenses	Fees, Charges, Fines, and Other	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position	
<u>Functions/Programs</u>					
Governmental activities					
General government	\$ 3,112,493	\$ 183,932	\$ 134,997	\$ 51,304	\$ (2,742,260)
Public safety	3,748,502	465,236	208,757	-	(3,074,509)
Highways and streets	5,376,208	58,026	4,466,376	-	(851,806)
Sanitation	134,426	76,356	68,710	-	10,640
Human services	4,538,363	232,801	2,119,803	-	(2,185,759)
Health	212,150	750	86,582	-	(124,818)
Culture and recreation	272,359	22,332	44,667	-	(205,360)
Conservation of natural resources	1,899,201	1,074,824	70,471	-	(753,906)
Economic development	16,669	-	-	-	(16,669)
Interest	56,323	-	-	-	(56,323)
Total Governmental Activities	<u>\$ 19,366,694</u>	<u>\$ 2,114,257</u>	<u>\$ 7,200,363</u>	<u>\$ 51,304</u>	<u>\$ (10,000,770)</u>
General Revenues					
Property taxes				\$ 9,937,252	
Mortgage registry and deed tax				6,133	
Payments in lieu of tax				92,615	
Grants and contributions not restricted to specific programs				545,056	
Miscellaneous				259,469	
Unrestricted investment earnings				149,928	
Total general revenues				<u>\$ 10,990,453</u>	
Change in net position				\$ 989,683	
Net Position - Beginning				<u>79,691,276</u>	
Net Position - Ending				<u>\$ 80,680,959</u>	

FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUNDS

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**YELLOW MEDICINE COUNTY
GRANITE FALLS, MINNESOTA**

EXHIBIT 3

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2016**

	<u>General</u>	<u>Road and Bridge</u>	<u>Human Services</u>	<u>Ditch</u>	<u>Debt Service</u>	<u>Total</u>
<u>Assets</u>						
Cash and pooled investments	\$ 4,962,946	\$ 5,697,773	\$ 3,910,105	\$ 550,008	\$ 188,766	\$ 15,309,598
Petty cash and change funds	1,250	50	100	-	-	1,400
Investments	273,183	-	-	635,183	142,138	1,050,504
Taxes receivable						
Delinquent	43,895	18,990	17,414	-	2,080	82,379
Special assessments receivable						
Delinquent	7,459	-	-	3,140	-	10,599
Noncurrent	579,785	-	-	1,930,396	-	2,510,181
Accounts receivable	7,955	256	23,569	-	-	31,780
Accrued interest receivable	39,600	-	-	4,755	-	44,355
Due from other funds	-	9	-	-	-	9
Due from other governments	50,143	786,347	274,902	84,047	-	1,195,439
Inventories	-	262,944	-	-	-	262,944
Prepaid items	44,059	-	-	-	-	44,059
Advance to other funds	109,253	-	-	-	-	109,253
Note receivable	-	-	-	355,000	-	355,000
Total Assets	\$ 6,119,528	\$ 6,766,369	\$ 4,226,090	\$ 3,562,529	\$ 332,984	\$ 21,007,500

**YELLOW MEDICINE COUNTY
GRANITE FALLS, MINNESOTA**

**EXHIBIT 3
(Continued)**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2016**

	<u>General</u>	<u>Road and Bridge</u>	<u>Human Services</u>	<u>Ditch</u>	<u>Debt Service</u>	<u>Total</u>
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>						
Liabilities						
Accounts payable	\$ 172,156	\$ 49,696	\$ 98,066	\$ 58,706	\$ -	\$ 378,624
Salaries payable	206,908	75,829	111,415	3,212	-	397,364
Contracts payable	324,385	69,783	-	-	-	394,168
Due to other funds	9	-	-	-	-	9
Due to other governments	20,961	7,426	46,209	38,282	-	112,878
Advance from other funds	-	-	-	-	109,253	109,253
Unearned revenue	87,789	-	9,451	-	-	97,240
Total Liabilities	\$ 812,208	\$ 202,734	\$ 265,141	\$ 100,200	\$ 109,253	\$ 1,489,536
Deferred Inflows of Resources						
Unavailable revenue	\$ 657,252	\$ 795,933	\$ 17,414	\$ 2,372,583	\$ 2,080	\$ 3,845,262
Advance from other governments	-	1,362,967	-	-	-	1,362,967
Total Deferred Inflows of Resources	\$ 657,252	\$ 2,158,900	\$ 17,414	\$ 2,372,583	\$ 2,080	\$ 5,208,229
Fund Balances						
Nonspendable	\$ 153,312	\$ 262,944	\$ -	\$ -	\$ -	\$ 416,256
Restricted	559,224	133,557	-	1,089,746	221,651	2,004,178
Committed	82,224	-	-	-	-	82,224
Assigned	-	4,008,234	3,943,535	-	-	7,951,769
Unassigned	3,855,308	-	-	-	-	3,855,308
Total Fund Balances	\$ 4,650,068	\$ 4,404,735	\$ 3,943,535	\$ 1,089,746	\$ 221,651	\$ 14,309,735
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 6,119,528	\$ 6,766,369	\$ 4,226,090	\$ 3,562,529	\$ 332,984	\$ 21,007,500

**YELLOW MEDICINE COUNTY
GRANITE FALLS, MINNESOTA**

EXHIBIT 4

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

Fund balance - total governmental funds (Exhibit 3)		\$ 14,309,735
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		77,712,202
Deferred outflows of resources resulting from pension obligations are not available resources and, therefore, are not reported in governmental funds.		5,204,044
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources--unavailable revenue in the governmental funds.		3,845,262
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
General obligation bonds	\$ (7,895,000)	
Capital leases	(11,509)	
Loans payable	(733,573)	
Compensated absences	(678,893)	
Net other postemployment benefits obligation	(109,395)	
Net pension liability	(9,491,848)	
Accrued interest payable	(103,164)	
Unamortized bond premium	<u>(363,502)</u>	(19,386,884)
Deferred inflows resulting from pension obligations are not due and payable in the current period and, therefore, are not reported in the governmental funds.		<u>(1,003,400)</u>
Net Position of Governmental Activities (Exhibit 1)		<u>\$ 80,680,959</u>

**YELLOW MEDICINE COUNTY
GRANITE FALLS, MINNESOTA**

EXHIBIT 5

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

	<u>General</u>	<u>Road and Bridge</u>	<u>Human Services</u>	<u>Ditch</u>	<u>Debt Service</u>	<u>Total</u>
Revenues						
Taxes	\$ 5,285,881	\$ 2,172,180	\$ 2,086,715	\$ -	\$ 413,365	\$ 9,958,141
Special assessments	191,668	-	-	850,377	-	1,042,045
Licenses and permits	45,230	-	-	-	-	45,230
Intergovernmental	976,501	4,549,168	2,232,139	101,264	13,816	7,872,888
Charges for services	508,456	22,413	162,920	-	-	693,789
Fines and forfeits	7,633	-	-	-	-	7,633
Gifts and contributions	1,300	-	-	-	-	1,300
Investment earnings	144,570	-	-	14,041	123	158,734
Miscellaneous	372,928	105,688	69,881	313,754	-	862,251
Total Revenues	\$ 7,534,167	\$ 6,849,449	\$ 4,551,655	\$ 1,279,436	\$ 427,304	\$ 20,642,011
Expenditures						
Current						
General government	\$ 6,443,372	\$ -	\$ -	\$ -	\$ -	\$ 6,443,372
Public safety	2,810,074	-	-	-	-	2,810,074
Highways and streets	-	5,666,364	-	-	-	5,666,364
Sanitation	131,147	-	-	-	-	131,147
Human services	-	-	4,404,107	-	-	4,404,107
Health	95,998	-	-	-	-	95,998
Culture and recreation	267,197	-	-	-	-	267,197
Conservation of natural resources	428,533	-	-	1,249,392	-	1,677,925
Economic development	16,669	-	-	-	-	16,669
Intergovernmental	360,473	449,411	-	-	-	809,884
Debt service						
Principal	155,659	-	-	200,000	-	355,659
Interest	6,302	-	-	56,794	205,653	268,749
Total Expenditures	\$ 10,715,424	\$ 6,115,775	\$ 4,404,107	\$ 1,506,186	\$ 205,653	\$ 22,947,145
Excess of Revenues Over (Under)						
Expenditures	\$ (3,181,257)	\$ 733,674	\$ 147,548	\$ (226,750)	\$ 221,651	\$ (2,305,134)
Other Financing Sources (Uses)						
Loans issued	\$ 85,438	\$ -	\$ -	\$ -	\$ -	\$ 85,438
Proceeds from sale of capital assets	3,210	-	-	-	-	3,210
Total Other Financing Sources (Uses)	\$ 88,648	\$ -	\$ -	\$ -	\$ -	\$ 88,648

**YELLOW MEDICINE COUNTY
GRANITE FALLS, MINNESOTA**

*EXHIBIT 5
(Continued)*

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

	<u>General</u>	<u>Road and Bridge</u>	<u>Human Services</u>	<u>Ditch</u>	<u>Debt Service</u>	<u>Total</u>
Net Change in Fund Balance	\$ (3,092,609)	\$ 733,674	\$ 147,548	\$ (226,750)	\$ 221,651	\$ (2,216,486)
Fund Balance - January 1	7,742,677	3,545,140	3,795,987	1,316,496	-	16,400,300
Increase (decrease) in inventories	<u>-</u>	<u>125,921</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>125,921</u>
Fund Balance - December 31	<u>\$ 4,650,068</u>	<u>\$ 4,404,735</u>	<u>\$ 3,943,535</u>	<u>\$ 1,089,746</u>	<u>\$ 221,651</u>	<u>\$ 14,309,735</u>

**YELLOW MEDICINE COUNTY
GRANITE FALLS, MINNESOTA**

EXHIBIT 6

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

Net change in fund balance - total governmental funds (Exhibit 5) \$ (2,216,486)

Amounts reported for governmental activities in the statement of activities are different because:

In the funds, under the modified accrual basis, receivables not available for expenditure are deferred. In the statement of activities, those revenues are recognized when earned. The adjustment to revenue between the fund statements and the statement of activities is the increase or decrease in unavailable revenue.

Unavailable revenue - December 31	\$ 3,845,262	
Unavailable revenue - January 1	(4,234,924)	(389,662)

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In the statement of activities, only the gain or loss on the disposal of capital assets is reported; whereas, in the governmental funds, the proceeds from the sale increase financial resources. The difference is the net book value of the assets disposed of.

Expenditures for general capital assets and infrastructure	\$ 6,897,749	
Net book value of assets disposed of	(3,958)	
Current year depreciation	(2,695,878)	4,197,913

Debt issuance proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. The net proceeds for debt issuance are:

Debt issued		
Loans		(85,438)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Principal repayments		
General obligation bonds and notes	\$ 200,000	
Loans payable	143,525	
Capital leases	12,182	355,707

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Change in accrued interest payable	\$ 12,378	
Amortization of premium on bonds	21,583	
Change in compensated absences	(23,255)	
Change in net other postemployment benefits obligation	(8,658)	
Change in net pension liability	(5,032,706)	
Change in deferred pension outflows	4,428,342	
Change in deferred pension inflows	(395,956)	
Change in inventories	125,921	(872,351)

Change in Net Position of Governmental Activities (Exhibit 2) \$ 989,683

FIDUCIARY FUNDS

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**YELLOW MEDICINE COUNTY
GRANITE FALLS, MINNESOTA**

EXHIBIT 7

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

	Cemetery Investment Trust	Agency
<u>Assets</u>		
Cash and pooled investments	\$ 10,250	\$ 271,470
Accrued interest receivable	36	-
Total Assets	\$ 10,286	\$ 271,470
<u>Liabilities</u>		
Accounts payable	\$ 36	\$ 15,577
Due to other governments	-	255,893
Total Liabilities	\$ 36	\$ 271,470
<u>Net Position</u>		
Net position, held in trust for pool participant	\$ 10,250	

**YELLOW MEDICINE COUNTY
GRANITE FALLS, MINNESOTA**

EXHIBIT 8

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Cemetery Investment Trust</u>
<u>Additions</u>	
Investment earnings	\$ 62
<u>Deductions</u>	
Distributions to participant	<u>62</u>
Changes in Net Position	\$ -
Net Position - January 1	<u>10,250</u>
Net Position - December 31	<u><u>\$ 10,250</u></u>

**YELLOW MEDICINE COUNTY
GRANITE FALLS, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2016

1. Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

Yellow Medicine County was established March 6, 1871, and is an organized county having the powers, duties, and privileges granted counties by Minn. Stat. § 373.01. As required by accounting principles generally accepted in the United States of America, these financial statements present Yellow Medicine County. The County is governed by a five-member Board of Commissioners elected from districts within the County. The Board is organized with a chair and vice chair elected at the annual meeting in January of each year. The County Administrator serves as the clerk of the Board of Commissioners but has no vote.

Blended Component Unit

Blended component units are legally separate organizations that are so intertwined with the County that they are, in substance, the same as the County and, therefore, are reported as if they were part of the County. Yellow Medicine County has one blended component unit reported as part of the General Fund.

<u>Component Unit</u>	<u>Component Unit Included in Reporting Entity Because</u>	<u>Separate Financial Statements</u>
Yellow Medicine County Economic Development Authority (EDA) provides services pursuant to Minn. Stat. §§ 469.090-.1081.	County Commissioners are the members of the EDA Board.	Separate financial statements are not prepared.

**YELLOW MEDICINE COUNTY
GRANITE FALLS, MINNESOTA**

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 4.C. The County also participates in jointly-governed organizations described in Note 4.D.

B. Basic Financial Statements

1. Government-Wide Statements

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

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

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

**YELLOW MEDICINE COUNTY
GRANITE FALLS, MINNESOTA**

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 and blended component unit. Separate statements for each fund category--governmental and fiduciary--are presented. The emphasis of governmental fund financial statements is on major individual governmental funds, with each displayed as separate columns in the fund financial statements. The County reports all of its governmental funds as major funds.

The County reports the following major governmental funds:

- The General Fund is the County's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.
- The Road and Bridge Special Revenue Fund accounts for restricted revenues from the federal and state government, as well as assigned property tax revenues used for the construction and maintenance of roads, bridges, and other projects affecting County roadways.
- The Human Services Special Revenue Fund accounts for restricted revenue resources from the federal, state, and other oversight agencies, as well as assigned property tax revenues used for economic assistance and community social services programs.
- The Ditch Special Revenue Fund accounts for special assessment revenues levied against benefitted property to finance the cost of constructing and maintaining an agricultural drainage ditch system.
- The Debt Service Fund is used to account for the accumulation of restricted resources used for, and the payment of, principal, interest, and related costs.

**YELLOW MEDICINE COUNTY
GRANITE FALLS, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

Additionally, the County reports the following fiduciary fund types:

- The Cemetery Investment Trust Fund is used to account for deposits held by the County for Union (Doncastor) Cemetery Association, a legally separate entity that is not part of the County's financial reporting entity.
- Agency funds are custodial in nature and do not present results of operations or have a measurement focus. These funds account for assets that the County holds for others in an agent capacity.

C. Measurement Focus and Basis of Accounting

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

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

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

**YELLOW MEDICINE COUNTY
GRANITE FALLS, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

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

1. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Finance Manager for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2016. A market approach is used to value all investments other than the external investment pool, which is measured at the net asset value. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments are credited to the General Fund. Other funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants. Pooled investment earnings for 2016 were \$139,903.

Yellow Medicine 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.

Included in total cash and investments are the assets held for Union (Doncastor) Cemetery Association. For the purposes of financial reporting, the Cemetery Association's cash is reported as an investment trust fund.

2. Receivables and Payables

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

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

**YELLOW MEDICINE COUNTY
GRANITE FALLS, MINNESOTA**

1. Summary of Significant Accounting Policies

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

2. Receivables and Payables (Continued)

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

Special assessments receivable consist of delinquent special assessments payable in the years 2004 through 2016 and deferred special assessments payable in 2017 and after. Unpaid special assessments at December 31 are classified in the financial statements as delinquent special assessments.

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

3. Inventories and Prepaid Items

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

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

4. Capital Assets

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

**YELLOW MEDICINE COUNTY
GRANITE FALLS, MINNESOTA**

1. Summary of Significant Accounting Policies

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

4. Capital Assets (Continued)

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

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

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

<u>Assets</u>	<u>Years</u>
Buildings	15 - 40
Land improvements	5 - 40
Public domain infrastructure	20 - 80
Machinery and equipment	3 - 20

5. Compensated Absences

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

**YELLOW MEDICINE COUNTY
GRANITE FALLS, MINNESOTA**

1. Summary of Significant Accounting Policies

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

6. Long-Term Obligations

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

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

7. Pension Plan

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

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expenditure/expense) until then. The County has one item, deferred pension

**YELLOW MEDICINE COUNTY
GRANITE FALLS, MINNESOTA**

1. Summary of Significant Accounting Policies

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

8. Deferred Outflows/Inflows of Resources (Continued)

outflows, that qualifies for reporting in this category. These outflows arise only under the full accrual basis of accounting and consist of pension plan contributions paid subsequent to the measurement date, differences between expected and actual pension plan economic experience, the differences between projected and actual earnings on pension plan investments, changes in actuarial assumptions, and also pension plan changes in proportionate share and, accordingly, are reported only in the statement of net position.

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

9. Unearned Revenue

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

**YELLOW MEDICINE COUNTY
GRANITE FALLS, MINNESOTA**

1. Summary of Significant Accounting Policies

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

10. Classification of Net Position

Net position in the government-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

Fund balance is divided into five classifications based primarily on the extent to which Yellow Medicine 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.

**YELLOW MEDICINE COUNTY
GRANITE FALLS, MINNESOTA**

1. Summary of Significant Accounting Policies

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

11. Classification of Fund Balances (Continued)

- Committed - amounts that can be used only for the specific purposes imposed by formal action (resolution) of the County Board. Those committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts.
- Assigned - amounts the County intends to use for specific purposes that do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the County Board or the County Administrator, who has been delegated that authority by Board resolution.
- Unassigned - the residual classification for the General Fund and includes all spendable amounts not contained in the other fund balance classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted or committed.

Yellow Medicine 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. Minimum Fund Balance

Yellow Medicine County has adopted a minimum fund balance policy for the General Fund. The General Fund is heavily reliant on property tax revenues to fund current operations. However, current property tax revenues are not available for distribution until June. Therefore, the County Board has determined it needs to

**YELLOW MEDICINE COUNTY
GRANITE FALLS, MINNESOTA**

1. Summary of Significant Accounting Policies

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

12. Minimum Fund Balance (Continued)

maintain a minimum unrestricted fund balance (committed, assigned, and unassigned) of no less than five months of operating expenditures. The Fund Balance Policy was adopted by the County Board on December 13, 2011. At December 31, 2016, the County's unrestricted fund balance was at or above the minimum fund balance level.

13. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect the 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.

2. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments

Reconciliation of the County's total cash and investments to the basic financial statements follows:

Government-wide statement of net position	
Governmental activities	
Cash and pooled investments	\$ 15,310,998
Investments	1,050,504
Statement of fiduciary net position	
Cash and pooled investments	<u>281,720</u>
Total Cash and Investments	<u>\$ 16,643,222</u>

**YELLOW MEDICINE COUNTY
GRANITE FALLS, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments (Continued)

a. Deposits

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

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

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 has adopted a policy for custodial credit risk by obtaining collateral or bond for all uninsured amounts on deposit and obtaining necessary documentation to show compliance with state law and a perfected security interest under federal law. As of December 31, 2016, the County's deposits were not exposed to custodial credit risk.

**YELLOW MEDICINE COUNTY
GRANITE FALLS, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments (Continued)

b. Investments

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

- (1) securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as “high risk” by Minn. Stat. § 118A.04, subd. 6;
- (2) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;
- (3) general obligations of the State of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;
- (4) bankers’ acceptances of United States banks;
- (5) commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less; and
- (6) with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. The County minimizes its exposure to interest rate risk by investing in both short-term and long-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 needed for operations.

**YELLOW MEDICINE COUNTY
GRANITE FALLS, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

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 securities that meet the ratings requirements set by state statute.

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities in the possession of an outside party. The County has adopted a policy to eliminate investment custodial credit risk by permitting brokers that obtain investments for the County to hold them only to the extent Securities Investor Protection Corporation (SIPC) coverage and excess SIPC coverage are available, and that they qualify under Minn. Stat. § 118A.06 to hold investments. Securities purchased that exceed available SIPC coverage, or are purchased by a broker that does not qualify under Minn. Stat. § 118A.06 to hold investments, shall be transferred to the County's custodian. At December 31, 2016, the County's investments were not 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 that U.S. Treasury securities, U.S. agency securities, and obligations backed by U.S. Treasury and/or U.S. agency securities, may be held without limit.

**YELLOW MEDICINE COUNTY
GRANITE FALLS, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments (Continued)

The following table presents the County's cash and investment balances at December 31, 2016, and information relating to potential investment risks:

Investment - Issuer	Credit Risk		Concentration Risk Over 5 Percent of Portfolio	Interest Rate Risk Maturity Date	Carrying (Fair) Value
	Credit Rating	Rating Agency			
U.S. government agency securities					
Federal Home Loan Mortgage Bond	AA+	S&P	<5%	10/28/2021	\$ 200,000
Negotiable certificates of deposit					
BMO Harris Bank	N/R	N/A		02/03/2017	\$ 200,000
Bank Hapoalim, NY	N/R	N/A		02/17/2017	200,005
Goldman Sachs Bank	N/R	N/A		02/28/2017	200,000
Sallie Mae Bank, Utah	N/R	N/A		08/22/2017	185,000
Discover Bank	N/R	N/A		09/26/2017	100,000
Discover Bank	N/R	N/A		09/26/2017	100,000
Bank United	N/R	N/A		02/20/2018	199,788
Bank of Baroda, NY	N/R	N/A		03/08/2018	200,000
Marlin Business Bank	N/R	N/A		03/23/2018	200,000
GE Capital CD	N/R	N/A		07/20/2018	200,000
Union Bank	N/R	N/A		07/30/2018	200,000
Mercantile Bank	N/R	N/A		09/21/2018	200,000
World's Foremost Bank	N/R	N/A		08/13/2019	200,000
American Express Bank FSB	N/R	N/A		09/18/2019	200,000
American Express Centurion Bank	N/R	N/A		09/30/2019	150,000
Comenity Bank	N/R	N/A		11/05/2019	200,000
Capital One Bank USA, NA	N/R	N/A		08/05/2020	200,000
Capital One Bank, NA	N/R	N/A		08/19/2020	199,526
BMW Bank	N/R	N/A		09/18/2020	200,000
Barclays Bank	N/R	N/A		09/23/2020	200,060
HSBC	N/R	N/A		04/07/2021	245,000
JP Morgan Chase Bank	N/R	N/A		05/20/2021	245,000
First Merchants Bank	N/R	N/A		10/30/2021	245,000
Toyota Financial	N/R	N/A		06/15/2023	200,000
Total negotiable certificates of deposit			>5%		\$ 4,669,379

**YELLOW MEDICINE COUNTY
GRANITE FALLS, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments (Continued)

Investment - Issuer	Credit Risk		Concentration Risk Over 5 Percent of Portfolio	Interest Rate Risk Maturity Date	Carrying (Fair) Value
	Credit Rating	Rating Agency			
Investment pools					
MAGIC Fund	N/R	N/A	<5%	N/A	\$ 1,556
Total investments					\$ 4,870,935
Checking					423,322
Savings					9,337,315
Non-negotiable certificates of deposit					2,010,250
Petty cash					1,400
Total Cash and Investments					\$ 16,643,222

N/A - Not Applicable

N/R - Not Rated

<5% - Concentration is less than 5% of investments

>5% - Concentration is more than 5% of investments

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

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

**YELLOW MEDICINE COUNTY
GRANITE FALLS, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments (Continued)

At December 31, 2016, the County had the following recurring fair value measurements:

	December 31, 2016	Fair Value Measurements Using		
		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	\$ 200,000	\$ -	\$ 200,000	\$ -
Negotiable certificates of deposit	4,669,379	-	4,669,379	-
Total Investments Included in the Fair Value Hierarchy	<u>\$ 4,869,379</u>	<u>\$ -</u>	<u>\$ 4,869,379</u>	<u>\$ -</u>
Investments measured at the net asset value (NAV)				
MAGIC Portfolio	<u>\$ 1,556</u>			

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 net asset value not reasonably practical.

**YELLOW MEDICINE COUNTY
GRANITE FALLS, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources (Continued)

2. Receivables

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

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental Activities		
Receivables		
Taxes	\$ 82,379	\$ -
Special assessments	2,520,780	1,975,779
Accounts receivable	31,780	-
Interest	44,355	-
Due from other governments	1,195,439	-
Total receivables	\$ 3,874,733	\$ 1,975,779
Note receivable	355,000	330,000
Total Governmental Activities	\$ 4,229,733	\$ 2,305,779

Note Receivable

During 2014, Yellow Medicine County issued General Obligation Drainage Bonds, Series 2014A, on Joint Ditch No. 3 with Lyon County. Lyon County residents are responsible for \$385,000, which will be collected by Lyon County through special assessments and paid to Yellow Medicine County for repayment on the bond. As of December 31, 2016, \$355,000 remains to be collected from Lyon County.

**YELLOW MEDICINE COUNTY
GRANITE FALLS, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources (Continued)

3. Capital Assets

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

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 1,098,312	\$ 14,173	\$ 3,958	\$ 1,108,527
Construction in progress	2,921,781	3,604,935	267,761	6,258,955
Works of art and historical treasures	223,100	-	-	223,100
Total capital assets not depreciated	\$ 4,243,193	\$ 3,619,108	\$ 271,719	\$ 7,590,582
Capital assets depreciated				
Buildings	\$ 7,335,787	\$ 269,111	\$ 883,684	\$ 6,721,214
Land improvements	399,465	-	15,967	383,498
Machinery and equipment	7,344,727	839,134	307,443	7,876,418
Infrastructure	88,319,313	2,438,157	-	90,757,470
Total capital assets depreciated	\$ 103,399,292	\$ 3,546,402	\$ 1,207,094	\$ 105,738,600
Less: accumulated depreciation for				
Buildings	\$ 2,940,062	\$ 203,413	\$ 883,684	\$ 2,259,791
Land improvements	158,359	11,928	15,967	154,320
Machinery and equipment	4,537,928	665,938	307,443	4,896,423
Infrastructure	26,491,847	1,814,599	-	28,306,446
Total accumulated depreciation	\$ 34,128,196	\$ 2,695,878	\$ 1,207,094	\$ 35,616,980
Total capital assets depreciated, net	\$ 69,271,096	\$ 850,524	\$ -	\$ 70,121,620
Capital Assets, Net	\$ 73,514,289	\$ 4,469,632	\$ 271,719	\$ 77,712,202

Construction in progress primarily consists of amounts completed to date on the new Justice Center building.

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

Governmental Activities	
General government	\$ 257,094
Public safety	227,537
Highways and streets, including depreciation of infrastructure assets	2,181,746
Sanitation	4,629
Human services	16,887
Culture and recreation	3,817
Conservation of natural resources	4,168
Total Depreciation Expense - Governmental Activities	\$ 2,695,878

**YELLOW MEDICINE COUNTY
GRANITE FALLS, MINNESOTA**

2. Detailed Notes on All Funds (Continued)

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2016, is as follows:

1. Due To/From Other Funds

Receivable Fund	Payable Fund	Amount
Road and Bridge Special Revenue Fund	General Fund	\$ 9

The outstanding balances between funds result from the time lag between the dates the interfund goods and services were provided and reimbursable expenditures occurred, and when transactions are recorded in the accounting system and when the funds are repaid. All balances are expected to be liquidated in the subsequent year.

2. Advances To/From Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Debt Service Fund	\$ 109,253

During 2015, Yellow Medicine County issued General Obligation Capital Improvement Bonds, Series 2015A. The first interest payment was due February 1, 2016, prior to collection of property taxes levied for repayment. The General Fund loaned \$109,253 to the Debt Service Fund to make the first interest payment. Repayment of the interfund loan receivable is not expected until maturity of the Series 2015A bonds in 2036, but may occur sooner if surplus funds become available.

C. Liabilities and Deferred Inflows of Resources

1. Payables

Payables at December 31, 2016, were as follows:

Accounts	\$ 378,624
Salaries	397,364
Contracts	394,168
Due to other governments	112,878
Total	\$ 1,283,034

**YELLOW MEDICINE COUNTY
GRANITE FALLS, MINNESOTA**

2. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources (Continued)

2. Construction Commitments

As of December 31, 2016, the County has an active construction project for the construction of a new Justice Center building. As of December 31, 2016, the County has spent \$5,285,127, with remaining commitments of \$169,093.

3. Unearned Revenues/Deferred Inflows of Resources

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

	Special Assessments	Taxes	Grants	Interest	Other	Total
Major governmental funds						
General	\$ 587,244	\$ 43,895	\$ 87,789	\$ 26,113	\$ -	\$ 745,041
Road and Bridge	-	18,990	2,139,910	-	-	2,158,900
Human Services	-	17,414	9,451	-	-	26,865
Ditch	1,933,536	-	-	-	439,047	2,372,583
Debt Service	-	2,080	-	-	-	2,080
Total	<u>\$ 2,520,780</u>	<u>\$ 82,379</u>	<u>\$ 2,237,150</u>	<u>\$ 26,113</u>	<u>\$ 439,047</u>	<u>\$ 5,305,469</u>
Liabilities						
Unearned revenue	\$ -	\$ -	\$ 97,240	\$ -	\$ -	\$ 97,240
Deferred inflows of Resources						
Advance from other governments	-	-	1,362,967	-	-	1,362,967
Unavailable revenue	2,520,780	82,379	776,943	26,113	439,047	3,845,262
Total	<u>\$ 2,520,780</u>	<u>\$ 82,379</u>	<u>\$ 2,237,150</u>	<u>\$ 26,113</u>	<u>\$ 439,047</u>	<u>\$ 5,305,469</u>

**YELLOW MEDICINE COUNTY
GRANITE FALLS, MINNESOTA**

2. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources (Continued)

4. Capital Leases

Yellow Medicine County has lease agreements that qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the inception date. Capital leases consist of the following at December 31, 2016:

Lease	Final Maturity	Installment	Payment Amount	Original Issue Amount	Outstanding Balance December 31, 2016
2012 postage machine	2017	Quarterly	\$ 579	\$ 10,987	\$ 575
2013 squad cameras	2017	Annual	11,396	57,825	10,934
Total Capital Leases					<u>\$ 11,509</u>

Capital lease payments for the postage machine and squad cameras are paid from the General Fund. The future minimum lease obligations and the net present value of the minimum lease payments as of December 31, 2016, were as follows:

Year Ending December 31	Lease Payments
2017	\$ 11,975
Less: amount representing interest	<u>(466)</u>
Capital Leases Payable	<u>\$ 11,509</u>

5. Loans Payable

Beginning in 2003, the County entered into loan agreements with the Minnesota Pollution Control Agency for financing of clean water projects. The loans are secured by special assessments placed on the individual parcels requesting funding of a project. Loan payments are reported in the General Fund.

**YELLOW MEDICINE COUNTY
GRANITE FALLS, MINNESOTA**

2. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources

5. Loans Payable (Continued)

Type of Indebtedness	Final Maturity	Semi-Annual Installment Amount	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2016
Redwood River Watershed Project Continuation	2021	\$ 2,910	2.00	\$ 52,514	\$ 9,792
Yellow Medicine River Watershed Continuation	2018	11,853	2.00	213,887	34,858
Lac qui Parle River Mainstem Water Quality Enhancement	2022	19,425	2.00	350,542	139,045
North and South Fork Yellow Bank Rivers	2026	3,714	2.00	67,020	63,977
AG BMP Septic Loans	2027	Varies	N/A	680,259	485,901
Total Loans Payable				\$ 1,364,222	\$ 733,573

N/A - Not Applicable

6. Bonds Payable

Type of Indebtedness	Final Maturity	Installment Amount	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2016
General Obligation Drainage Bonds, Series 2014A	2030	\$90,000 - \$200,000	2.0 - 3.125	\$ 2,330,000	\$ 2,130,000
Plus: unamortized premium					49,963
Total General Obligation Drainage Bonds, Net					\$ 2,179,963
General Obligation Capital Improvement Bonds, Series 2015A	2036	\$215,000 - \$390,000	3.0 - 4.0	\$ 5,765,000	\$ 5,765,000
Plus: unamortized premium					313,539
Total General Obligation Capital Improvement Bonds, Net					\$ 6,078,539

**YELLOW MEDICINE COUNTY
GRANITE FALLS, MINNESOTA**

2. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources (Continued)

7. Debt Service Requirements

Payments on the Series 2014A general obligation bonds are made by the Ditch Special Revenue Fund, and payments on the Series 2015A general obligation bonds are to be made by the Debt Service Fund. Debt service requirements at December 31, 2016, were as follows:

Year Ending December 31	General Obligation Drainage Bonds, Series 2014A		General Obligation Capital Improvement Bonds, Series 2015A	
	Principal	Interest	Principal	Interest
2017	\$ 195,000	\$ 52,843	\$ 215,000	\$ 189,575
2018	190,000	48,994	220,000	183,050
2019	190,000	45,194	225,000	176,375
2020	185,000	41,444	235,000	169,475
2021	185,000	37,744	240,000	162,350
2022 - 2026	815,000	112,644	1,310,000	698,750
2027 - 2031	370,000	22,753	1,515,000	491,575
2032 - 2036	-	-	1,805,000	186,100
Total	<u>\$ 2,130,000</u>	<u>\$ 361,616</u>	<u>\$ 5,765,000</u>	<u>\$ 2,257,250</u>

Debt payments on the loans payable are made from the General Fund. Debt service requirements at December 31, 2016, were as follows:

Year Ending December 31	Loans Payable	
	Principal	Interest
2017	\$ 138,868	\$ 4,599
2018	123,083	3,192
2019	106,574	2,184
2020	78,931	1,422
2021	77,215	1,085
2022 - 2026	208,902	1,755
Total	<u>\$ 733,573</u>	<u>\$ 14,237</u>

**YELLOW MEDICINE COUNTY
GRANITE FALLS, MINNESOTA**

2. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources (Continued)

8. Changes in Long-Term Liabilities

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
General obligation bonds					
Drainage Bonds of 2014A	\$ 2,330,000	\$ -	\$ 200,000	\$ 2,130,000	\$ 195,000
Capital Improvement Bonds of 2015A	5,765,000	-	-	5,765,000	215,000
Plus: unamortized premiums	385,085	-	21,583	363,502	-
Total bonds payable	\$ 8,480,085	\$ -	\$ 221,583	\$ 8,258,502	\$ 410,000
Loans payable	791,660	85,438	143,525	733,573	138,868
Lease purchases	23,691	-	12,182	11,509	11,509
Compensated absences	655,638	436,417	413,162	678,893	66,262
Long-Term Liabilities	\$ 9,951,074	\$ 521,855	\$ 790,452	\$ 9,682,477	\$ 626,639

D. Fund Balances

The summary of fund balance classifications is:

	General	Special Revenue			Debt Service	Total
		Road and Bridge	Human Services	Ditch		
Nonspendable						
Inventories	\$ -	\$ 262,944	\$ -	\$ -	\$ -	\$ 262,944
Advances	109,253	-	-	-	-	109,253
Prepaid items	44,059	-	-	-	-	44,059
Total nonspendable	\$ 153,312	\$ 262,944	\$ -	\$ -	\$ -	\$ 416,256

**YELLOW MEDICINE COUNTY
GRANITE FALLS, MINNESOTA**

2. Detailed Notes on All Funds

D. Fund Balances (Continued)

	General	Special Revenue			Debt Service	Total
		Road and Bridge	Human Services	Ditch		
Restricted						
Recorder's technology	\$ 44,133	\$ -	\$ -	\$ -	\$ -	\$ 44,133
Enhanced 911	142,468	-	-	-	-	142,468
Sheriff's contingency	5,000	-	-	-	-	5,000
Sheriff's forfeited property	26,905	-	-	-	-	26,905
Inmate social welfare	10,065	-	-	-	-	10,065
Attorney's forfeited property	6,766	-	-	-	-	6,766
Gun permit fees	40,187	-	-	-	-	40,187
Election equipment	35,685	-	-	-	-	35,685
Veterans memorial	2,824	-	-	-	-	2,824
Septic/sewer loan repayment	150,893	-	-	-	-	150,893
Unspent bond proceeds	94,298	-	-	-	-	94,298
Highway allotments	-	133,557	-	-	-	133,557
Ditch	-	-	-	1,089,746	-	1,089,746
Debt service	-	-	-	-	221,651	221,651
Total restricted	\$ 559,224	\$ 133,557	\$ -	\$ 1,089,746	\$ 221,651	\$ 2,004,178
Committed						
Recycling bins	\$ 82,224	\$ -	\$ -	\$ -	\$ -	\$ 82,224
Assigned						
Road and Bridge	\$ -	\$ 4,008,234	\$ -	\$ -	\$ -	\$ 4,008,234
Human Services	-	-	3,943,535	-	-	3,943,535
Total assigned	\$ -	\$ 4,008,234	\$ 3,943,535	\$ -	\$ -	\$ 7,951,769
Unassigned	\$ 3,855,308	\$ -	\$ -	\$ -	\$ -	\$ 3,855,308
Total Fund Balances	\$ 4,650,068	\$ 4,404,735	\$ 3,943,535	\$ 1,089,746	\$ 221,651	\$ 14,309,735

**YELLOW MEDICINE COUNTY
GRANITE FALLS, MINNESOTA**

3. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

1. Plan Description

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

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

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

Local government employees of a county-administered facility who are responsible for the direct security, custody, and control of the county correctional facility and its inmates are covered by the Public Employees Correctional Plan (accounted for in

**YELLOW MEDICINE COUNTY
GRANITE FALLS, MINNESOTA**

3. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

1. Plan Description (Continued)

the Correctional Fund). For members hired after June 30, 2010, benefits vest on a graduated schedule starting with 50 percent after 5 years and increasing 10 percent for each year of service until fully vested after 10 years.

2. Benefits Provided

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

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

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

**YELLOW MEDICINE COUNTY
GRANITE FALLS, MINNESOTA**

3. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

2. Benefits Provided (Continued)

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

3. Contributions

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

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

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

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

**YELLOW MEDICINE COUNTY
GRANITE FALLS, MINNESOTA**

3. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

3. Contributions (Continued)

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

General Employees Retirement Plan	\$ 328,717
Public Employees Police and Fire Plan	110,440
Public Employees Correctional Plan	53,199

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

4. Pension Costs

General Employees Retirement Plan

At December 31, 2016, the County reported a liability of \$5,626,816 for its proportionate share of the General Employees Retirement Plan's net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2015, through June 30, 2016, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016, the County's proportion was 0.0693 percent. It was 0.0698 percent measured as of June 30, 2015. The County recognized pension expense of \$704,998 for its proportionate share of the General Employees Retirement Plan's pension expense.

The County also recognized \$21,911 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's contribution to the General Employees Retirement Plan, which qualifies as a special funding situation. Legislation requires the State of Minnesota to contribute \$6 million to the General Employees Retirement Plan each year, starting September 15, 2015, through September 15, 2031.

**YELLOW MEDICINE COUNTY
GRANITE FALLS, MINNESOTA**

3. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

4. Pension Costs

General Employees Retirement Plan (Continued)

County's proportionate share of the net pension liability	\$	5,626,816
State of Minnesota's proportionate share of the net pension liability associated with the County		73,483
Total	\$	5,700,299

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 457,966
Changes in actuarial assumptions	1,101,736	-
Difference between projected and actual investment earnings	1,069,853	-
Changes in proportion	-	204,985
Contributions paid to PERA subsequent to the measurement date	152,625	-
Total	\$ 2,324,214	\$ 662,951

**YELLOW MEDICINE COUNTY
GRANITE FALLS, MINNESOTA**

3. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

4. Pension Costs

General Employees Retirement Plan (Continued)

The \$152,625 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31</u>	<u>Pension Expense Amount</u>
2017	\$ 383,938
2018	383,938
2019	537,506
2020	203,256

Public Employees Police and Fire Plan

At December 31, 2016, the County reported a liability of \$2,769,090 for its proportionate share of the Public Employees Police and Fire Plan's net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2015, through June 30, 2016, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016, the County's proportion was 0.069 percent. It was 0.070 percent measured as of June 30, 2015. The County recognized pension expense of \$484,595 for its proportionate share of the Public Employees Police and Fire Plan's pension expense.

**YELLOW MEDICINE COUNTY
GRANITE FALLS, MINNESOTA**

3. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

4. Pension Costs

Public Employees Police and Fire Plan (Continued)

The County also recognized \$6,210 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's on-behalf contribution to the Public Employees Police and Fire Plan. Legislation requires the State of Minnesota to contribute \$9 million to the Police and Fire Plan each year, starting in fiscal year 2014, until the plan is 90 percent funded.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 319,142
Changes in actuarial assumptions	1,523,951	-
Difference between projected and actual investment earnings	424,067	-
Changes in proportion	28,801	9,469
Contributions paid to PERA subsequent to the measurement date	53,749	-
Total	\$ 2,030,568	\$ 328,611

**YELLOW MEDICINE COUNTY
GRANITE FALLS, MINNESOTA**

3. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

4. Pension Costs

Public Employees Police and Fire Plan (Continued)

The \$53,749 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31</u>	<u>Pension Expense Amount</u>
2017	\$ 355,787
2018	355,787
2019	355,787
2020	321,142
2021	259,705

Public Employees Correctional Plan

At December 31, 2016, the County reported a liability of \$1,095,942 for its proportionate share of the Public Employees Correctional Plan's net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2015, through June 30, 2016, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016, the County's proportion was 0.30 percent. It was 0.30 percent measured as of June 30, 2015. The County recognized pension expense of \$309,293 for its proportionate share of the Public Employees Correctional Plan's pension expense.

**YELLOW MEDICINE COUNTY
GRANITE FALLS, MINNESOTA**

3. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

4. Pension Costs

Public Employees Correctional Plan (Continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 858	\$ 11,838
Changes in actuarial assumptions	698,247	-
Difference between projected and actual investment earnings	123,133	-
Contributions paid to PERA subsequent to the measurement date	27,024	-
Total	\$ 849,262	\$ 11,838

The \$27,024 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2017	\$ 260,316
2018	260,316
2019	266,235
2020	23,533

**YELLOW MEDICINE COUNTY
GRANITE FALLS, MINNESOTA**

3. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

4. Pension Costs (Continued)

Total Pension Expense

The total pension expense for all plans recognized by the County for the year ended December 31, 2016, was \$1,498,886.

5. Actuarial Assumptions

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

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

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

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

**YELLOW MEDICINE COUNTY
GRANITE FALLS, MINNESOTA**

3. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

5. Actuarial Assumptions (Continued)

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

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

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

6. Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent in 2016, a reduction of the 7.90 percent used in 2015. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, the fiduciary net position of the General Employees Retirement Plan was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. In the Public Employees Police and Fire Plan

**YELLOW MEDICINE COUNTY
GRANITE FALLS, MINNESOTA**

3. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

6. Discount Rate (Continued)

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

7. Changes in Actuarial Assumptions

The following changes in actuarial assumptions occurred in 2016:

General Employees Retirement Plan

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2035 and 2.50 percent per year thereafter, to 1.00 percent for all future years.
- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was also changed from 7.90 percent to 7.50 percent.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

**YELLOW MEDICINE COUNTY
GRANITE FALLS, MINNESOTA**

3. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

7. Changes in Actuarial Assumptions (Continued)

Public Employees Police and Fire Plan

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2037 and 2.50 percent per year thereafter, to 1.00 percent for all future years.
- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was changed from 7.90 percent to 5.60 percent.
- The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

Public Employees Correctional Plan

- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was changed from 7.90 percent to 5.31 percent.
- The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

8. Pension Liability Sensitivity

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

**YELLOW MEDICINE COUNTY
GRANITE FALLS, MINNESOTA**

3. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

8. Pension Liability Sensitivity (Continued)

	General Employees		Proportionate Share of the		Public Employees	
	Retirement Plan		Public Employees		Correctional Plan	
	Discount	Net Pension	Discount	Net Pension	Discount	Net Pension
	Rate	Liability	Rate	Liability	Rate	Liability
1% Decrease	6.50%	\$ 7,991,747	4.60%	\$ 3,876,359	4.31%	\$ 1,650,150
Current	7.50	5,626,816	5.60	2,769,090	5.31	1,095,942
1% Increase	8.50	3,678,757	6.60	1,864,368	6.31	663,276

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.

B. Defined Contribution Plan

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

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

**YELLOW MEDICINE COUNTY
GRANITE FALLS, MINNESOTA**

3. Pension Plans and Other Postemployment Benefits

B. Defined Contribution Plan (Continued)

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

	Employee	Employer
Contribution amount	\$ 5,266	\$ 5,266
Percentage of covered payroll	5%	5%

C. Other Postemployment Benefits (OPEB)

Plan Description

Yellow Medicine County provides a single-employer defined benefit health care plan to eligible retirees and their spouses. The plan offers medical insurance benefits. The County provides benefits for retirees as required by Minn. Stat. § 471.61, subd. 2b.

Funding Policy

The contribution requirements of the plan members and the County are established and may be amended by the Yellow Medicine County Board of Commissioners. Retirees are required to pay 100 percent of the premium costs.

The required contribution is based on projected pay-as-you-go financing requirements. Retirees and their spouses contribute to the health care plan at the same rate as County employees. This results in the retirees receiving an implicit rate subsidy. For 2016, there were approximately 102 participants in the plan. The implicit rate subsidy amount was determined by an actuarial study to be \$50,909 for 2016.

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

Annual OPEB Cost and Net OPEB Obligation

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

**YELLOW MEDICINE COUNTY
GRANITE FALLS, MINNESOTA**

3. Pension Plans and Other Postemployment Benefits

C. Other Postemployment Benefits (OPEB)

Annual OPEB Cost and Net OPEB Obligation (Continued)

The following table shows the components of the County's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the County's net OPEB obligation to the plan.

ARC	\$	61,333
Interest on net OPEB obligation		3,526
Adjustment to ARC		(5,292)

Annual OPEB cost (expense)	\$	59,567
Contributions made during the year		(50,909)

Increase in net OPEB obligation	\$	8,658
Net OPEB Obligation - Beginning of Year		100,737

Net OPEB Obligation - End of Year	\$	109,395

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

Fiscal Year Ended	Annual OPEB Cost	Annual Employer Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
December 31, 2014	\$ 60,199	\$ 43,290	71.91%	\$ 81,573
December 31, 2015	59,902	40,738	68.01	100,737
December 31, 2016	59,567	50,909	85.47	109,395

Funded Status and Funding Progress

As of January 1, 2014, the most recent actuarial valuation date, the County had no assets to fund the plan. The actuarial accrued liability for benefits was \$510,455, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$510,455. The covered payroll (annual payroll of active employees covered by the plan) was \$5,058,396, and the ratio of the UAAL to the covered payroll was 10.09 percent.

**YELLOW MEDICINE COUNTY
GRANITE FALLS, MINNESOTA**

3. Pension Plans and Other Postemployment Benefits

C. Other Postemployment Benefits (OPEB) (Continued)

Actuarial Methods and Assumptions

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

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

In the January 1, 2014, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 3.5 percent investment rate of return (net of investment expenses), which is Yellow Medicine County's implicit rate of return on the General Fund.

The annual health care cost trend is 7.5 percent initially, reduced by decrements to an ultimate rate of 5.0 percent over 10 years. Both rates included a 2.5 percent inflation assumption. The UAAL is being amortized over 30 years on a closed basis. The remaining equivalent single amortization period at December 31, 2016, was 22 years.

**YELLOW MEDICINE COUNTY
GRANITE FALLS, MINNESOTA**

4. 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 for which the County carries commercial insurance. To manage these risks, the County has entered into a joint powers agreement with other Minnesota counties to form the Minnesota Counties Intergovernmental Trust (MCIT). MCIT is a public entity risk pool currently operated as a common risk management and insurance program for its members. The County is a member of both the MCIT Workers' Compensation and Property and Casualty Divisions. For group employee health benefits, the County has entered into a joint powers agreement, the Southwest/West Central Service Cooperative. For all other risk, 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 2016 and in 2017. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

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

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

**YELLOW MEDICINE COUNTY
GRANITE FALLS, MINNESOTA**

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

B. Contingent Liabilities

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

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

Lincoln-Pipestone Rural Water System

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

The debt is paid by the Lincoln-Pipestone Rural Water System from special assessments levied against property specifically benefited by the applicable expansion, extension, or enlargement of the system and from the net revenues from time to time received in excess of the current costs of operating and maintaining the system. The bonds are general obligations of the issuing counties for which their full faith, credit, and taxing powers are pledged. The participating counties (Jackson, Lac qui Parle, Lincoln, Lyon, Murray, Nobles, Pipestone, Redwood, Rock, and Yellow Medicine) have adopted board resolutions and have signed joint powers agreements to define their liability for a proportional share of the debt should the issuing counties make any debt service payments. In such a situation, each of the other counties will promptly reimburse the paying counties in proportion to the percentage of Lincoln-Pipestone Rural Water System customers located in each county, in accordance with Minn. Stat. § 116A.24, subd. 3. The outstanding bonds are reported as liabilities in the annual financial statements of the Lincoln-Pipestone Rural Water System and are not reported as liabilities in the financial statements of any of the ten participating counties. The participating counties disclose a contingent liability due to the guarantee of indebtedness.

**YELLOW MEDICINE COUNTY
GRANITE FALLS, MINNESOTA**

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

C. Joint Ventures

Lincoln-Pipestone Rural Water System

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

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

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

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

Countryside Public Health Service

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

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

**YELLOW MEDICINE COUNTY
GRANITE FALLS, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Countryside Public Health Service (Continued)

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

Financing is provided by state and federal grants, appropriations from member counties, and charges for services. Yellow Medicine County's contribution for 2016 was \$116,152.

Complete financial statements for the Countryside Public Health Service can be obtained from its administrative office at P. O. Box 313, Benson, Minnesota 56215, or from the Yellow Medicine County Finance and Administration Office at the County Government Center.

Southwestern Minnesota Adult Mental Health Consortium Board

In November 1997, the Southwestern Minnesota Adult Mental Health Consortium Board was created under the authority of Minn. Stat. § 471.59. Presently, its members include Big Stone, Chippewa, Cottonwood, Jackson, Kandiyohi, Lac qui Parle, McLeod, Meeker, Nobles, Renville, Swift, and Yellow Medicine Counties; and Southwest Health and Human Services representing Lincoln, Lyon, Murray, Pipestone, Redwood, and Rock Counties. The Board is headquartered in Windom, Minnesota, where Des Moines Valley Health and Human Services (DVHHS) acts as fiscal host.

The Board shall take actions and enter into such agreements as necessary to plan and develop within the Southwestern Minnesota Adult Mental Health Consortium Board's geographic jurisdiction, a system of care that serves the needs of adults with serious and persistent mental illness. The governing board is composed of one Board member from each of the participating counties. Financing is provided by state proceeds or appropriations for the development of the system of care.

A complete financial report of the Southwestern Minnesota Adult Mental Health Consortium Board can be obtained by contacting DVHHS at 11 Fourth Street, Windom, Minnesota 56101.

**YELLOW MEDICINE COUNTY
GRANITE FALLS, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

C. Joint Ventures (Continued)

Southwest Minnesota Regional Emergency Communications Joint Powers Board

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

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

Financing is provided by the appropriations from member parties and by state and federal grants. During 2016, Yellow Medicine County contributed \$2,399 to the Joint Powers Board.

Southern Prairie Community Care

As of February 4, 2014, the Southern Prairie Health Purchasing Alliance changed its name to Southern Prairie Community Care. Chippewa, Cottonwood, Jackson, Kandiyohi, Lincoln, Lyon, Murray, Nobles, Redwood, Rock, Swift, and Yellow Medicine Counties entered into a joint powers agreement on June 26, 2012, to establish the Southern Prairie Health Purchasing Alliance pursuant to the provisions of Minn. Stat. § 471.59. Southwest Health and Human Services represents Lincoln, Lyon, Murray, Redwood, and Rock Counties in this agreement. The purpose of the Alliance is to plan, formulate, operate, and govern a rural care delivery system to improve the health and quality of life of the citizens of member counties. The Joint Powers Board is composed of one representative from each county.

**YELLOW MEDICINE COUNTY
GRANITE FALLS, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

C. Joint Ventures (Continued)

Region 6W Community Corrections

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

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

Yellow Medicine County's contribution for 2016 was \$244,321.

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

Coordinated Enforcement Effort (CEE) VI Task Force

The Coordinated Enforcement Effort (CEE) VI Task Force was established under the authority of the Joint Powers Act, pursuant to Minn. Stat. § 471.59, and includes Chippewa, Kandiyohi, Meeker, Swift, and Yellow Medicine Counties and the Cities of Appleton, Benson, Clara City, Cosmos, Granite Falls, Litchfield, Montevideo, and Willmar.

Control of the Task Force is vested in a Board of Directors comprising 13 members. The Board consists of the department heads or a designee from each participating full-time member agency.

The Task Force was established to receive and expend federal, state, and local grants and other related funds for the purpose of investigation of burglary, theft, narcotics, stolen property, and crimes of violence. Yellow Medicine County has no operational or financial control over the CEE VI Task Force. During the year, Yellow Medicine County contributed \$48,179 in funds to the Task Force. In an agent capacity, Kandiyohi County reports the cash transactions of the CEE VI Task Force as an agency fund on its financial statements.

**YELLOW MEDICINE COUNTY
GRANITE FALLS, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

C. Joint Ventures (Continued)

Southwest Regional Solid Waste Commission

Yellow Medicine County has entered into a joint powers agreement with 11 other counties to create and operate the Southwest Regional Solid Waste Commission under the authority of Minn. Stat. § 471.59. The Commission was formed to exercise the County's authority and obligation pursuant to Minn. Stat. chs. 400 and 115A; to provide for the management of solid waste in the respective counties; and provide the greatest public service benefit possible for the entire contiguous 12-county area encompassed by the counties in planning, management, and implementation of methods to deal with solid waste in southwest Minnesota.

The governing board is composed of one Board member from each of the participating counties. Financing of the Commission's solid waste management program is through appropriations from the participating counties, grants and loans from the Minnesota Office of Waste Management, or from the sale of bonds or other obligations secured by revenues of the Commission. Administration and planning costs of the Commission are assessed to the counties on equal shares. The current assessment is \$1,500.

The Commission is headquartered in Ivanhoe, Minnesota, where Lincoln County acts as fiscal host. A complete financial report of the Southwest Regional Solid Waste Commission can be obtained from the Lincoln County Auditor at 319 North Rebecca Street, P. O. Box 29, Ivanhoe, Minnesota 56142.

Pioneerland Library System

Yellow Medicine County, along with 32 cities and 9 other counties, participates in the Pioneerland Library System in order to provide efficient and improved regional public library service. The Pioneerland Library System is governed by the Pioneerland Library System Board, composed of 35 members appointed by member cities and counties. During the year, Yellow Medicine County contributed \$79,384 to the System.

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

**YELLOW MEDICINE COUNTY
GRANITE FALLS, MINNESOTA**

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

D. Jointly-Governed Organizations

Yellow Medicine County, in conjunction with other local governments, has formed joint powers boards to provide a variety of services. The County participates along with other governments in the following organizations:

Lac qui Parle-Yellow Bank Watershed District

The County Board is responsible for appointing one of the Board of Managers for the Lac qui Parle-Yellow Bank Watershed District, but the County's responsibility does not extend beyond making the appointments. Yellow Medicine County did not make any contributions to the District in 2016. Lac qui Parle County reports the activities of the Lac qui Parle-Yellow Bank Watershed District as a discrete component unit in its annual financial report.

Southwest Minnesota Public Safety Board

The Southwest Minnesota Public Safety Board was established June 29, 2012, by a joint powers agreement between Yellow Medicine County and Lyon, Murray, Nobles, Pipestone, and Redwood Counties and the Cities of Marshall and Worthington under authority of Minn. Stat. § 471.59. The purpose of the agreement is to formulate regional and local emergency communications recording and logging services between the parties.

Control is vested in a Joint Powers Board consisting of one County Commissioner or one City Council member for each party to the agreement and the Sheriff or Chief of Police from each party to the agreement. The members representing counties and cities shall be appointed by their respective governing bodies for the membership of that governing body. In 2016, Yellow Medicine County contributed \$4,000 to the Southwest Minnesota Public Safety Board.

E. Agricultural Best Management Loan Program

The County has entered into an agreement with the Minnesota Department of Agriculture and local lending institutions to jointly administer a loan program to individuals to implement projects that prevent or mitigate non-point source water pollution. While the County is not liable for repayment of the loans in any manner, it does have certain responsibilities under the agreement.

REQUIRED SUPPLEMENTARY INFORMATION

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**YELLOW MEDICINE COUNTY
GRANITE FALLS, MINNESOTA**

EXHIBIT A-1

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 5,236,034	\$ 5,236,034	\$ 5,285,881	\$ 49,847
Special assessments	177,002	177,002	191,668	14,666
Licenses and permits	26,250	26,250	45,230	18,980
Intergovernmental	907,123	910,523	976,501	65,978
Charges for services	327,809	327,809	508,456	180,647
Fines and forfeits	2,000	2,000	7,633	5,633
Gifts and contributions	500	500	1,300	800
Investment earnings	130,225	130,225	144,570	14,345
Miscellaneous	295,427	301,927	372,928	71,001
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Revenues	\$ 7,102,370	\$ 7,112,270	\$ 7,534,167	\$ 421,897
Expenditures				
Current				
General government				
Commissioners	\$ 245,151	\$ 245,151	\$ 250,870	\$ (5,719)
Public defender	50,000	50,000	40,661	9,339
Finance and administration	406,851	406,851	397,076	9,775
Accounting and auditing	39,350	39,350	41,535	(2,185)
Data processing	73,552	73,552	77,536	(3,984)
Elections	30,750	30,750	34,783	(4,033)
Central services	21,242	21,242	25,634	(4,392)
Risk management	113,059	113,059	42,731	70,328
Information technology	157,851	236,184	282,641	(46,457)
County attorney	419,875	419,875	414,720	5,155
Property and public services	723,472	723,472	715,681	7,791
Buildings	383,519	4,427,706	3,816,805	610,901
Planning and zoning	132,939	132,939	136,403	(3,464)
Veterans service officer	148,555	153,055	132,105	20,950
Other general government	8,300	15,300	34,191	(18,891)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total general government	\$ 2,954,466	\$ 7,088,486	\$ 6,443,372	\$ 645,114

**YELLOW MEDICINE COUNTY
GRANITE FALLS, MINNESOTA**

**EXHIBIT A-1
(Continued)**

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Current (Continued)				
Public safety				
Sheriff	\$ 1,159,692	\$ 1,166,192	\$ 1,202,150	\$ (35,958)
Boat and water safety	2,670	4,670	14,440	(9,770)
Snowmobile safety	1,350	2,750	1,982	768
Clarkfield deputy	97,081	97,081	71,444	25,637
Coroner	20,000	20,000	21,280	(1,280)
E-911 system	81,915	81,915	59,575	22,340
Jail	1,128,863	1,128,863	1,170,134	(41,271)
Jail canteen fund	35,000	35,000	38,493	(3,493)
Restorative justice	185,322	185,322	184,954	368
Civil defense	50,451	50,451	45,622	4,829
Total public safety	\$ 2,762,344	\$ 2,772,244	\$ 2,810,074	\$ (37,830)
Sanitation				
Recycling	\$ 131,972	\$ 131,972	\$ 129,797	\$ 2,175
Hazardous waste	4,700	4,700	1,350	3,350
Total sanitation	\$ 136,672	\$ 136,672	\$ 131,147	\$ 5,525
Health				
Nursing Service	\$ 1,000	\$ 1,000	\$ 625	\$ 375
Drug-free communities	125,000	125,000	95,373	29,627
Total health	\$ 126,000	\$ 126,000	\$ 95,998	\$ 30,002
Culture and recreation				
Historical society	\$ 21,000	\$ 21,000	\$ 22,436	\$ (1,436)
Agricultural museum	25,500	25,500	25,843	(343)
Parks	54,659	54,659	51,384	3,275
County/regional library	79,384	79,384	79,384	-
Other	90,176	90,176	88,150	2,026
Total culture and recreation	\$ 270,719	\$ 270,719	\$ 267,197	\$ 3,522

**YELLOW MEDICINE COUNTY
GRANITE FALLS, MINNESOTA**

**EXHIBIT A-1
(Continued)**

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Current (Continued)				
Conservation of natural resources				
Planning and zoning	\$ 2,000	\$ 2,000	\$ 1,022	\$ 978
Extension	124,554	124,554	123,030	1,524
Soil and water conservation	162,803	162,803	162,632	171
Water planning loan program	-	85,438	90,871	(5,433)
Water planning	21,420	21,420	23,716	(2,296)
Environmental officer	7,500	7,500	7,578	(78)
Other	19,284	19,284	19,684	(400)
Total conservation of natural resources	\$ 337,561	\$ 422,999	\$ 428,533	\$ (5,534)
Economic development				
Community development	\$ 17,420	\$ 17,420	\$ 16,669	\$ 751
Intergovernmental				
Public safety	\$ 244,321	\$ 244,321	\$ 244,321	\$ -
Health	116,152	116,152	116,152	-
Total intergovernmental	\$ 360,473	\$ 360,473	\$ 360,473	\$ -
Debt service				
Principal	\$ 140,932	\$ 140,932	\$ 155,659	\$ (14,727)
Interest	5,783	5,783	6,302	(519)
Total debt service	\$ 146,715	\$ 146,715	\$ 161,961	\$ (15,246)
Total Expenditures	\$ 7,112,370	\$ 11,341,728	\$ 10,715,424	\$ 626,304

**YELLOW MEDICINE COUNTY
GRANITE FALLS, MINNESOTA**

**EXHIBIT A-1
(Continued)**

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Excess of Revenues Over (Under)				
Expenditures	<u>\$ (10,000)</u>	<u>\$ (4,229,458)</u>	<u>\$ (3,181,257)</u>	<u>\$ 1,048,201</u>
Other Financing Sources (Uses)				
Loans issued	\$ -	\$ 85,438	\$ 85,438	\$ -
Proceeds from sale of capital assets	<u>10,000</u>	<u>10,000</u>	<u>3,210</u>	<u>(6,790)</u>
Total Other Financing Sources (Uses)	<u>\$ 10,000</u>	<u>\$ 95,438</u>	<u>\$ 88,648</u>	<u>\$ (6,790)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ (4,134,020)</u>	<u>\$ (3,092,609)</u>	<u>\$ 1,041,411</u>
Fund Balance - January 1	<u>7,742,677</u>	<u>7,742,677</u>	<u>7,742,677</u>	<u>-</u>
Fund Balance - December 31	<u><u>\$ 7,742,677</u></u>	<u><u>\$ 3,608,657</u></u>	<u><u>\$ 4,650,068</u></u>	<u><u>\$ 1,041,411</u></u>

**YELLOW MEDICINE COUNTY
GRANITE FALLS, MINNESOTA**

EXHIBIT A-2

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 2,162,650	\$ 2,162,650	\$ 2,172,180	\$ 9,530
Intergovernmental	4,716,123	4,754,937	4,549,168	(205,769)
Charges for services	20,000	20,000	22,413	2,413
Miscellaneous	45,200	45,200	105,688	60,488
Total Revenues	\$ 6,943,973	\$ 6,982,787	\$ 6,849,449	\$ (133,338)
Expenditures				
Current				
Highways and streets				
Administration	\$ 272,722	\$ 272,722	\$ 266,492	\$ 6,230
Maintenance	1,769,670	1,718,870	1,554,149	164,721
Construction	3,244,642	3,295,442	2,913,732	381,710
Equipment and maintenance shops	1,246,239	1,246,239	931,991	314,248
Total highways and streets	\$ 6,533,273	\$ 6,533,273	\$ 5,666,364	\$ 866,909
Intergovernmental				
Highways and streets	410,700	449,514	449,411	103
Total Expenditures	\$ 6,943,973	\$ 6,982,787	\$ 6,115,775	\$ 867,012
Net Change in Fund Balance	\$ -	\$ -	\$ 733,674	\$ 733,674
Fund Balance - January 1	3,545,140	3,545,140	3,545,140	-
Increase (decrease) in inventories	-	-	125,921	125,921
Fund Balance - December 31	\$ 3,545,140	\$ 3,545,140	\$ 4,404,735	\$ 859,595

**YELLOW MEDICINE COUNTY
GRANITE FALLS, MINNESOTA**

EXHIBIT A-3

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 2,079,581	\$ 2,079,581	\$ 2,086,715	\$ 7,134
Intergovernmental	2,044,619	2,044,619	2,232,139	187,520
Charges for services	163,500	163,500	162,920	(580)
Miscellaneous	44,000	44,000	69,881	25,881
Total Revenues	\$ 4,331,700	\$ 4,331,700	\$ 4,551,655	\$ 219,955
Expenditures				
Current				
Human services				
Income maintenance	\$ 1,122,030	\$ 1,122,030	\$ 1,068,888	\$ 53,142
Social services	3,209,670	3,444,670	3,335,219	109,451
Total Expenditures	\$ 4,331,700	\$ 4,566,700	\$ 4,404,107	\$ 162,593
Net Change in Fund Balance	\$ -	\$ (235,000)	\$ 147,548	\$ 382,548
Fund Balance - January 1	3,795,987	3,795,987	3,795,987	-
Fund Balance - December 31	\$ 3,795,987	\$ 3,560,987	\$ 3,943,535	\$ 382,548

**YELLOW MEDICINE COUNTY
GRANITE FALLS, MINNESOTA**

EXHIBIT A-4

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Special assessments	\$ 868,353	\$ 868,353	\$ 850,377	\$ (17,976)
Intergovernmental	196	196	101,264	101,068
Investment earnings	10,744	10,744	14,041	3,297
Miscellaneous	30,000	200,317	313,754	113,437
Total Revenues	\$ 909,293	\$ 1,079,610	\$ 1,279,436	\$ 199,826
Expenditures				
Current				
Conservation of natural resources				
Other	\$ 469,968	\$ 1,276,214	\$ 1,249,392	\$ 26,822
Debt service				
Principal	200,000	200,000	200,000	-
Interest	56,794	56,794	56,794	-
Total Expenditures	\$ 726,762	\$ 1,533,008	\$ 1,506,186	\$ 26,822
Net Change in Fund Balance	\$ 182,531	\$ (453,398)	\$ (226,750)	\$ 226,648
Fund Balance - January 1	1,316,496	1,316,496	1,316,496	-
Fund Balance - December 31	\$ 1,499,027	\$ 863,098	\$ 1,089,746	\$ 226,648

**YELLOW MEDICINE COUNTY
GRANITE FALLS, MINNESOTA**

EXHIBIT A-5

**SCHEDULE OF FUNDING PROGRESS
OTHER POSTEMPLOYMENT BENEFITS
DECEMBER 31, 2016**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
January 1, 2008	\$ -	\$ 187,091	\$ 187,091	0.00%	\$ 4,227,170	4.43%
January 1, 2011	-	337,942	337,942	0.00	4,789,562	7.06
January 1, 2014	-	510,455	510,455	0.00	5,058,396	10.09

**YELLOW MEDICINE COUNTY
GRANITE FALLS, MINNESOTA**

EXHIBIT A-6

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA GENERAL EMPLOYEES RETIREMENT PLAN
DECEMBER 31, 2016**

Measurement Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability Associated with Yellow Medicine County (b)	Employer's Proportionate Share of the Net Pension Liability and the State's Related Share of the Net Pension Liability (Asset) (a + b)	Covered Payroll (c)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2016	0.0693%	\$ 5,626,816	\$ 73,483	\$ 5,700,299	\$ 4,299,741	130.86%	68.91%
2015	0.0698	3,617,398	N/A	3,617,398	4,101,392	88.20	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

**YELLOW MEDICINE COUNTY
GRANITE FALLS, MINNESOTA**

EXHIBIT A-7

**SCHEDULE OF CONTRIBUTIONS
PERA GENERAL EMPLOYEES RETIREMENT PLAN
DECEMBER 31, 2016**

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b - a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
2016	\$ 328,717	\$ 328,717	\$ -	\$ 4,382,891	7.50%
2015	300,952	300,952	-	4,012,693	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.

**YELLOW MEDICINE COUNTY
GRANITE FALLS, MINNESOTA**

EXHIBIT A-8

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

Measurement Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	Covered Payroll (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2016	0.069%	\$ 2,769,090	\$ 662,152	418.20%	63.88%
2015	0.070	795,364	637,234	124.82	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.

**YELLOW MEDICINE COUNTY
GRANITE FALLS, MINNESOTA**

EXHIBIT A-9

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

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b - a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
2016	\$ 110,440	\$ 110,440	\$ -	\$ 681,728	16.20%
2015	101,792	101,792	-	628,345	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.

**YELLOW MEDICINE COUNTY
GRANITE FALLS, MINNESOTA**

EXHIBIT A-10

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

Measurement Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	Covered Payroll (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2016	0.30%	\$ 1,095,942	\$ 562,599	194.80%	58.16%
2015	0.30	46,380	540,925	8.57	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.

**YELLOW MEDICINE COUNTY
GRANITE FALLS, MINNESOTA**

EXHIBIT A-11

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

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b - a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
2016	\$ 53,199	\$ 53,199	\$ -	\$ 607,989	8.75%
2015	46,455	46,455	-	530,911	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.

**YELLOW MEDICINE COUNTY
GRANITE FALLS, MINNESOTA**

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

1. General Budget Policies

The County Board adopts estimated revenue and expenditure budgets for the General Fund, the special revenue funds, and the Debt Service Fund. The expenditure budget is approved at the fund level.

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

2. Budget Basis of Accounting

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

3. Budget Amendments

Expenditure budgets were amended in the following funds:

	Original Budget	Increase (Decrease)	Final Budget
General Fund	\$ 7,112,370	\$ 4,229,358	\$ 11,341,728
Road and Bridge Special Revenue Fund	6,943,973	38,814	6,982,787
Human Services Special Revenue Fund	4,331,700	235,000	4,566,700
Ditch Special Revenue Fund	726,762	806,246	1,533,008

Over the course of the year, the County Board revised these budgets several times. The budget amendments fall into three categories: new information changing original budget estimates, greater than anticipated revenues or costs, and new grant awards.

**YELLOW MEDICINE COUNTY
GRANITE FALLS, MINNESOTA**

4. Excess of Expenditures Over Budget

There were no funds with expenditures over appropriations for the year ended December 31, 2016.

5. Other Postemployment Benefits Funded Status

Since the County has not irrevocably deposited funds in a trust for future health benefits, the actuarial value of the assets to pay the accrued liability for postemployment benefits is zero.

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

6. Other Postemployment Benefits - Significant Plan Provisions and Actuarial Assumption Changes

2011

Plan Provisions

- An Early Retirement Incentive was offered and accepted by two employees and is included in the 2011 Governmental Accounting Standards Board Statement 45 valuation.

Actuarial Assumptions

- The health care trend rates were changed to better anticipate short-term and long-term medical increases.
- Claim costs were developed by age adjusting the premium information from Yellow Medicine County. The resulting claim amount was then blended with the claim amount from the previous valuation trended to the valuation date. As of January 1, 2008, actual claims and enrollment experience were weighted along with age-adjusted premiums.

**YELLOW MEDICINE COUNTY
GRANITE FALLS, MINNESOTA**

6. Other Postemployment Benefits - Significant Plan Provisions and Actuarial Assumption Changes (Continued)

2014

Plan Provisions

- There have been no plan changes since the last actuarial valuation as of January 1, 2011.

Actuarial Assumptions

- The health care trend rates were changed to better anticipate short-term and long-term medical increases.
- The mortality table was updated to reflect the projection of 2000 rates to 2014 based on Scale BB.
- Police mortality, withdrawal, and retirement rates are now being applied to Correctional employees. Previously, non-police rates were used.

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

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

General Employees Retirement Plan

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2035 and 2.50 percent per year thereafter, to 1.00 percent for all future years.
- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was also changed from 7.90 percent to 7.50 percent.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

**YELLOW MEDICINE COUNTY
GRANITE FALLS, MINNESOTA**

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

Public Employees Police and Fire Plan

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2037 and 2.50 percent per year thereafter, to 1.00 percent for all future years.
- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was changed from 7.90 percent to 5.60 percent.
- The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

Public Employees Correctional Plan

- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was changed from 7.90 percent to 5.31 percent.
- The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

SUPPLEMENTARY INFORMATION

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GOVERNMENTAL FUNDS

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**YELLOW MEDICINE COUNTY
GRANITE FALLS, MINNESOTA**

EXHIBIT B-1

**BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 414,742	\$ 414,742	\$ 413,365	\$ (1,377)
Intergovernmental	13,448	13,448	13,816	368
Investment earnings	-	-	123	123
Total Revenues	\$ 428,190	\$ 428,190	\$ 427,304	\$ (886)
Expenditures				
Debt service				
Interest	205,653	205,653	205,653	-
Excess of Revenues Over (Under) Expenditures	\$ 222,537	\$ 222,537	\$ 221,651	\$ (886)
Other Financing Sources (Uses)				
Transfers in	-	109,524	-	(109,524)
Net Change in Fund Balance	\$ 222,537	\$ 332,061	\$ 221,651	\$ (110,410)
Fund Balance - January 1	-	-	-	-
Fund Balance - December 31	\$ 222,537	\$ 332,061	\$ 221,651	\$ (110,410)

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FIDUCIARY FUNDS

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**YELLOW MEDICINE COUNTY
GRANITE FALLS, MINNESOTA**

AGENCY FUNDS

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

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

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

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**YELLOW MEDICINE COUNTY
GRANITE FALLS, MINNESOTA**

EXHIBIT C-1

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

	<u>Balance January 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31</u>
<u>SOCIAL WELFARE</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 19,171	\$ 75,957	\$ 79,551	\$ 15,577
<u>Liabilities</u>				
Accounts payable	\$ 19,171	\$ 75,957	\$ 79,551	\$ 15,577
 <u>STATE</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 33,891	\$ 240,730	\$ 250,622	\$ 23,999
<u>Liabilities</u>				
Due to other governments	\$ 33,891	\$ 240,730	\$ 250,622	\$ 23,999
 <u>TAXES AND PENALTIES</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 265,444	\$ 21,533,076	\$ 21,566,626	\$ 231,894
<u>Liabilities</u>				
Due to other governments	\$ 265,444	\$ 32,035,198	\$ 32,068,748	\$ 231,894

**YELLOW MEDICINE COUNTY
GRANITE FALLS, MINNESOTA**

***EXHIBIT C-1
(Continued)***

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

	Balance January 1	Additions	Deductions	Balance December 31
<u>TOTAL ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 318,506	\$ 21,849,763	\$ 21,896,799	\$ 271,470
<u>Liabilities</u>				
Accounts payable	\$ 19,171	\$ 75,957	\$ 79,551	\$ 15,577
Due to other governments	299,335	32,275,928	32,319,370	255,893
Total Liabilities	\$ 318,506	\$ 32,351,885	\$ 32,398,921	\$ 271,470

OTHER SCHEDULES

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**YELLOW MEDICINE COUNTY
GRANITE FALLS, MINNESOTA**

EXHIBIT D-1

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

Appropriations and Shared Revenue

State

Highway users tax	\$	4,429,390
County program aid		164,661
PERA rate reimbursement		15,547
Disparity reduction aid		43,083
Performance aid		1,392
Police aid		82,688
Enhanced 911		81,765
Market value credit		279,507
Casino credit		40,866
Aquatic invasive species aid		42,956

Total appropriations and shared revenue **\$ 5,181,855**

Reimbursement for Services

Minnesota Department of Human Services	\$	402,474
Local		97,506

Total reimbursement for services **\$ 499,980**

Payments

Local

Payments in lieu of taxes	\$	92,615
Local contributions		14,450

Total payments **\$ 107,065**

Grants

State

Minnesota Department/Board/Office of		
Human Services	\$	835,099
Natural Resources		55,580
Public Safety		16,833
Revenue		62,349
Veterans Affairs		7,500
Peace Officer Standards and Training Board		3,827
Pollution Control Agency		99,153

Total state **\$ 1,080,341**

Federal

Department of		
Agriculture	\$	95,593
Justice		1,332
Health and Human Services		885,595
Homeland Security		21,127

Total federal **\$ 1,003,647**

Total state and federal grants **\$ 2,083,988**

Total Intergovernmental Revenue **\$ 7,872,888**

**YELLOW MEDICINE COUNTY
GRANITE FALLS, MINNESOTA**

EXHIBIT D-2

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

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-Through Grant Numbers	Expenditures
U.S. Department of Agriculture			
Passed Through Minnesota Department of Human Services State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	16162MN101S2520	\$ <u>91,782</u>
U.S. Department of Justice			
Direct State Criminal Alien Assistance Program	16.606		\$ <u>1,332</u>
U.S. Election Assistance Commission			
Passed Through Minnesota Secretary of State Help America Vote Act Requirements Payments	90.401	A87518	\$ <u>6,600</u>
U.S. Department of Health and Human Services			
Direct Drug-Free Communities Support Program Grants	93.276		\$ 86,582
Passed Through Minnesota Department of Human Services			
Promoting Safe and Stable Families	93.556	1501MNFSS	3,149
Temporary Assistance for Needy Families	93.558	1601MFTANF	65,927
Child Support Enforcement	93.563	1604MNCEST	182,378
Refugee and Entrant Assistance - State-Administered Programs	93.566	1601MNRCA	90
Child Care and Development Block Grant	93.575	G1601MNCCDF	1,663
Community-Based Child Abuse Prevention Grants	93.590	1402MNFPRPG	2,346
Stephanie Tubbs Jones Child Welfare Services Program	93.645	1501MNCWSS	1,673
Foster Care - Title IV-E	93.658	1601MNFPOST	46,238
Social Services Block Grant	93.667	1501MNSOSR	82,312
Medical Assistance Program	93.778	1605MN5MAP	<u>413,237</u>
Total U.S. Department of Health and Human Services			\$ <u>885,595</u>

**YELLOW MEDICINE COUNTY
GRANITE FALLS, MINNESOTA**

**EXHIBIT D-2
(Continued)**

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

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-Through Grant Numbers	Expenditures
U.S. Department of Homeland Security			
Passed Through Minnesota Department of Natural Resources Boating Safety Financial Assistance	97.012	101379	\$ 10,130
Passed Through United Way Emergency Food and Shelter National Board Program	97.024	Not provided	1,150
Passed Through Upper Minnesota Valley Regional Development Commission Hazard Mitigation Grant	97.039	DR-4069.09	775
Passed Through Minnesota Department of Public Safety Emergency Management Performance Grants	97.042	3000035515	2,572
Homeland Security Grant Program	97.067	Not provided	<u>6,500</u>
Total U.S. Department of Homeland Security			<u>\$ 21,127</u>
Total Federal Awards			<u>\$ 1,006,436</u>

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

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**YELLOW MEDICINE COUNTY
GRANITE FALLS, MINNESOTA**

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

1. Reporting Entity

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

2. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Yellow Medicine County under programs of the federal government for the year ended December 31, 2016. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Yellow Medicine County, it is not intended to and does not present the financial position or changes in net position of Yellow Medicine 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, as applicable, either the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Yellow Medicine County has elected to not use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

**YELLOW MEDICINE COUNTY
GRANITE FALLS, MINNESOTA**

4. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	\$ 1,003,647
Grants received more than 60 days after year-end, considered unavailable revenue in 2016	
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (CFDA No. 10.561)	9,451
Unavailable revenue in 2015, recognized as revenue in 2016	
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (CFDA No. 10.561)	(13,262)
Help America Vote Act Requirements Payments (CFDA No. 90.401) grant monies unspent in previous years and expended in 2016	<u>6,600</u>
Expenditures per Schedule of Expenditures of Federal Awards	<u>\$ 1,006,436</u>

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REBECCA OTTO
STATE AUDITOR

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
Yellow Medicine County
Granite Falls, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Yellow Medicine County, Minnesota, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated July 21, 2017.

Internal Control Over Financial Reporting

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

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

significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit the attention of those charged with governance.

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

Compliance and Other Matters

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

In connection with our audit, nothing came to our attention that caused us to believe that Yellow Medicine 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 2014-001. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the County's noncompliance with the above referenced provisions.

Yellow Medicine County's Response to Finding

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

Purpose of This Report

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

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

July 21, 2017

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REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

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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
Yellow Medicine County
Granite Falls, Minnesota

Report on Compliance for the Major Federal Program

We have audited Yellow Medicine 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 the County's major federal program for the year ended December 31, 2016. Yellow Medicine County's major federal program is 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 Yellow Medicine County's major federal program 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 Yellow Medicine 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 the major federal program. However, our audit does not provide a legal determination of the County's compliance with those requirements.

Opinion on the Major Federal Program

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

Report on Internal Control Over Compliance

Management of Yellow Medicine 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 the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of This Report

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

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

July 21, 2017

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**YELLOW MEDICINE COUNTY
GRANITE FALLS, MINNESOTA**

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

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Internal control over financial reporting:

- Material weaknesses identified? **No**
- Significant deficiencies identified? **None reported**

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

Federal Awards

Internal control over major programs:

- Material weaknesses identified? **No**
- Significant deficiencies identified? **None reported**

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)? **No**

The major federal program is:

Medical Assistance Program

CFDA No. 93.778

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

Yellow Medicine County qualified as a low-risk auditee? **Yes**

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

None.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

None.

IV. OTHER FINDINGS AND RECOMMENDATIONS

MINNESOTA LEGAL COMPLIANCE

PREVIOUSLY REPORTED ITEM NOT RESOLVED

Finding Number 2014-001

Publishing Claims Paid

Criteria: Minnesota Statutes § 375.12 requires that County Board minutes be published within 30 days of the meeting and include an individualized, itemized list of County Board-approved payments over \$2,000. For claims \$2,000 or less, the total number of claims and total amount shall be stated. The County can publish summaries of the minutes, meeting the requirement of Minn. Stat. § 331A.01. However, the County must still publish claims as required by Minn. Stat. § 375.12.

Condition: Yellow Medicine County does not publish an itemized list of County Board-approved payments over \$2,000 with the total number of claims and total amount for payments under \$2,000 as provided by Minn. Stat. § 375.12.

Context: Yellow Medicine County uses its website as a substitute for publishing claims paid. While this is an effective means of notifying the public, it does not meet the statutory requirements of publishing claims in the official newspaper. The County is concerned that publishing an itemized list of County Board-approved payments over \$2,000 would add substantial cost.

Effect: Noncompliance with Minn. Stat. § 375.12.

Cause: The County Board and management believe publishing a summary of bills paid by fund each month is adequate to inform the public of the substance of the proceedings. The County Board does not wish to incur the additional cost of publication and continues to make the information physically available at the County Government Center.

Recommendation: We recommend the County comply with the above-noted statute and publish an itemized list of County Board-approved payments over \$2,000 with the total number of claims and total amount for payments under \$2,000.

View of Responsible Official: Acknowledged

V. PREVIOUSLY REPORTED ITEM RESOLVED

2011-004 Eligibility Testing (CFDA No. 93.778)

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**REPRESENTATION OF YELLOW MEDICINE COUNTY
GRANITE FALLS, MINNESOTA**

**CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED DECEMBER 31, 2016**

Finding Number: 2014-001

Finding Title: Publishing Claims Paid

Name of Contact Person Responsible for Corrective Action:

Michelle May, Finance Manager

Corrective Action Planned:

1. Yellow Medicine County will continue to evaluate cost effective ways to bring the publication requirement into compliance with statute.
2. Meanwhile, Yellow Medicine County will continue to publish a summary of bills paid by fund each month in the County Board meeting minutes, publish a listing of bills paid over \$2,000 on the County website, and make the information available to the public upon request.

Anticipated Completion Date:

Ongoing

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**REPRESENTATION OF YELLOW MEDICINE COUNTY
GRANITE FALLS, MINNESOTA**

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

Finding Number: 2011-004

Finding Title: Eligibility Testing

Program: Medical Assistance Program (CFDA No. 93.778)

Summary of Condition: The Minnesota Department of Human Services maintains the computer system, MAXIS, which is used by the County to support the eligibility determination process. Some information was not input into or updated in MAXIS correctly.

Summary of Corrective Action Previously Reported: Make staff aware of error prone areas in order to prevent future deficiencies, and complete Supervisory Case Reviews and Targeted Case Reviews.

Status: Fully Corrected. Corrective action was taken.

Was corrective action taken significantly different than the action previously reported?

Yes _____ No X

Finding Number: 2014-001

Finding Title: Publishing Claims Paid

Summary of Condition: Minnesota Statutes § 375.12 requires that County Board minutes be published within 30 days of the meeting and include an individualized, itemized list of County Board-approved payments over \$2,000. For claims \$2,000 or less, the total number of claims and total amount shall be stated. Yellow Medicine County does not publish an itemized list of County Board-approved payments over \$2,000 with the total number of claims and total amount for payments under \$2,000 as provided by Minn. Stat. § 375.12.

Summary of Corrective Action Previously Reported: Yellow Medicine County will continue to review options to bring the publication requirement into compliance with statute.

Status: Not Corrected. Yellow Medicine County will continue to review options to bring the publication requirement into compliance with statute. Publication of claims paid is very expensive for the County's citizens and taxpayers. Claims are available for review at the County's Government Center.

Was corrective action taken significantly different than the action previously reported?

Yes _____ No X