

**STEELE COUNTY
OWATONNA, MINNESOTA**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2017

**STEELE COUNTY
OWATONNA, MINNESOTA
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DECEMBER 31, 2017**

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INTRODUCTORY SECTION

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**STEELE COUNTY
OWATONNA, MINNESOTA
ORGANIZATION
DECEMBER 31, 2017**

Office	Name	Term Expires
County Board of Commissioners		
1st District	James Brady	January 7, 2019
2nd District	John Glynn	January 7, 2019
3rd District	Rick Gnemi	January 4, 2021
4th District	Jim Abbe	January 4, 2021
5th District	Greg Krueger	January 4, 2021
County Officers		
Elected		
Attorney	Dan McIntosh	January 7, 2019
Auditor	Laura Ihrke	January 7, 2019
County Judge-3rd Judicial District	Karen Duncan	January 7, 2019
County Judge-3rd Judicial District	Joseph A. Bueltel	January 7, 2019
Sheriff	Lon Thiele	January 7, 2019
Surveyor	John Hosfield	January 7, 2019
Treasurer	Catherine Piepho	January 7, 2019
Appointed		
Assessor	William Effertz	December 31, 2020
Building Mtc & Grounds Director	Lynn Holthus	Indefinite
Coroner	Dr. Kellyanna Moore	January 7, 2019
County Administrator	Scott Golberg	Indefinite
Court Administrator	Robin Hoesley	Indefinite
Emergency Management Director	Mike Johnson	Indefinite
Environmental Services		Indefinite
Four Seasons/Park and Recreation	Steve Schroht	Indefinite
Highway Engineer	Greg Illka	September 25, 2021
Management Information	Dave Purscell	Indefinite
Planning and Zoning Director	Dale Oolman	Indefinite
Probation Services Director	Tim Schammel	Indefinite
Public Health & CHS Director	Amy Roggenbuck	Indefinite
Recorder	Rick Kvien	Indefinite
Veterans Service Officer	Rene Gillormini	Indefinite

¹ Chair for 2017

² Vice Chair for 2017

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

Board of County Commissioners
Steele County
Owatonna, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Steele County, Minnesota (the County), as of and for the year ended December 31, 2017, and the related notes of 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.

Auditors' 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control 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, the business type activities, each major fund, and the aggregate remaining fund information of Steele County as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

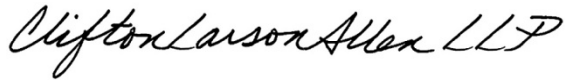
Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Steele County's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2018, on our consideration of Steele County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Steele County's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Brainerd, Minnesota
November 26, 2018

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REQUIRED SUPPLEMENTARY INFORMATION

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**STEELE COUNTY
OWATONNA, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2017**

This section of Steele County's (the County) annual financial report presents our discussion and analysis of the County's financial performance during the fiscal year that ended on December 31, 2017. The management's discussion and analysis (MD&A) is an element of required supplementary information specified in the Governmental Accounting Standard Board's (GASB) Statement No. 34. Certain comparative information between the current year, 2017, and the prior year, 2016, is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2017 include the following:

- County-wide net position increased 4.4% over the prior year amount.
- Overall governmental fund-level revenues totaled \$46,105,019 and were \$3,215,570 more than expenditures.
- The operating revenues of the Enterprise Funds were \$2,030,090 and operating expenses were \$2,050,602. Net nonoperating revenues and expenses totaled \$14,169. This resulted in a decrease in net position of \$3,094,509, after net transfers out of \$3,088,166, for 2017.
- The General Fund's fund balance increased \$1,722,099 from the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual report consists of four parts – independent auditors' report, required supplementary information which includes the management's discussion and analysis (this section), the basic financial statements, and supplementary information. The basic financial statements include two kinds of statements that present different views of the County:

- The first two statements are County-wide financial statements which provide both short-term and long-term information about the County's overall financial status.

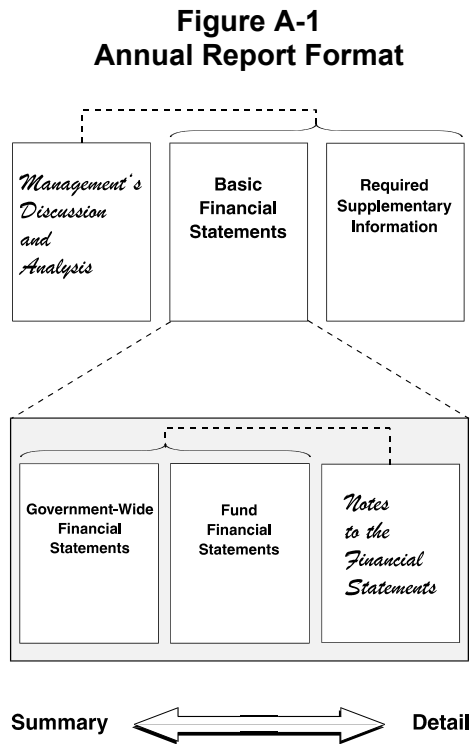
**STEELE COUNTY
OWATONNA, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2017**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

- The remaining statements are fund financial statements which focus on individual parts of the County, reporting the County's operations in more detail than the County-wide statements.
 - The governmental funds statements tell how basic services such as general government, human services, and highways and streets were financed in the short term, as well as what remains for future spending.
 - Fiduciary funds statements provide information about the financial relationships in which the County acts solely as a trustee or agent for the benefit of others to whom the resources belong.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data.

Figure A-1 shows how the various parts of this annual report are arranged and related to one another.



**STEELE COUNTY
OWATONNA, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2017**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Figure A-2 summarizes the major features of the County's financial statements, including the portion of the County's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

Figure A-2. Major Features of the County's Government-wide and Fund Financial Statements

Type of Statements	Government-Wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire County's government (except fiduciary funds).	The activities of the County that are not proprietary or fiduciary.	The activities of the County that operate similar to private businesses.	Instances in which the county is the trustee or agent for someone else's resources.
Required financial statements	Statement of net position.	Balance sheet.	Statement of net position.	Statement of fiduciary net position.
	Statement of activities.	Statement of revenues, expenditures and changes in fund balance.	Statement of revenues, expenses, and changes in fund net position. Statement of cash flows.	Statement of changes in fiduciary net position.
Accounting basis and measurement focus	Accrual accounting and economic resources focus.	Modified accrual accounting and current financial resources focus.	Accrual accounting and economic resources focus.	Accrual accounting and economic resources focus.
Type of asset/liability information	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources, both financial and capital, short-term and long-term.	Only assets and deferred outflows of resources expected to be used up and liabilities and deferred inflows of resources that come due during the year or soon thereafter, no capital assets or long-term debt included.	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources, both financial and capital, and short-term and long-term.	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources, both short-term and long-term. Agency's funds do not currently contain capital assets, although they can.
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and payment is due during the year or soon thereafter.	All revenues and expenses during the year, regardless of when cash is received or paid.	All revenues and expenses during the year, regardless of when cash is received or paid.

**STEELE COUNTY
OWATONNA, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2017**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

County-Wide Statements

The County-wide statements report information about the County as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the County's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two County-wide statements report the County's net position and how they have changed. Net position – the difference between the County's assets and deferred outflows of resources and liabilities and deferred inflows of resources – is one way to measure the County's financial health or position.

- Over time, increases or decreases in the County's net position is an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the County, you need to consider additional non-financial factors such as changes in the County's property tax base and the condition of County buildings and other facilities.

In the County-wide financial statements the County's activities are shown in two categories:

- Governmental activities – The County's basic services are included here. Property taxes, grants and state aids finance most of these activities.
- Business-type activities – The County's enterprise fund operations are included here. Charges for services finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the County's funds – focusing on its most significant or "major" funds – not the County as a whole. Funds are accounting devices the County uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by state law and by bond covenants.
- The County establishes other funds to control and manage money for particular purposes (e.g., repaying its long-term debts) or to show that it is properly using certain revenues (e.g., federal grants).

The County has Three Kinds of Funds:

- Governmental funds – The County's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. Because this information does not encompass the additional long-term focus of the County-wide statements, we provide additional information at the bottom of the governmental funds statements that explain the relationship (or differences) between them.

**STEELE COUNTY
OWATONNA, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2017**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

The County has Three Kinds of Funds (Continued):

- Proprietary funds – The County maintains two proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses enterprise funds to account for its solid waste transfer station and Four Season Civic Center (closed in 2017). Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail.
- Fiduciary funds – The County is the fiscal agent, or fiduciary, for assets that belong to others. The County is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the County's fiduciary activities are reported in a separate statement of fiduciary net position. We exclude these activities from the County-wide financial statements because the County cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

Net Position

The County's net position was \$104,695,909 on December 31, 2017 (see Table A-1).

**Table A-1
The County's Net Position**

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and Other Assets	\$ 40,334,455	\$ 39,812,716	\$ 4,873,577	\$ 6,017,867	\$ 45,208,032	\$ 45,830,583
Capital and Noncurrent Assets	86,980,014	80,249,066	4,661,796	6,752,999	91,641,810	87,002,065
Total Assets	127,314,469	120,061,782	9,535,373	12,770,866	136,849,842	132,832,648
Deferred Outflows of Resources	7,308,810	11,694,374	68,981	209,879	7,377,791	11,904,253
Current Liabilities	3,530,460	4,319,143	130,126	149,675	3,660,586	4,468,818
Long-Term Liabilities	25,348,754	33,105,024	2,634,066	2,886,376	27,982,820	35,991,400
Total Liabilities	28,879,214	37,424,167	2,764,192	3,036,051	31,643,406	40,460,218
Deferred Inflows of Resources	7,817,211	3,910,529	71,107	81,130	7,888,318	3,991,659
Net Position						
Net Investment in Capital Assets	78,794,161	69,983,350	4,661,796	6,752,999	83,455,957	76,736,349
Restricted	4,591,726	3,308,374	-	-	4,591,726	3,308,374
Unrestricted	14,540,967	17,129,736	2,107,259	3,110,565	16,648,226	20,240,301
Total Net Position	\$ 97,926,854	\$ 90,421,460	\$ 6,769,055	\$ 9,863,564	\$ 104,695,909	\$ 100,285,024

**STEELE COUNTY
OWATONNA, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2017**

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE (CONTINUED)

Changes in Net Position

The County-wide total revenues were \$48,933,145 for the year ended December 31, 2017. Property taxes, charges for services, and intergovernmental revenues, including grants and contributions, accounted for 88.9% of total revenue for the year (see Table A-2).

**Table A-2
Change in Net Position**

	Governmental Activities		Total % Change	Business-Type Activities		Total % Change	Total		Total % Change
	2017	2016		2017	2016		2017	2016	
REVENUES									
Program Revenues									
Charges for Services	\$ 7,272,025	\$ 6,389,912	13.8 %	\$ 2,004,096	\$ 2,705,971	(25.9)%	\$ 9,276,121	\$ 9,095,883	2.0 %
Operating Grants and Contributions	5,101,891	3,691,049	38.2	-	-	-	5,101,891	3,691,049	38.2
Capital Grants and Contributions	4,130,930	3,864,052	6.9	-	-	-	4,130,930	3,864,052	6.9
General Revenues									
Property Taxes	22,865,074	22,460,278	1.8	-	-	-	22,865,074	22,460,278	1.8
Unrestricted State Aid	2,109,677	2,103,046	0.3	-	-	-	2,109,677	2,103,046	0.3
Investment Earnings (Loss)	500,268	450,427	11.1	11,669	11,968	(2.5)	511,937	462,395	10.7
Other	4,909,021	3,487,827	40.7	28,494	147,812	(80.7)	4,937,515	3,635,639	35.8
Total Revenues	46,888,886	42,446,591	10.5	2,044,259	2,865,751	(28.7)	48,933,145	45,312,342	8.0
EXPENSES									
General Government	8,680,734	9,487,440	(8.5)	-	-	-	8,680,734	9,487,440	(8.5)
Public Safety	12,277,846	11,497,445	6.8	-	-	-	12,277,846	11,497,445	6.8
Highways and Streets	8,092,995	8,713,478	(7.1)	-	-	-	8,092,995	8,713,478	(7.1)
Sanitation	793,344	849,638	(6.6)	2,050,602	1,626,360	26.1	2,843,946	2,475,998	14.9
Human Services	8,824,874	3,737,164	136.1	-	-	-	8,824,874	3,737,164	136.1
Health	2,075,433	2,139,980	(3.0)	-	-	-	2,075,433	2,139,980	(3.0)
Culture and Recreation	483,677	347,289	39.3	-	555,353	(100.0)	483,677	902,642	(46.4)
Conservation of Natural Resources	886,674	1,396,285	(36.5)	-	-	-	886,674	1,396,285	(36.5)
Interest	356,081	415,615	(14.3)	-	-	-	356,081	415,615	(14.3)
Total Expenses	42,471,658	38,584,334	10.1	2,050,602	2,181,713	(6.0)	44,522,260	40,766,047	9.2
CHANGE IN NET POSITION BEFORE TRANSFERS	4,417,228	3,862,257	14.4	(6,343)	684,038	(100.9)	4,410,885	4,546,295	(3.0)
TRANSFERS IN (OUT)	3,088,166	(210,000)	1570.6	(3,088,166)	210,000	(1570.6)	-	-	-
CHANGE IN NET POSITION	7,505,394	3,652,257	105.5	(3,094,509)	894,038	(446.1)	4,410,885	4,546,295	(3.0)
Net Position - Beginning of Year	90,421,460	86,769,203	4.2	9,863,564	8,969,526	10.0	100,285,024	95,738,729	4.7
NET POSITION - END OF YEAR	<u>\$ 97,926,854</u>	<u>\$ 90,421,460</u>	8.3	<u>\$ 6,769,055</u>	<u>\$ 9,863,564</u>	(31.4)	<u>\$ 104,695,909</u>	<u>\$ 100,285,024</u>	4.4

Total governmental activities revenues surpassed expenses, increasing net position \$4,417,228. The increase relates primarily to positive budgetary results in multiple areas.

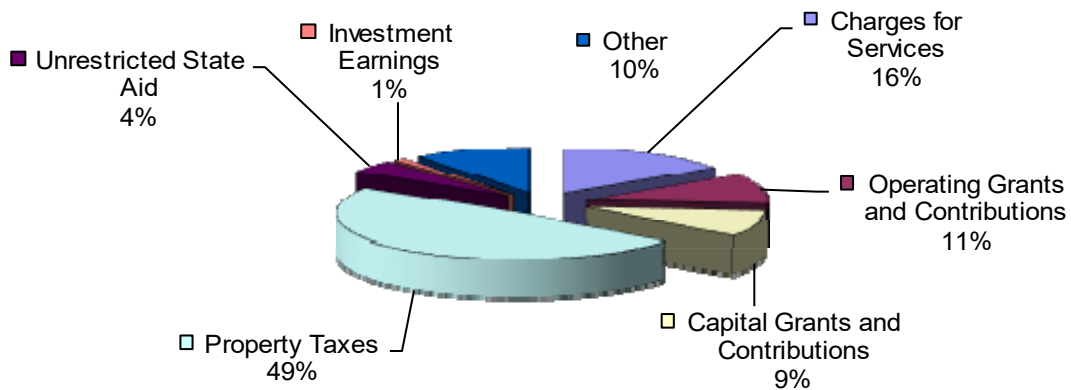
**STEELE COUNTY
OWATONNA, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2017**

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE (CONTINUED)

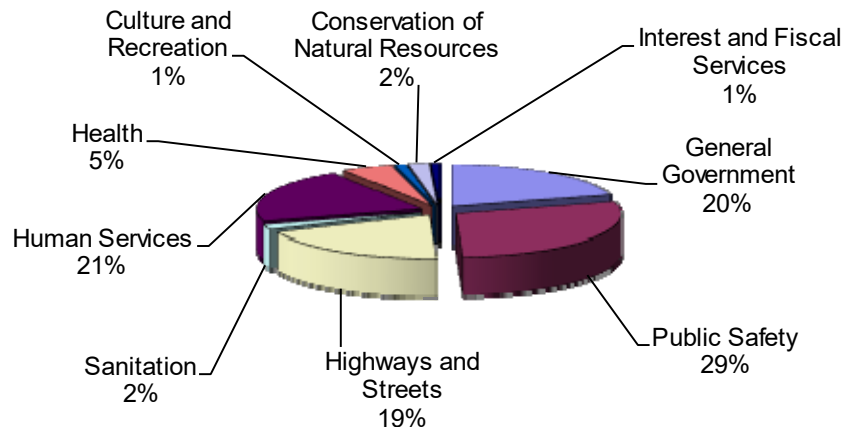
The County-wide cost of all governmental activities this year was \$42,471,658 (see Table A-3).

- Some of the cost was paid by the users of the County's programs (\$7,272,025).
- The federal and state governments subsidized certain programs with grants and contributions (\$9,232,821).
- The remainder of the County's governmental activities costs however, was paid for by County taxpayers and the taxpayers of our state (see Table A-2).

**Figure A-3
Governmental Activities Revenues by Source 2017**



**Figure A-4
Governmental Activities Expenses by Function 2017**



**STEELE COUNTY
OWATONNA, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2017**

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE (CONTINUED)

**Table A-3
Expenses and Net (Revenue) Cost of Services**

	Total Cost of Services		Percentage Change	Net (Revenue) Cost of Services		Percentage Change
	2017	2016		2017	2016	
GOVERNMENTAL ACTIVITIES						
General Government	\$ 8,680,734	\$ 9,487,440	(8.5)%	\$ 6,617,689	\$ 8,148,156	(18.8)%
Public Safety	12,277,846	11,497,445	6.8	9,612,561	8,955,668	7.3
Highways and Streets	8,092,995	8,713,478	(7.1)	1,371,133	2,004,441	(31.6)
Sanitation	793,344	849,638	(6.6)	(22,804)	(8,933)	155.3
Human Services	8,824,874	3,737,164	136.1	7,210,217	3,411,962	111.3
Health	2,075,433	2,139,980	(3.0)	667,027	487,876	36.7
Culture and Recreation	483,677	347,289	39.3	441,717	333,325	32.5
Conservation of Natural Resources	886,674	1,396,285	(36.5)	458,320	891,211	(48.6)
Interest	356,081	415,615	(14.3)	(389,048)	415,615	(193.6)
Total	<u>\$ 42,471,658</u>	<u>\$ 38,584,334</u>	10.1	<u>\$ 25,966,812</u>	<u>\$ 24,639,321</u>	5.4
BUSINESS-TYPE ACTIVITIES						
Solid Waste	\$ 2,050,602	\$ 1,626,360	26.1	\$ 46,506	\$ (705,078)	106.6
Four Seasons Civic Center	-	555,353	(100.0)	-	180,820	(100.0)
Total	<u>\$ 2,050,602</u>	<u>\$ 2,181,713</u>	(6.0)	<u>\$ 46,506</u>	<u>\$ (524,258)</u>	108.9

FINANCIAL ANALYSIS OF THE COUNTY AT THE FUND LEVEL

The financial performance of the County as a whole is reflected in its governmental funds as well. As the County completed 2017, its governmental funds reported a combined fund balance of \$31,115,591.

Revenues for the County's governmental funds were \$46,105,019, while total expenditures were \$42,889,449.

GENERAL FUND

The General Fund includes the primary operations of the County in providing services to citizens and some capital outlay projects.

**STEELE COUNTY
OWATONNA, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2017**

GENERAL FUND (CONTINUED)

The following schedule presents a summary of General Fund revenues:

**Table A-4
General Fund Revenues**

	Year Ended		Change	
	December 31, 2017	December 31, 2016	Increase (Decrease)	Percent
Taxes	\$ 17,979,397	\$ 17,296,888	\$ 682,509	3.9 %
Intergovernmental	3,651,360	2,942,360	709,000	24.1
Charges for Services	4,475,080	4,444,965	30,115	0.7
Interest	497,396	447,825	49,571	11.1
Insurance Dividend	165,395	203,469	(38,074)	(18.7)
Miscellaneous and Other	1,527,278	1,138,643	388,635	34.1
Total General Fund Revenues	<u>\$ 28,295,906</u>	<u>\$ 26,474,150</u>	<u>\$ 1,821,756</u>	6.9

Total General Fund revenue increased by \$1,821,756, or 6.9%, from the previous year. The increase relates primarily to tax revenue increases, additional revenue from inclusion of Four Seasons in the General Fund, additional intergovernmental revenue, and new grant sources.

The following schedule presents a summary of General Fund expenditures:

**Table A-5
General Fund Expenditures**

	Year Ended		Change	
	December 31, 2017	December 31, 2016	Increase (Decrease)	Percent
General Government	\$ 7,924,499	\$ 7,603,222	\$ 321,277	4.2 %
Public Safety	10,127,637	9,434,332	693,305	7.3
Sanitation	814,499	849,295	(34,796)	(4.1)
Health and Human Services	6,281,861	5,634,668	647,193	11.5
Culture and Recreation	760,014	312,046	447,968	143.6
Conservation	523,749	529,885	(6,136)	(1.2)
Debt Service	197,165	165,907	31,258	18.8
Total Expenditures	<u>\$ 26,629,424</u>	<u>\$ 24,529,355</u>	<u>\$ 2,100,069</u>	8.6

**STEELE COUNTY
OWATONNA, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2017**

OTHER MAJOR FUNDS ANALYSIS

The Road and Bridge Fund had total fund balance of \$11,818,629 at the end of the current fiscal year. The fund balance of the Road and Bridge Fund increased \$2,823,476 due primarily to project delays due to turnover in key staff positions.

The Ditch Fund had total deficit fund balance of \$846,814 at the end of the current fiscal year. The fund balance deficit of the Ditch Fund decreased \$101,929 primarily due to special assessment revenue exceeding ditch repairs.

The Community Wellness Fund had total deficit fund balance of \$1,405,930 at the end of the current fiscal year. The fund balance deficit of the Community Wellness Fund increased \$312,060 due to bond payments and professional fees relating to the termination of the County's membership in SCCL.

The Debt Service Fund had total fund balance of \$1,269,762 at the end of the current fiscal year. The fund balance of the Debt Service Fund increased \$26,200 due to tax revenue and intergovernmental revenue exceeding the scheduled repayment of debt.

The Capital Projects Fund had total deficit fund balance of \$1,071,169 at the end of the current fiscal year. The deficit fund balance of the Capital Projects Fund increased \$1,015,567 during the current fiscal year due primarily to courthouse flooding restorations and additional expenses for the public works facility construction.

The Solid Waste Fund had total net position of \$6,769,055 at the end of the current fiscal year. The net position of the Solid Waste Fund decreased \$6,343 during the current year due primarily to decreases in collection of service fees in 2017.

The Four Seasons Civic Center Fund had total net position of \$0 at the end of the current fiscal year. The net position of the Four Seasons Civic Center Fund decreased \$3,088,166 during the current fiscal year due to moving the activity for the Civic Center to the General Fund.

GENERAL FUND BUDGETARY HIGHLIGHTS

- The County Board approved a budget amendment during the year due to the delay of the Public Works Facility project.
- Actual revenues were \$789,457 more than expected due to unbudgeted tax revenue (delinquent tax and penalties) and increased investment earnings.
- The actual expenditures were \$1,501,569 less than expected due primarily to savings in other general government and public safety expenditures.

**STEELE COUNTY
OWATONNA, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2017**

CAPITAL ASSETS

By the end of 2017, the County had invested approximately \$184,600,000 in a broad range of capital assets including buildings, computers, equipment, and infrastructure (see Table A-6). (More detailed information about capital assets can be found in Note 3.A.4 to the financial statements.) Total depreciation expense for the year was \$8,916,311 (including the enterprise funds).

**Table A-6
The County's Capital Assets**

	Governmental Activities			Business-Type Activities			Total		
	2017	2016	Percent Change	2017	2016	Percent Change	2017	2016	Percent Change
Land	\$ 3,529,228	\$ 3,529,228	- %	\$ 451,250	\$ 451,250	- %	\$ 3,980,478	\$ 3,980,478	- %
Construction-in-Progress	4,191,732	2,539,604	65.1	-	17,556	100.0	4,191,732	2,557,160	63.9
Infrastructure	125,104,817	120,098,479	4.2	-	-	-	125,104,817	120,098,479	4.2
Buildings	29,012,587	22,180,214	30.8	426,166	5,826,793	(92.7)	29,438,753	28,007,007	5.1
Improvements Other than Buildings	1,349,385	1,323,599	1.9	104,831	208,438	(49.7)	1,454,216	1,532,037	(5.1)
Landfill	-	-	-	8,205,530	6,598,175	24.4	8,205,530	6,598,175	24.4
Machinery, Equipment, and Vehicles	10,429,512	9,483,606	10.0	1,792,273	2,305,813	(22.3)	12,221,785	11,789,419	3.7
Less: Accumulated Depreciation	(86,637,247)	(78,905,664)	9.8	(6,318,254)	(8,655,026)	(27.0)	(92,955,501)	(87,560,690)	6.2
Total	<u>\$ 86,980,014</u>	<u>\$ 80,249,066</u>	8.4	<u>\$ 4,661,796</u>	<u>\$ 6,752,999</u>	(31.0)	<u>\$ 91,641,810</u>	<u>\$ 87,002,065</u>	5.3

LONG-TERM LIABILITIES

At year-end, the County had \$16,099,398 in long-term liabilities outstanding.

- The County's governmental activities total debt decreased \$2,515,334, due primarily to the repayment of bonds according to the repayment schedules.

**Table A-7
The County's Long-Term Liabilities**

	2017	2016	Percentage Change
GOVERNMENTAL ACTIVITIES			
General Obligation Bonds	\$ 7,995,899	\$ 10,239,618	(21.9)%
Revenue Bonds	2,650,000	2,795,000	(5.2)
General Obligation Notes	87,876	104,332	(15.8)
Loans Payable	641,730	805,632	(20.3)
Compensated Absences Payable	1,206,436	1,251,504	(3.6)
Other Postemployment Benefits Payable	1,126,111	1,027,300	9.6
Total Governmental Activities	<u>\$ 13,708,052</u>	<u>\$ 16,223,386</u>	(15.5)
BUSINESS-TYPE ACTIVITIES			
Closure and Postclosure	\$ 2,341,694	\$ 2,313,709	1.2
Compensated Absences Payable	32,791	46,497	(29.5)
Other Postemployment Benefits Payable	16,861	38,167	(55.8)
Total Business-Type Activities	<u>\$ 2,391,346</u>	<u>\$ 2,398,373</u>	(0.3)

**STEELE COUNTY
OWATONNA, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2017**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The County's elected and appointed officials considered many factors when deciding the fiscal year 2018 budget, tax rates and charges for service fees. Some of the factors included revenues expected from other revenue sources (i.e., State of Minnesota), the County's financial policies, their capital improvement plan as well as other projected forecasts. These factors were considered when the budget and levy were set at \$54,399,539 and \$23,604,843, respectively.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Laura Ihrke, County Auditor, or Cathy Piepho, County Treasurer, at (507) 444-7422.

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

**STEELE COUNTY
OWATONNA, MINNESOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2017**

	Primary Government		
	Governmental Activities	Business- Type Activities	Total
ASSETS			
Cash and Pooled Investments	\$ 31,192,579	\$ 2,317,120	\$ 33,509,699
Petty Cash and Change Funds	1,670	500	2,170
Cash with Escrow Agent	-	2,382,216	2,382,216
Taxes Receivable			
Current	96,172	-	96,172
Delinquent	254,621	-	254,621
Special Assessments Receivable			
Delinquent	311,388	-	311,388
Noncurrent	347,248	-	347,248
Accounts Receivable - Net	366,486	173,937	540,423
Accrued Interest Receivable	178,877	-	178,877
Internal Balances	196	(196)	-
Due from Other Governments	2,215,286	-	2,215,286
Prepaid Items	296,425	-	296,425
Loans Receivable	282,789	-	282,789
Inventories	164,866	-	164,866
Investment in Joint Venture	4,305,852	-	4,305,852
Restricted Assets			
Cash and Pooled Investments	-	-	-
Net Investment in Sales-Type Lease	320,000	-	320,000
Non-Depreciable Capital Assets			
Land	3,529,228	451,250	3,980,478
Construction-in-Progress	4,191,732	-	4,191,732
Depreciable Capital Assets			
Building (Net)	17,565,408	180,763	17,746,171
Improvements Other than Buildings (Net)	57,177	62,326	119,503
Machinery, Vehicles, Furniture, and Equipment (Net)	4,021,402	823,204	4,844,606
Landfill (Net)	-	3,144,253	3,144,253
Infrastructure (Net)	57,615,067	-	57,615,067
Total Assets	127,314,469	9,535,373	136,849,842
DEFERRED OUTFLOWS OF RESOURCES			
Pension Related	7,229,732	68,981	7,298,713
Loss on Refunding	79,078	-	79,078
Total Deferred Outflows of Resources	7,308,810	68,981	7,377,791

See accompanying Notes to Financial Statements.

	Primary Government		
	Governmental Activities	Business- Type Activities	Total
LIABILITIES			
Accounts Payable	\$ 1,041,868	\$ 88,806	\$ 1,130,674
Salaries Payable	317,994	6,344	324,338
Accrued Payroll Taxes Payable	46,663	901	47,564
Contracts Payable	65,558	-	65,558
Due to Other Governments	217,446	22,598	240,044
Accrued Interest Payable	52,633	-	52,633
Compensated Absences Payable - Due Within One Year	422,253	11,477	433,730
General Obligation Bonds Payable - Due Within One Year	1,065,000	-	1,065,000
Loans Payable - Due Within One Year	134,425	-	134,425
Revenue Bonds Payable - Due Within One Year	150,000	-	150,000
G.O. Taxable Wastewater Revenue Notes - Due Within One Year	16,620	-	16,620
Compensated Absences Payable - Due in More than One Year	784,183	21,314	805,497
Other Postemployment Benefits Payable - Due in More than One Year	1,126,111	16,861	1,142,972
General Obligation Bonds Payable - Due in More than One Year	6,930,899	-	6,930,899
Loans Payable - Due in More than One Year	507,305	-	507,305
Estimated Liability for Landfill Closure/Postclosure - Due in More than One Year	-	2,341,694	2,341,694
Revenue Bonds Payable - Due in More than One Year	2,500,000	-	2,500,000
G.O. Taxable Wastewater Revenue Notes - Due in More than One Year	71,256	-	71,256
Net Pension Liability - Due in More than One Year	13,429,000	254,197	13,683,197
Total Liabilities	28,879,214	2,764,192	31,643,406
DEFERRED INFLOWS OF RESOURCES			
Pension Related	6,601,613	71,107	6,672,720
Taxes Levied for Subsequent Year	1,215,598	-	1,215,598
Total Deferred Inflows of Resources	7,817,211	71,107	7,888,318
NET POSITION			
Net Investment in Capital Assets	78,794,161	4,661,796	83,455,957
Restricted For:			
General Government	679,732	-	679,732
Debt Service	1,256,308	-	1,256,308
Steele County Communities for a Lifetime	-	-	-
Transportation State Aid	1,713,967	-	1,713,967
Conservation of Natural Resources	941,719	-	941,719
Unrestricted	14,540,967	2,107,259	16,648,226
Total Net Position	\$ 97,926,854	\$ 6,769,055	\$ 104,695,909

**STEELE COUNTY
OWATONNA, MINNESOTA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2017**

FUNCTIONS/PROGRAMS	Expenses	Program Revenue		
		Fees, Charges Fines, and Other	Operating Grants and Contributions	Capital Grants and Contributions
GOVERNMENTAL ACTIVITIES				
General Government	\$ 8,680,734	\$ 1,695,004	\$ 368,041	\$ -
Public Safety	12,277,846	2,418,488	246,797	-
Highways and Streets	8,092,995	161,816	2,429,116	4,130,930
Sanitation	793,344	651,190	164,958	-
Human Services	8,824,874	431,979	1,182,678	-
Health	2,075,433	724,152	684,254	-
Culture and Recreation	483,677	17,255	24,705	-
Conservation of Natural Resources	886,674	427,012	1,342	-
Interest	356,081	745,129	-	-
Total Governmental Activities	42,471,658	7,272,025	5,101,891	4,130,930
BUSINESS-TYPE ACTIVITIES				
Solid Waste	2,050,602	2,004,096	-	-
Total Business-Type Activities	2,050,602	2,004,096	-	-
Total Primary Government	\$ 44,522,260	\$ 9,276,121	\$ 5,101,891	\$ 4,130,930

GENERAL REVENUES

Taxes
Property Taxes
Sales Taxes
Wheelage Taxes
Mortgage Registry and Deed Taxes
Grants and Contributions not Restricted
for a Particular Purpose
Gifts and Contributions
Investment Earnings
Miscellaneous
Gain on Sale of Capital Assets

TRANSFERS

Total General Revenues

CHANGE IN NET POSITION

Net Position - Beginning of Year

NET POSITION - END OF YEAR

See accompanying Notes to Financial Statements.

Net (Expense) Revenue and Changes in Net Position
Primary Government

Governmental Activities	Business-Type Activities	Total
\$ (6,617,689)	\$ -	\$ (6,617,689)
(9,612,561)	-	(9,612,561)
(1,371,133)	-	(1,371,133)
22,804	-	22,804
(7,210,217)	-	(7,210,217)
(667,027)	-	(667,027)
(441,717)	-	(441,717)
(458,320)	-	(458,320)
389,048	-	389,048
<u>(25,966,812)</u>	<u>-</u>	<u>(25,966,812)</u>
-	(46,506)	(46,506)
<u>-</u>	<u>(46,506)</u>	<u>(46,506)</u>
(25,966,812)	(46,506)	(26,013,318)
22,865,074	-	22,865,074
2,670,343	-	2,670,343
368,260	-	368,260
34,911	-	34,911
2,109,677	-	2,109,677
100,250	-	100,250
500,268	11,669	511,937
1,712,257	25,994	1,738,251
23,000	2,500	25,500
3,088,166	(3,088,166)	-
<u>33,472,206</u>	<u>(3,048,003)</u>	<u>30,424,203</u>
7,505,394	(3,094,509)	4,410,885
<u>90,421,460</u>	<u>9,863,564</u>	<u>100,285,024</u>
<u>\$ 97,926,854</u>	<u>\$ 6,769,055</u>	<u>\$ 104,695,909</u>

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FUND FINANCIAL STATEMENTS

**STEELE COUNTY
OWATONNA, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2017**

	<u>General</u>	<u>Road and Bridge</u>
ASSETS		
Cash and Pooled Investments	\$ 17,913,663	\$ 11,478,469
Petty Cash and Change Funds	1,620	50
Taxes Receivable		
Current	75,386	11,221
Delinquent	196,486	31,126
Special Assessments Receivable		
Delinquent	301,441	-
Deferred	-	-
Accounts Receivable	263,473	84,688
Accrued Interest Receivable	176,101	-
Loans Receivable	282,789	-
Due from Other Funds	109,615	-
Due from Other Governments	799,118	987,818
Inventories	-	164,866
Prepaid Items	296,425	-
Advances to Other Funds	3,549,000	-
Net Investment in Sales-Type Lease	-	-
	<u>\$ 23,965,117</u>	<u>\$ 12,758,238</u>

See accompanying Notes to Financial Statements.

<u>Ditch</u>	<u>Community Wellness</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
\$ 256,675	\$ 120,055	\$ 1,381,757	\$ 41,960	\$ 31,192,579
-	-	-	-	1,670
-	-	9,565	-	96,172
-	-	27,009	-	254,621
9,947	-	-	-	311,388
347,248	-	-	-	347,248
-	17,828	-	497	366,486
-	2,776	-	-	178,877
-	-	-	-	282,789
-	-	-	-	109,615
62,448	-	-	365,902	2,215,286
-	-	-	-	164,866
-	-	-	-	296,425
-	-	-	-	3,549,000
-	320,000	-	-	320,000
<u>\$ 676,318</u>	<u>\$ 460,659</u>	<u>\$ 1,418,331</u>	<u>\$ 408,359</u>	<u>\$ 39,687,022</u>

**STEELE COUNTY
OWATONNA, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS (CONTINUED)
DECEMBER 31, 2017**

	General	Public Works
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES		
LIABILITIES		
Accounts Payable	\$ 401,893	\$ 94,403
Salaries Payable	298,802	19,192
Accrued Payroll Taxes	43,790	2,873
Contracts Payable	-	65,558
Due to Other Funds	-	9,419
Due to Other Governments	109,493	81,696
Customer Deposits	31,220	-
Advance from Other Funds	-	-
	885,198	273,141
DEFERRED INFLOWS OF RESOURCES		
Unavailable Taxes	196,486	31,126
Unavailable Special Assessments	41,326	-
Unavailable Loans	260,115	-
Unavailable Grants	45,540	487,393
Taxes Levied for Subsequent Year	948,166	145,872
Unavailable Revenues	237,173	2,077
Unavailable Lease	-	-
	1,728,806	666,468
FUND BALANCES		
Nonspendable for		
Ag Society Loans Receivable	316,766	-
Inventories	-	164,866
Prepaid Items	296,425	-
Advances to Other Funds	3,629,000	-
Restricted for		
Tree Memorial	595	-
Recorder Technology	294,895	-
Recorder Compliance Fund	198,105	-
Missing Heirs	639	-
CWP Loans	467,023	-
Natural Resources Block Grant	48,561	-
U of M Extension	7,313	-
Veterans Donation	1,840	-
Sheriff Drug & Alcohol Forfeiture	7,455	-
Sheriff Handgun	143,248	-
SCRAM	25,642	-
County Attorney	35,782	-
Steele County Communities for a Lifetime	-	-
Debt Services	-	-
Transportation	-	1,211,277
Bixby Project	67,755	-
Assigned for		
Bridges, Roads & Streets	-	10,323,845
Compensated Absences	1,087,793	118,641
Unassigned	14,722,276	-
	21,351,113	11,818,629
Total Fund Balances	21,351,113	11,818,629
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 23,965,117	\$ 12,758,238

See accompanying Notes to Financial Statements.

Ditch	Community Wellness	Debt Service	Capital Projects	Total Governmental Funds
\$ 108,234	\$ 26,589	\$ -	\$ 379,528	\$ 1,010,647
-	-	-	-	317,994
-	-	-	-	46,663
-	-	-	-	65,558
-	-	-	100,000	109,419
26,257	-	-	-	217,446
-	-	-	-	31,220
<u>1,029,000</u>	<u>1,520,000</u>	<u>-</u>	<u>1,000,000</u>	<u>3,549,000</u>
1,163,491	1,546,589	-	1,479,528	5,347,947
-	-	27,009	-	254,621
357,195	-	-	-	398,521
-	-	-	-	260,115
-	-	-	-	532,933
-	-	121,560	-	1,215,598
2,446	-	-	-	241,696
<u>-</u>	<u>320,000</u>	<u>-</u>	<u>-</u>	<u>320,000</u>
359,641	320,000	148,569	-	3,223,484
-	-	-	-	316,766
-	-	-	-	164,866
-	-	-	-	296,425
-	-	-	-	3,629,000
-	-	-	-	595
-	-	-	-	294,895
-	-	-	-	198,105
-	-	-	-	639
-	-	-	-	467,023
-	-	-	-	48,561
-	-	-	-	7,313
-	-	-	-	1,840
-	-	-	-	7,455
-	-	-	-	143,248
-	-	-	-	25,642
-	-	-	-	35,782
-	-	-	-	-
-	-	1,269,762	-	1,269,762
-	-	-	-	1,211,277
-	-	-	-	67,755
-	-	-	-	10,323,845
-	-	-	-	1,206,434
<u>(846,814)</u>	<u>(1,405,930)</u>	<u>-</u>	<u>(1,071,169)</u>	<u>11,398,363</u>
<u>(846,814)</u>	<u>(1,405,930)</u>	<u>1,269,762</u>	<u>(1,071,169)</u>	<u>31,115,591</u>
<u>\$ 676,318</u>	<u>\$ 460,659</u>	<u>\$ 1,418,331</u>	<u>\$ 408,359</u>	<u>\$ 39,687,022</u>

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**STEELE COUNTY
OWATONNA, MINNESOTA
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO
THE GOVERNMENT-WIDE STATEMENT OF NET POSITION
GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2017**

TOTAL FUND BALANCES FOR GOVERNMENTAL FUNDS	\$ 31,115,591
Total net position reported for governmental activities in the statement of net position is 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.	86,980,014
Other long-term assets (deferred inflows of resources) are not available to pay for current-period expenditures and, therefore, are reported as deferred inflows in the governmental funds.	2,007,885
The loss on refunding is reported as a deferred outflow of resources on the statement on net position and amortized over the life of the bond.	79,078
The net pension liability and related inflows and outflows of resources are recorded only on the statement of net position. Balances at year-end are:	
Net Pension Liability	(13,429,000)
Deferred Outflows of Resources Related to Pensions	7,229,732
Deferred Inflows of Resources Related to Pensions	(6,601,613)
Investment in joint ventures are reported in governmental activities and are not financial resources. Therefore, they are not reported in the governmental funds.	4,305,852
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	
General Obligation Bonds and Premium	\$ (7,995,899)
Revenue Bonds	(2,650,000)
General Obligation Taxable Wastewater Revenue Notes	(87,876)
Loans Payable	(641,730)
Compensated Absences	(1,206,436)
Other Postemployment Benefits Payable	(1,126,111)
Accrued Interest Payable	(52,633)
	(13,760,685)
TOTAL NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ 97,926,854

See accompanying Notes to Financial Statements.

**STEELE COUNTY
OWATONNA, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2017**

	General	Road and Bridge
REVENUES		
Taxes	\$ 17,979,397	\$ 5,708,503
Special Assessments	-	-
Licenses and Permits	158,443	11,710
Intergovernmental	3,651,360	6,365,705
Charges for Services	4,475,080	192,383
Fines and Forfeits	12,783	-
Investment Earnings	497,396	-
Insurance Dividend	165,395	-
Miscellaneous	1,356,052	97,342
Total Revenues	28,295,906	12,375,643
EXPENDITURES		
CURRENT		
General Government	7,750,692	-
Public Safety	10,043,335	-
Highways and Streets	-	9,119,420
Sanitation	814,499	-
Human Services	3,958,636	-
Health	2,323,225	-
Culture and Recreation	760,014	-
Conservation of Natural Resources	523,749	-
CAPITAL OUTLAY		
General Government	173,807	-
Public Safety	84,302	-
Highways and Streets	-	507,637
DEBT SERVICE		
Principal	180,358	-
Interest	16,807	-
Total Expenditures	26,629,424	9,627,057
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,666,482	2,748,586
OTHER FINANCING SOURCES (USES)		
Transfers In	185,890	22,022
Transfers Out	(130,273)	-
Proceeds from Sale of Assets	-	23,000
Total Other Financing Sources (Uses)	55,617	45,022
NET CHANGE IN FUND BALANCES	1,722,099	2,793,608
Fund Balances (Deficit) - Beginning of Year	19,629,014	8,995,153
INCREASE IN INVENTORIES	-	29,868
FUND BALANCES (DEFICIT) - END OF YEAR	\$ 21,351,113	\$ 11,818,629

See accompanying Notes to Financial Statements.

Ditch	Community Wellness	Debt Service	Capital Projects	Total Governmental Funds
\$ -	\$ -	\$ 2,275,366	\$ -	\$ 25,963,266
632,149	-	-	-	632,149
-	-	-	-	170,153
-	-	205,523	993,506	11,216,094
-	-	-	-	4,667,463
-	-	-	-	12,783
3,078	-	-	-	500,474
-	-	-	-	165,395
-	287,986	-	1,035,862	2,777,242
635,227	287,986	2,480,889	2,029,368	46,105,019
-	-	-	-	7,750,692
-	-	-	-	10,043,335
-	-	-	-	9,119,420
-	-	-	16,205	830,704
-	324,700	-	-	4,283,336
-	-	-	-	2,323,225
-	-	-	-	760,014
533,298	-	-	-	1,057,047
-	-	-	-	173,807
-	-	-	1,443,992	1,528,294
-	-	-	1,584,738	2,092,375
-	145,000	2,185,000	-	2,510,358
-	130,346	269,689	-	416,842
533,298	600,046	2,454,689	3,044,935	42,889,449
101,929	(312,060)	26,200	(1,015,567)	3,215,570
-	-	-	-	207,912
-	-	-	-	(130,273)
-	-	-	-	23,000
-	-	-	-	100,639
101,929	(312,060)	26,200	(1,015,567)	3,316,209
(948,743)	(1,093,870)	1,243,562	(55,602)	27,769,514
-	-	-	-	29,868
<u>\$ (846,814)</u>	<u>\$ (1,405,930)</u>	<u>\$ 1,269,762</u>	<u>\$ (1,071,169)</u>	<u>\$ 31,115,591</u>

**STEELE COUNTY
OWATONNA, MINNESOTA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES – GOVERNMENT ACTIVITIES
YEAR ENDED DECEMBER 31, 2017**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 3,316,209

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Expenditures for General Capital Assets, Infrastructure, and Other Related Capital			
Asset Adjustments	\$ 15,188,126		
Current Year Depreciation	<u>(8,416,942)</u>		6,771,184

In the statement of activities, only the gain or loss on the disposal of capital assets are reported whereas in the governmental funds, the proceeds from the disposal increase financial resources. Therefore, the change in net position differs from the change in fund balance by the net cost of the capital assets disposed of. (40,236)

Governmental funds report pension contribution as expenditures when made. However, in the statement of activities, pension expense is the cost of the benefits earned, adjusted for member contributions, the recognition of changes in deferred outflows and inflows of resources related to pensions, and the investment experience.

Pension Expense			(1,401,730)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds. (4,842,267)

At the fund level, under the modified accrual basis, distributions of joint venture equity interest are recorded as revenue. In the statement of net position, an asset is reported for the equity interest in joint ventures and distributions (decreases) and increases in joint venture equity are reported in the statement of activities. The change in net position differs from the changes in fund balance by the increases and decreases in the investment in joint venture. 1,156,134

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	2,185,000		
Revenue Bonds	145,000		
Clean Water Partnership	163,902		
General Obligation Taxable Wastewater Revenue Notes	<u>16,456</u>		2,510,358

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	14,263		
Amortization of Refunding Loss of Bonds	(13,365)		
Amortization of Bond Premiums	58,719		
Change in Compensated Absences	45,068		
Change in Other Postemployment Benefits Payable	(98,811)		
Change in Inventories	<u>29,868</u>		<u>35,742</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 7,505,394

See accompanying Notes to Financial Statements.

**STEELE COUNTY
OWATONNA, MINNESOTA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2017**

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Solid Waste</u>	<u>Four Seasons Civic Center</u>	<u>Totals</u>
ASSETS			
CURRENT ASSETS			
Cash and Pooled Investments	\$ 2,317,120	\$ -	\$ 2,317,120
Petty Cash and Change Funds	500	-	500
Accounts Receivable (Net)	173,937	-	173,937
Total Current Assets	<u>2,491,557</u>	<u>-</u>	<u>2,491,557</u>
Restricted Assets			
Cash and Pooled Investments	2,382,216	-	2,382,216
NONCURRENT ASSETS			
Non-Depreciable Capital Assets			
Land	451,250	-	451,250
Depreciable Capital Assets - Net of Accumulated Depreciation			
Buildings	180,763	-	180,763
Improvements Other than Buildings	62,326	-	62,326
Machinery, Vehicles, Furniture, and Equipment	823,204	-	823,204
Landfill	3,144,253	-	3,144,253
Total Noncurrent Assets	<u>4,661,796</u>	<u>-</u>	<u>4,661,796</u>
Total Assets	9,535,569	-	9,535,569
DEFERRED OUTFLOWS OF RESOURCES			
Pension Related	68,981	-	68,981

See accompanying Notes to Financial Statements.

**STEELE COUNTY
OWATONNA, MINNESOTA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS (CONTINUED)
DECEMBER 31, 2017**

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Solid Waste</u>	<u>Four Seasons Civic Center</u>	<u>Totals</u>
LIABILITIES			
CURRENT LIABILITIES			
Accounts Payable	\$ 88,806	\$ -	\$ 88,806
Salaries Payable	6,344	-	6,344
Accrued Payroll Taxes	901	-	901
Compensated Absences Payable -			
Due Within One Year	11,477	-	11,477
Due to Other Funds	196	-	196
Due to Other Governments	22,598	-	22,598
Total Current Liabilities	<u>130,322</u>	<u>-</u>	<u>130,322</u>
NONCURRENT LIABILITIES			
Compensated Absences -			
Due in More Than One Year	21,314	-	21,314
Estimated Liability for Landfill Closure/ Postclosure	2,341,694	-	2,341,694
Other Postemployment Benefits Payable			
Due in More Than One Year	16,861	-	16,861
Net Pension Liability	254,197	-	254,197
Total Noncurrent Liabilities	<u>2,634,066</u>	<u>-</u>	<u>2,634,066</u>
Total Liabilities	2,764,388	-	2,764,388
DEFERRED INFLOWS OF RESOURCES			
Pension Related	71,107	-	71,107
NET POSITION			
Net Investment in Capital Assets	4,661,796	-	4,661,796
Unrestricted	<u>2,107,259</u>	<u>-</u>	<u>2,107,259</u>
Total Net Position	<u>\$ 6,769,055</u>	<u>\$ -</u>	<u>\$ 6,769,055</u>

See accompanying Notes to Financial Statements.

**STEELE COUNTY
OWATONNA, MINNESOTA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2017**

	Business-Type Activities - Enterprise Funds		
	Solid Waste	Four Seasons Civic Center	Totals
OPERATING REVENUES			
Charges for Services	\$ 2,004,096	\$ -	\$ 2,004,096
Miscellaneous	25,994	-	25,994
Total Operating Revenues	<u>2,030,090</u>	<u>-</u>	<u>2,030,090</u>
OPERATING EXPENSES			
Personal Services	324,007	-	324,007
Employee Benefits and Payroll Taxes	82,883	-	82,883
Other Services and Charges	133,020	-	133,020
Waste Management	1,011,323	-	1,011,323
Depreciation and Amortization	499,369	-	499,369
Total Operating Expenses	<u>2,050,602</u>	<u>-</u>	<u>2,050,602</u>
OPERATING INCOME (LOSS)	(20,512)	-	(20,512)
NONOPERATING REVENUES (EXPENSES)			
Investment Income	11,669	-	11,669
Gain on Sale/Disposal of Capital Assets	2,500	-	2,500
Total Nonoperating Revenues (Expenses)	<u>14,169</u>	<u>-</u>	<u>14,169</u>
INCOME (LOSS) BEFORE TRANSFERS	(6,343)	-	(6,343)
TRANSFERS			
Transfers Out	-	(185,890)	(185,890)
Transfers In	-	108,251	108,251
Residual Transfer	-	(3,010,527)	(3,010,527)
Total Transfers	<u>-</u>	<u>(3,088,166)</u>	<u>(3,088,166)</u>
CHANGES IN NET POSITION	(6,343)	(3,088,166)	(3,094,509)
Net Position - Beginning of Year	<u>6,775,398</u>	<u>3,088,166</u>	<u>9,863,564</u>
NET POSITION - END OF YEAR	<u>\$ 6,769,055</u>	<u>\$ -</u>	<u>\$ 6,769,055</u>

See accompanying Notes to Financial Statements.

**STEELE COUNTY
OWATONNA, MINNESOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2017**

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Solid Waste</u>	<u>Four Seasons Civic Center</u>	<u>Totals</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers and Users	\$ 2,245,595	\$ 115,792	\$ 2,361,387
Payments to Suppliers	(1,087,314)	(40,799)	(1,128,113)
Payments to Employees	(375,378)	(3,761)	(379,139)
Net Cash Provided (Used) by Operating Activities	782,903	71,232	854,135
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfer Out	-	(77,639)	(77,639)
Net Cash Provided (Used) by Noncapital Financing Activities	-	(77,639)	(77,639)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchases of Capital Assets	(1,602,083)	-	(1,602,083)
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment Earnings Received	11,669	4	11,673
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(807,511)	(6,403)	(813,914)
Cash and Cash Equivalents - Beginning of Year	5,507,347	6,403	5,513,750
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 4,699,836</u>	<u>\$ -</u>	<u>\$ 4,699,836</u>

See accompanying Notes to Financial Statements.

**STEELE COUNTY
OWATONNA, MINNESOTA
STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2017**

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Solid Waste</u>	<u>Four Seasons Civic Center</u>	<u>Totals</u>
CASH AND CASH EQUIVALENTS			
Cash and Pooled Investments	\$ 2,317,120	\$ -	\$ 2,317,120
Petty Cash and Change Funds	500	-	500
Restricted Cash and Pooled Investments	2,382,216	-	2,382,216
Total Cash and Cash Equivalents	<u>\$ 4,699,836</u>	<u>\$ -</u>	<u>\$ 4,699,836</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO CASH FLOWS FROM OPERATING ACTIVITIES			
Operating Income (Loss)	\$ (20,512)	\$ -	\$ (20,512)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Depreciation and Amortization	499,369	-	499,369
Adjustment for Pension Expense	33,232	-	33,232
(Increase) Decrease in Assets:			
Accounts Receivable	2,078	72,715	74,793
Loans Receivable	-	13,334	13,334
Due from Other Governments	-	22,812	22,812
Due from Other Funds	-	6,930	6,930
Inventory	213,427	-	213,427
Increase (Decrease) in Liabilities:			
Accounts Payable	32,117	(5,365)	26,752
Salaries Payable	(150)	(3,273)	(3,423)
Accrued Payroll Taxes	(12)	(487)	(499)
Compensated Absences Payable	4,666	-	4,666
Other Postemployment Benefits Payable	(6,224)	-	(6,224)
Due to Other Funds	93	(1,018)	(925)
Due to Other Governments	(3,166)	(34,416)	(37,582)
Landfill Closure Liability	27,985	-	27,985
Net Cash Provided (Used) by Operating Activities	<u>\$ 782,903</u>	<u>\$ 71,232</u>	<u>\$ 854,135</u>
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES			
Trade-in Value of Capital Assets	\$ 60,000	\$ -	60,000
Residual Transfer from Four Seasons to General Fund	\$ -	\$ (3,088,166)	(3,088,166)

See accompanying Notes to Financial Statements.

**STEELE COUNTY
OWATONNA, MINNESOTA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2017**

	<u>Private Purpose Trust</u>	<u>Agency</u>
ASSETS		
Cash and Pooled Investments	\$ 216,645	\$ 1,742,439
Prepaid Items	-	20,766
Accrued Interest Receivable	94	-
Accounts Receivable	-	19,433
Due From Other Governments	-	23,260
	<hr/>	<hr/>
Total Assets	<u>\$ 216,739</u>	<u>\$ 1,805,898</u>
LIABILITIES		
Accounts Payable	\$ 4,614	\$ 75,850
Funds Held in Trust	-	152,656
Salaries Payable	-	5,052
Due to Other Governments	-	1,572,340
	<hr/>	<hr/>
Total Liabilities	<u>\$ 4,614</u>	<u>\$ 1,805,898</u>
NET POSITION		
Total Net Position	<u>\$ 212,125</u>	

See accompanying Notes to Financial Statements.

**STEELE COUNTY
OWATONNA, MINNESOTA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PRIVATE PURPOSE TRUST FUND
DECEMBER 31, 2017**

ADDITIONS

Investment Earnings	\$ 987
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DEDUCTIONS

Payments in Accordance with Trust Agreements	<u>24,189</u>
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CHANGE IN NET POSITION	(23,202)
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Net Position - Beginning of the Year	<u>235,327</u>
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NET POSITION - END OF YEAR	<u><u>\$ 212,125</u></u>
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**STEELE COUNTY
OWATONNA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Steele County's (the County) financial statements are prepared in accordance with generally accepted accounting principles (GAAP). 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

Steele County, Minnesota was established February 20, 1855, and is an organized county having the powers, duties, and privileges granted counties by Minnesota Statutes chapter 373. As required by accounting principles generally accepted in the United States of America, these financial statements present Steele County (primary government) and its component units for which the County is financially accountable. There is financial accountability if the primary government appoints a voting majority of an organization's governing body and has the ability to impose its will on that governing body; or there is the potential for the organization to provide specific financial benefits or to impose specific financial burden on the primary government based on the criteria for determining component units. The County is not required to include any component units. 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 Auditor, elected on a County-wide basis, serves as the clerk of the Board but has no vote.

Joint Ventures

The County participates in several joint ventures which are described in Note 7.C and jointly governed organizations which are described in Note 7.D.

B. Basic Financial Statements

1. Government-Wide Statements

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

In the government-wide statement of net position, both the governmental and business-type activities columns: (a) are presented on a consolidated basis by column; and (b) are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The County's net position is reported in three parts: (1) net investment in capital assets; (2) restricted net position; and (3) unrestricted net position.

**STEELE COUNTY
OWATONNA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basic Financial Statements (Continued)

1. Government-Wide Statements

The statement of activities demonstrates the degree to which the direct expenses of each function of the County's governmental activities and different business-type activity are offset by program revenues. Direct expenses are those that are 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 that are restricted to meeting the operational or capital requirements of a particular function or activity. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

2. Fund Financial Statements

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

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or incidental activities.

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 required to be accounted for in another fund.

The Road and Bridge Special Revenue Fund is used to account for revenues and expenditures of the County Highway Department that is responsible for the construction and maintenance of roads, bridges, and other projects affecting County roadways. Property taxes and intergovernmental revenues are the primary revenue sources that fund these projects.

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

The Community Wellness Special Revenue Fund is used to account for the County's investment in Steele County Communities for a Lifetime joint venture.

**STEELE COUNTY
OWATONNA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basic Financial Statements (Continued)

2. Fund Financial Statements (Continued)

The Debt Service Fund is used to account for accumulation of resources for, and the payment of principal, interest, and related costs of general long-term debt which are financed by property tax revenue restricted through bond documents.

The Capital Projects Fund is used to account for financial resources to be used for capital acquisition, construction, or improvement of capital facilities. Financing is provided by bonds issued by the County, state aid, and levy dollars.

The County reports the following major enterprise funds:

The Solid Waste Fund is used to account for the operation, maintenance, and development of the County solid waste landfill.

The Four Seasons Civic Center Fund is used to account for the County's civic center. On January 3, 2017, the County board passed a resolution to close the Four Seasons Civic Center Enterprise Fund and create a department in the General Fund for reporting the ice arena operations. As of December 31, 2017, the Four Seasons Civic Center Enterprise Fund has been closed.

Additionally, the County reports the following fund types:

Private Purpose Trust Fund accounts for the external pooled and non-pooled investments held on behalf of external participants.

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 agency capacity.

C. Measurement Focus and Basis of Accounting

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

**STEELE COUNTY
OWATONNA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Steele County considers all revenues to be available if they are collected within 60 days after the end of the current period. Property and other taxes, licenses, and interest are all considered to be 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, then unrestricted resources as they are needed.

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

1. Cash and Cash Equivalents

The County has defined cash and cash equivalents to include cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Additionally, each fund's equity in the County's investment pool is treated as a cash equivalent because the County can deposit or effectively withdraw cash at any time without prior notice or penalty.

2. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2017, based on market prices. Pursuant to Minnesota Statutes §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. The County has purchased specific investments for cemetery and other trust funds, which are accounted for in the Private Purpose Trust Fund.

Steele 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 Minnesota Statutes §471.59. The MAGIC Fund is not registered with the Securities and Exchange Commission. The investment in the pool is measured at the amortized cost per share provided by the pool, which would closely approximate fair value. More information including the most recent audited financial statement is available on their website www.magicfund.org.

**STEELE COUNTY
OWATONNA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

2. Deposits and Investments (Continued)

Included in total cash and pooled investments are the assets held for Steele County in external investment pools. For financial reporting purposes, the portion of the total cash and investments, which is not Steele County's, is reported in the private purpose trust and agency funds. Assets in the pool are reported at fair value based on quoted market prices. The pool is not subject to regulatory oversight and the fair value of the position in the pool is the same as the pool shares. Fair value amounts are determined at year-end. The County has not provided or obtained any legally binding guarantees to support the value of the pool.

3. Receivables and Payables

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

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.

All receivables are shown net of an allowance for uncollectibles.

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 on May 15 and the second half payment due October 15. Unpaid taxes at December 31 become liens on the respective property and are classified in the financial statements as delinquent taxes receivable.

Significant portions of special assessments receivable are not expected to be collected within one year due to the nature of the receivable. The County uses the specific identification method for determining the allowance for uncollectibles. As of December 31, 2017, no allowance was deemed necessary.

**STEELE COUNTY
OWATONNA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

4. Inventories and Prepaid Items

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories in governmental funds are recorded as expenditures when purchased rather than when consumed. Reported inventories are classified as nonspendable fund balance to indicate that they do not constitute available spendable resources. Inventories in proprietary funds and 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.

5. Restricted Assets

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

6. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. The government defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. In the case of the initial capitalization of general infrastructure reported in governmental activities, the County chose to include all such items acquired since 1980. The County was able to record the capital assets at historic cost dating back to 1980.

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

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

**STEELE COUNTY
OWATONNA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

6. Capital Assets (Continued)

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

Assets	Years
Buildings	25-75
Building Improvements	20-30
Public Domain Infrastructure	25-75
Furniture, Equipment, and Vehicles	3-15

7. Compensated Absences

The liability for compensated absences reported in financial statements consists of unpaid, accumulated annual vacation and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. Compensated absences are accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

8. Deferred Outflows of Resources

The County reports decreases in net position or fund balance, that relate to future periods as deferred outflows of resources in a separate section of its government-wide or governmental fund balance sheet. The County will not recognize the related outflow until a future event occurs. More detailed information about pension related deferred outflows of resources can be found in Note 4 to the financial statements.

9. Deferred Inflows of Resources

The County's financial statements report a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net position or fund balance that applies to a future period. The County will not recognize the related revenue until a future event occurs. The first type of deferred inflow of resources occurs because governmental fund revenues are not recognized until available (collected not later than 60 days after the end of the County's year) under the modified accrual basis of accounting. The second type relates to pension liabilities. The third type relates to property taxes received for future periods. More detailed information about pension related deferred inflows of resources can be found in Note 4 to the financial statements.

**STEELE COUNTY
OWATONNA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

10. Long-Term Obligations

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

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

11. Fund Balance

In the fund financial statements, governmental funds report nonspendable, restricted, committed, assigned, and unassigned fund balances. Nonspendable portions of fund balance relate to prepaids, inventories, and long term receivables, as applicable. Restricted funds are constrained by outside parties (statute, grantors, bond agreements, etc.). Committed fund balances are established and modified by a resolution approved by the Board of Commissioners. The County Treasurer is delegated to assign fund balance and their intended uses. Unassigned fund balance is the residual classification for the County's general fund and includes all spendable amounts not contained in other classifications.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, it is the County's policy to use restricted first, then unrestricted fund balance. When an expenditure is incurred for purpose for which committed, assigned, and unassigned amounts are available, it is the County's policy to use committed first, then assigned, and finally unassigned amounts.

**STEELE COUNTY
OWATONNA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

12. Net Position

The net position represents the difference between assets and liabilities in the government-wide and proprietary financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the assets. Net position is reported as restricted in the government-wide financial statement when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, laws or regulations of other governments. The government-wide statement of net position reports \$4,591,726 of restricted net position.

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 estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

E. Revenues

In accordance with Governmental Accounting Standards Board Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, revenues for nonexchange transactions are recognized based on the principal characteristics of the revenue. The modified accrual basis of accounting is used by all governmental fund types. Under this basis, revenue is not recognized in the financial statements unless it is measurable and available to finance current expenditures.

1. Imposed Nonexchange Transactions

Imposed nonexchange transactions result from assessments by governments on nongovernmental entities and individuals. Property taxes, fines and penalties, and property forfeitures are imposed nonexchange transactions. Revenues from property taxes are recognized in the period for which the taxes were levied, to the extent they are collected in the current period or soon enough thereafter to be used to pay liabilities of the current period. Property taxes receivable but not available are reported as deferred revenue and will be recognized as revenue in the fiscal year that they become available. Fines and penalties and property forfeitures are recognized in the period received.

**STEELE COUNTY
OWATONNA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Revenues

2. Intergovernmental

Government-mandated nonexchange transactions occur when a government at one level provides resources to a government at another level and requires that government to use them for a specific purpose. The provider government establishes purpose restrictions and also may establish time requirements. Federal and State grants mandating the County perform particular programs are government-mandated nonexchange transactions. Revenues are recognized when eligibility and time requirements are met and the funds become measurable and available.

Voluntary nonexchange transactions result from legislative or contractual agreements, such as grants, entitlements, appropriations, and donations. The provider may establish purpose restriction or eligibility requirements. Revenues are recognized in the year to which they apply according to the statute or contract. Gifts and contributions from individuals are also considered voluntary nonexchange transactions and are generally recognized when received.

Tax credits paid by the state are included in intergovernmental revenues and are recognized as revenue in the fiscal year that they become available. State-aid highway allotments for highway maintenance and construction are recognized as revenue in the year of allotment.

3. Exchange Transactions

Special assessments levied against benefiting properties are recognized under the modified accrual basis when available to finance current expenditures. Other revenues, such as licenses and permits, charges for services, and investment income are recognized as revenue when earned.

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Deficit Fund Equity

The following major funds had deficit fund balance as of December 31, 2017:

Ditch Special Revenue Fund	\$ 846,814
Community Wellness Special Revenue Fund	1,405,930
Capital Projects Fund	1,071,169

The Ditch Fund's deficit will be eliminated with future special assessment levies against benefited properties. The Community Wellness deficit will be eliminated with future contributions from Steele County Communities for a Lifetime. The Capital Projects deficit will be eliminated with future tax levies.

**STEELE COUNTY
OWATONNA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 3 DETAILED NOTES ON ALL FUNDS

A. Assets

1. Deposits and Investments

Steele 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 Minnesota Statutes § 471.59. The MAGIC Fund is not registered with the Securities and Exchange Commission. The investment in the pool is measured at the amortized cost per share provided by the pool, which would closely approximate fair value. More information including the most recent audited financial statement is available on their website www.magicfund.org.

Minnesota Statutes require that all deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledge must equal 110% of the deposits not covered by insurance or corporate surety bonds. Authorized collateral includes: U.S. government treasury bills, notes, or bonds; issues of a U.S. government agency; general obligations of a state or local government rated "A" or better; revenue obligations of a state or local government rated "AA" or better; irrevocable standby letters of credit issue by a Federal Home Loan Bank; and time deposits insured by a federal agency. Minnesota Statutes require securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank, at an account at a trust department of a commercial bank or other financial institution not owned, or controlled by the depository.

Custodial Credit Risk – Deposits

In the case of deposits, custodial credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned to it. The County's Investment Policy addresses custodial credit risk and refers to Minnesota Statutes for deposits allowed.

The County's deposits in banks at December 31, 2017 totaled \$201,268. All deposits as of December 31, 2017 were fully insured with FDIC insurance.

**STEELE COUNTY
OWATONNA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

Investments

Minnesota Statutes §§ 118A.04 and 118A.05 generally authorize the following types of investments as available to the County:

- (a) 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 Minnesota Statutes §118a.04, Subd. 6;
- (b) Mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;
- (c) 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;
- (d) Bankers' acceptances of United States banks;
- (e) 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
- (f) With certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

As of December 31, 2017, the County had the following investments:

Investment Type	Fair Value	Concentration of Credit Risk	Investment Maturity			
			< 1 Year	1 - 5 Years	6 - 10 Years	> 10 Years
Corporate	\$ 401,228	1.5 %	\$ -	\$ 401,228	\$ -	\$ -
Federal Home Loan Mortgage Corporation	2,534	0.0	-	2,534	-	-
Federal National Mortgage Association	1,046,920	3.8	-	1,042,737	-	4,183
Municipal Bonds	15,483,956	56.9	1,990,085	12,101,389	1,184,708	207,774
Negotiable Certificates of Deposit	10,161,908	37.3	2,280,130	7,635,489	246,289	-
Governmental National Mortgage Association	11,689	0.0	-	-	4,670	7,019
Money Market Mutual Fund	119,542	0.4	119,542	-	-	-
Total	<u>\$ 27,227,777</u>		<u>\$ 4,389,757</u>	<u>\$ 21,183,377</u>	<u>\$ 1,435,667</u>	<u>\$ 218,976</u>

No individual issuers of negotiable certificates of deposit or municipal bonds exceeded 5% of the County's investments.

**STEELE COUNTY
OWATONNA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

Interest Rate Risk

Interest rate risk is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates. The County's policy on interest rate risk is to stagger the maturities to meet cash flow requirements thereby avoiding the need to sell securities in the open market, invest in primarily short-term securities, liquid asset funds, money market mutual funds, or similar investment pools, and limiting the core of the investment portfolio to no greater than five years in accordance with the County's cash requirements.

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.

Minnesota Statutes restrict the types of investments that the County may invest in. The County's investment policy mirrors state statutes. The County's investments in federal home loan mortgage corporations notes, federal national mortgage association notes, and corporate notes were all rated AAA by Moody's and AA+ by Standard & Poor's. The County's investments in governmental national mortgage association notes were not rated by Moody's or Standard & Poor's; however, these investments are explicitly backed by the federal government. The County's investments in municipal bonds are rated as follows by Moody's: \$1,622,872 A1, \$706,026 A2, \$1,998,658 AA1, \$3,341,161 AA2, \$2,417,664 AA3, and \$2,030,508 AAA. Standard & Poor's rated the remaining securities as follows: \$121,843 A, \$1,574,729 AA, \$1,178,905 AA+, and \$491,590 AAA. The County's investment in Federal National Mortgage Association notes are rated by Moody's: \$73,694 AAA. S&P rated the securities as follows: \$73,694 AA+ and \$288,930 AA-. The County's investments in negotiable certificates of deposit and the MAGIC Fund do not have ratings.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the County's investment in a single issuer. The County's policy regarding concentration risk is that no more than 15% of an investment, in any one issue, is the recommended threshold except for U.S. Government securities and U.S. Government Agencies. More than 5% of the County's investments are held with various agencies. See the table above for specific concentrations of credit risk.

**STEELE COUNTY
OWATONNA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of failure by the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At December 31, 2017, none of the County's investments were subject to custodial credit risk.

Balance Sheet Presentation

The County's total cash and investments at December 31, 2017 consisted of:

Governmental and Enterprise Funds	
Cash and Pooled Investments	\$ 33,509,699
Petty Cash and Change Funds	2,170
Cash with Escrow Agent	2,382,216
Fiduciary Funds	
Cemetery Investment Trust Fund	216,645
Agency Funds Cash	1,742,439
Total Cash and Investments	<u>\$ 37,853,169</u>
Deposits	\$ 201,268
Petty Cash and Change Funds	2,170
MAGIC External Investment Pool	10,421,954
Investments	27,227,777
Total Cash and Investments	<u>\$ 37,853,169</u>

Fair Value Measurement

The County uses fair value measurements to record fair value adjustments to certain assets and to determine fair value disclosures.

The County follows an accounting standard that defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and requires expanded disclosures about fair value measurements. In accordance with this standard, the County has categorized its investments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

**STEELE COUNTY
OWATONNA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

Fair Value Measurement (Continued)

Financial assets recorded on the combined statements of financial position are categorized based on the inputs to the valuation techniques as follows:

- Level 1 – Financial assets are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities. The inputs include those traded on an active exchange, such as the New York Stock Exchange, as well as U.S. Treasury and other U.S. government and agency mortgage-backed securities that are traded by dealers or brokers in active over-the-counter markets.
- Level 2 – Financial assets are valued based on quoted prices for similar assets, or inputs that are observable, either directly or indirectly for substantially the full term through corroboration with observable market data.
- Level 3 – Financial assets are valued using pricing inputs which are unobservable for the asset, inputs that reflect the reporting entity's own assumptions about the assumptions market participants and would use in pricing the asset.

Investments are measured as follows:

Type	Level 1	Level 2	Level 3	Total
Corporate	\$ -	\$ 401,228	\$ -	\$ 401,228
Federal Home Loan Mortgage Corporation	-	2,534	-	2,534
Federal National Mortgage Association	-	1,046,920	-	1,046,920
Municipal Bonds	-	15,483,956	-	15,483,956
Negotiable Certificates of Deposit	-	10,161,908	-	10,161,908
Governmental National Mortgage Association	-	11,689	-	11,689
Total Investments at Fair Market Value	<u>\$ -</u>	<u>\$ 27,108,235</u>	<u>\$ -</u>	<u>27,108,235</u>
Money Market Mutual Fund				119,542
External Investment Pool				10,421,954
Total Investments				<u>37,649,731</u>
Deposits				201,268
Petty Cash				2,170
Total Deposits and Investments				<u>\$ 37,853,169</u>

The 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.

**STEELE COUNTY
OWATONNA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

2. Loans Receivable and Special Assessment

The County has made loans to individuals under a sewer improvement loan program. Repayment of these loans is over ten years, with interest at 2%. Delinquent sewer improvement loans are added to the special assessment tax rolls. The funds for the sewer improvement revolving loan program were originally received from the State of Minnesota in the form of a loan to the County. This is now reported in special assessments receivable – delinquent in 2017.

The County has made two loans to the Steele County Agricultural Society for replacement of a horse barn at the fairgrounds. Repayment of these loans is over ten to sixteen years, with interest at 2.5% and 3.0%.

Of these loans receivable, \$81,780 of the outstanding \$542,904 balance is expected to be collected within the coming year.

Activity in these loans is as follows for the year ended December 31, 2017:

	Beginning Balance	Additions	Collections	Ending Balance
Special Assessments	\$ 338,609	\$ -	\$ 78,494	\$ 260,115
Economic Development Loans	316,766	-	33,977	282,789
Total	<u>\$ 655,375</u>	<u>\$ -</u>	<u>\$ 112,471</u>	<u>\$ 542,904</u>

3. Receivables

	County Receivable	Amounts Not Scheduled for Collection During the Subsequent Year
Taxes	\$ 350,793	\$ -
Special Assessments	658,636	62,944
Accounts	540,423	45,540
Loans Receivable	282,789	469,857
Interest	178,877	-
Net Investment in Sales-Type Lease	320,000	185,818
Due from Other Governments	2,215,286	-
Total	<u>\$ 4,546,804</u>	<u>\$ 764,159</u>

Significant portions of the taxes, special assessments, advances, net investment in sales-type lease, and loans receivable are not expected to be collected within one year due to the nature of the receivables.

**STEELE COUNTY
OWATONNA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

4. Capital Assets

Capital asset activity for the year ended December 31, 2017, was as follows:

Governmental Activities

	Beginning Balance	Additions and Transfers	Deletions and Transfers	Ending Balance
GOVERNMENTAL ACTIVITIES				
Capital Assets, Not Being Depreciated				
Land and Right of Way	\$ 3,529,228	\$ -	\$ -	\$ 3,529,228
Construction-in-Progress	2,539,604	6,658,466	5,006,338	4,191,732
Total Capital Assets, Not Being Depreciated:	6,068,832	6,658,466	5,006,338	7,720,960
Capital Assets, Being Depreciated				
Buildings	22,180,214	6,879,466	47,093	29,012,587
Land Improvements	1,323,599	103,607	77,821	1,349,385
Machinery, Furniture, and Equipment	9,483,606	1,546,587	600,681	10,429,512
Infrastructure	120,098,479	5,006,338	-	125,104,817
Total Capital Assets, Being Depreciated	153,085,898	13,535,998	725,595	165,896,301
Less Accumulated Depreciation for				
Buildings	8,325,027	3,153,097	30,945	11,447,179
Land Improvements	1,309,681	60,348	77,821	1,292,208
Machinery, Furniture, and Equipment	5,961,386	1,023,317	576,593	6,408,110
Infrastructure	63,309,570	4,180,180	-	67,489,750
Total Accumulated Depreciation	78,905,664	8,416,942	685,359	86,637,247
Total Capital Assets, Being Depreciated, Net	74,180,234	5,119,056	40,236	79,259,054
Governmental Activities Capital Assets, Net	\$ 80,249,066	\$ 11,777,522	\$ 5,046,574	\$ 86,980,014

**STEELE COUNTY
OWATONNA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

4. Capital Assets (Continued)

Capital asset activity for the year ended December 31, 2017, was as follows:

Business-Type Activities

	Beginning Balance	Increases	Decreases	Ending Balance
BUSINESS-TYPE ACTIVITIES				
Capital Assets, Not Being Depreciated				
Land and Right of Way	\$ 451,250	\$ -	\$ -	\$ 451,250
Construction in Progress	17,556	171,413	188,969	-
Total Capital Assets, Not Being Depreciated:	468,806	171,413	188,969	451,250
Capital Assets, Being Depreciated				
Buildings	5,826,793	-	5,400,627	426,166
Improvements Other than Buildings	208,438	-	103,607	104,831
Landfill	6,598,175	1,607,355	-	8,205,530
Machinery, Furniture, and Equipment	2,305,813	14,784	528,324	1,792,273
Total Capital Assets, Being Depreciated	14,939,219	1,622,139	6,032,558	10,528,800
Less Accumulated Depreciation For				
Buildings	2,775,152	18,727	2,548,476	245,403
Improvements Other than Buildings	87,083	5,934	50,512	42,505
Landfill	4,717,687	343,590	-	5,061,277
Machinery, Furniture, and Equipment	1,075,104	131,118	237,153	969,069
Total Accumulated Depreciation	8,655,026	499,369	2,836,141	6,318,254
Total Capital Assets, Being Depreciated, Net	6,284,193	1,122,770	3,196,417	4,210,546
Business-Type Activities Capital Assets, Net	\$ 6,752,999	\$ 1,294,183	\$ 3,385,386	\$ 4,661,796

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

Governmental Activities	
General Government	\$ 3,190,667
Public Safety	608,851
Highways and Streets, Including Depreciation of Infrastructure Assets	4,447,443
Culture and Recreation	169,981
Total Depreciation Expense - Governmental Activities	<u>\$ 8,416,942</u>
Business-Type Activities	
Solid Waste	\$ 499,369

**STEELE COUNTY
OWATONNA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

5. Net Investment in Sales-Type Lease

Effective October 31, 2010, Steele County entered into a Lease and Purchase Agreement with Steele County Communities for a Lifetime, Inc. (SCCL) for capital assets of the preexisting Cedarview Care Center. The agreement provides that SCCL shall pay the County the purchase price during the purchase window (June 1, 2015 to June 1, 2030).

Steele County terminated its Member Agreement and Master Agreement with Steele County Communities for a Lifetime, Inc. (SCCL) on December 28, 2017. The two parties also entered into a new lease agreement effective January 1, 2018 for the Park Place/Cedarview property for a period of six months and a month-to-month basis thereafter. The new lease agreement provides that SCCL shall pay the County rent each month in the amounts established in the original lease agreement.

Title to the capital assets will remain with Steele County unless the SCCL purchases the property, at which time the title will transfer to SCCL. There were no executory costs, allowances for uncollectible minimum lease payments, unguaranteed residual values, or unearned revenue. A lease receivable of \$320,000 is recorded in the Community Wellness Special Revenue Fund at December 31, 2017.

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2017, is as follows:

1. Due To/From Other Funds

Receivable Fund	Payable Fund	Amount	Reason
General Fund	Road & Bridge	\$ 9,419	Unemployment Benefit Reimbursement
	Public Works	100,000	Current Portion of Advance
	Solid Waste	196	Bank Fee and Postage Reimbursement
Total Due to General Fund		<u>\$ 109,615</u>	

**STEELE COUNTY
OWATONNA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

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

2. Advances To/From Other Funds

Receivable Fund	Payable Fund	Amount	Reason
General	Ditch	\$ 1,029,000	To Cover Cash Flows
	Capital Projects	1,000,000	For Public Works Building Remodel For Remodelings for Steele County
	Community Wellness	<u>1,520,000</u>	Communities for a Lifetime
Total Advances from General Fund		<u>\$ 3,549,000</u>	

The advances are not expected to be repaid within one year.

3. Transfers

	Amount	Description
Transfers to Road and Bridge Fund from General Fund	\$ 22,022	To Cover Fairground Parking Expense
Transfer to General Fund to Close Four Seasons Fund	185,890	To Transfer Long Term Liabilities
Transfers to Four Seasons Fund from General Fund	<u>108,251</u>	To Cover Operations
Total Interfund Transfers	<u>\$ 316,163</u>	

In 2017, the Four Seasons Enterprise Fund closed and the remaining net position of \$3,088,166 was transferred to governmental activities.

C. Liabilities

1. Long-Term Debt

The County issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the County. The County issued no new general obligation bonds in 2016.

2005 Health Care Facilities Refunding Bonds

On September 27, 2005, the County issued \$3,545,000 in Gross Revenue Health Care Crossover Refunding Bonds, Series 2005B. The proceeds were used to "crossover refund" the callable maturities of the County's Gross Revenue Health Care Facilities Bonds, Series 2000; maturities 2011 through 2030, inclusive was paid off on June 1, 2010, at a price of Par plus accrued interest. The bonds were issued pursuant to Minnesota Statutes.

2007 General Obligation Forward Refunding Bonds

On November 1, 2007, the County issued \$4,560,000 in General Obligation Forward Refunding Bonds, Series 2007A. The proceeds were used to prepay the 1998 General Obligation bond maturities. The bonds were issued pursuant to Minnesota Statutes.

**STEELE COUNTY
OWATONNA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities (Continued)

1. Long-Term Debt (Continued)

2015A General Obligation Refunding Bonds

On October 29, 2015, the County issued \$9,720,000 in General Obligation Refunding Bonds, Series 2015A for the current refunding of the Series 2005A General Obligations Jail Crossover Refunding Bonds maturing in 2024 and the Series 2009A General Obligation Bonds maturing in 2017. The total cash flow savings to the County attributable to the refunding on these bonds was \$1,098,535 with a net present value of approximately \$1,099,158.

Conduit Debt

On December 29, 2010, the County issued revenue bonds with the proceeds loaned to Steele County Communities of a Lifetime, Inc. (SCCL) for the construction of Koda Living Community, a new eighty-bed nursing facility to be constructed on the Owatonna Health Campus. On September 29, 2011, SCCL closed on the financing to refund the Series 2010 Bonds. The total amount financed was \$15,000,000 of which \$10,000,000 was issued by Steele County and the remaining \$5,000,000 by the City of Owatonna. The aggregate outstanding amount on December 31, 2017 is \$14,508,824. SCCL has gone into forbearance on this bond and was making interest only payments during 2017. The lease with SCCL was terminated as of December 28, 2017.

Under the forbearance agreement, effective February 1, 2015, the interest rate on the 2011 Note was reduced to 2.0%. During this period, SCCL will be required to make interest only payments on the notes at their modified interest rate, as well as servicing fees and the lead lender attorney fees and expenses related to the forbearance agreement. An escrow account was also established from which interest payments will be made during the forbearance period. The forbearance agreement also stipulated that there can be no payments on other SCCL debt until SCCL's obligations under the loan agreements related to the revenue refunding notes have been satisfied in full.

These bonds are secured by the property financed and are payable solely from pledged revenues in accordance with the terms of the indenture. The bonds do not constitute a debt or indebtedness of the County or a charge against the general credit or taxing powers of the County. The bonds do not constitute indebtedness, pecuniary liability, general or moral obligation or pledge of faith or credit or any taxing power. Accordingly, these bonds have not been included or reported in the accompanying financial statements.

**STEELE COUNTY
OWATONNA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities (Continued)

1. Long-Term Debt (Continued)

Governmental Activities

Types of Indebtedness	Final Maturity	Annual Installment Amounts	Interest Rates (%)	Original Issued Amount	Outstanding Balance December 31, 2017
2015A General Obligation Refunding Bonds	2024	\$610,000 - \$1,755,000	1.75 - 3.00	\$ 9,720,000	\$ 6,235,000
General Obligation Bonds 2007A Forward Refunding Bond	2020	\$235,000 - \$500,000	5.00	4,560,000	1,435,000
Total General Obligation Bonds				<u>\$ 14,280,000</u>	7,670,000
Plus: Unamortized Premium					325,899
Total General Obligation Bonds, Net					<u>\$ 7,995,899</u>
2005B Gross Revenue Health Care Facilities Refunding Bonds	2030	\$115,000 - \$270,000	4.00 - 5.00	\$ 3,545,000	\$ 2,650,000
2012 General Obligation Taxable Wastewater Revenue Notes	2023	\$8,376 - \$10,315	1.00	175,989	87,876
Clean Water Partnership Loan	2026	\$57,538	2.00	1,368,540	641,730
Total Other Debt				<u>\$ 5,089,529</u>	<u>\$ 3,379,606</u>

2. Debt Service Requirements

Debt service requirements at December 31, 2017 were as follows:

Governmental Activities

Year Ending December 31,	General Obligation Bonds		Lease Revenue Bonds	
	Principal	Interest	Principal	Interest
2018	\$ 1,065,000	\$ 194,913	\$ 150,000	\$ 124,140
2019	1,110,000	153,238	160,000	116,933
2020	1,460,000	109,838	165,000	109,376
2021	980,000	78,138	175,000	101,428
2022	1,000,000	58,538	180,000	93,085
2023-2027	2,055,000	59,135	1,050,000	324,478
2028-2030	-	-	770,000	59,000
Total	<u>\$ 7,670,000</u>	<u>\$ 653,800</u>	<u>\$ 2,650,000</u>	<u>\$ 928,440</u>

Year Ending December 31,	Clean Water Partnership Loan		General Obligation Notes	
	Principal	Interest	Principal	Interest
2018	\$ 134,425	\$ 12,368	\$ 16,620	\$ 979
2019	101,734	10,028	16,787	813
2020	103,779	7,982	16,956	644
2021	105,866	5,897	17,125	475
2022	41,366	4,100	17,297	303
2023-2026	154,560	7,919	3,091	129
Total	<u>\$ 641,730</u>	<u>\$ 48,294</u>	<u>\$ 87,876</u>	<u>\$ 3,343</u>

**STEELE COUNTY
OWATONNA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities (Continued)

3. Long-Term Liability Activity

Long-term liability activity for the year ended December 31, 2017, was as follows:

Governmental Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
GOVERNMENTAL ACTIVITIES					
General Obligation Bonds	\$ 9,855,000	\$ -	\$ 2,185,000	\$ 7,670,000	\$ 1,065,000
Revenue Bonds	2,795,000	-	145,000	2,650,000	150,000
General Obligation Taxable Wastewater Revenue Notes	104,332	-	16,456	87,876	16,620
Clean Water Partnership Loan	805,632	-	163,902	641,730	134,425
Compensated Absences	1,251,504	927,418	972,486	1,206,436	422,253
Other Postemployment Benefits	1,027,300	159,031	60,220	1,126,111	-
Governmental Activity Long-Term Liabilities	15,838,768	1,086,449	3,543,064	13,382,153	1,788,298
Bond Premium	384,618	-	58,719	325,899	-
Net Long-Term Liabilities	<u>\$ 16,223,386</u>	<u>\$ 1,086,449</u>	<u>\$ 3,601,783</u>	<u>\$ 13,708,052</u>	<u>\$ 1,788,298</u>

Business-Type Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
BUSINESS-TYPE ACTIVITIES					
Closure/Postclosure	\$ 2,313,709	\$ 27,985	\$ -	\$ 2,341,694	\$ -
Compensated Absences	46,497	25,100	38,806	32,791	11,477
Other Postemployment Benefits	38,167	-	21,306	16,861	-
Business-Type Activities Long-Term Liabilities	<u>\$ 2,398,373</u>	<u>\$ 53,085</u>	<u>\$ 60,112</u>	<u>\$ 2,391,346</u>	<u>\$ 11,477</u>
Net Long-Term Liabilities	<u>\$ 2,398,373</u>	<u>\$ 53,085</u>	<u>\$ 60,112</u>	<u>\$ 2,391,346</u>	<u>\$ 11,477</u>

In prior years, for the governmental activities, other long-term liabilities have generally been liquidated by the general, and road and bridge funds.

**STEELE COUNTY
OWATONNA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities (Continued)

4. Other Long-Term Liabilities

Clean Water Partnership Loan Payable

The County participates in a revolving loan program that resulted in entering into three loan agreements with the Minnesota Pollution Control Agency for financing septic systems. The loans are secured by special assessments placed on the individual parcels requesting repair of septic systems. The loans bear interest at 2%. The first loan, totaling \$611,776, will be repaid in twenty equal semi-annual installments beginning December 15, 2008. The second loan totaling \$598,169 will be repaid in twenty equal semi-annual installments beginning June 15, 2012. The third loan totaling up to \$700,000 will be repaid in twenty equal semi-annual installments beginning December 15, 2015. Only \$390,846 of the third loan has been drawn by the County as of December 31, 2017. The aggregate outstanding amount on December 31, 2017 is \$641,730.

General Obligation Taxable Wastewater Revenue Notes

In 2012, the County entered into an agreement with Minnesota Public Facilities Authority (PFA) for the small communities' wastewater treatment program. The project consists of a grant of \$205,815 and a note for \$205,815. The note bears interest at 1%. As of December 2017, the County has borrowed \$192,281 of this note. Repayment of the loan began in 2013 with semi-annual installments of ranging from \$8,627 to \$10,400. The aggregate outstanding amount on December 31, 2017 is \$87,876.

Closure and Postclosure Care Cost - Solid Waste Enterprise Fund

State and federal laws and regulations require the County to place a final cover on its landfill when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the County reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$2,341,694 reported as landfill closure and postclosure care liability at December 31, 2017, represents the cumulative amount reported to date based on the use of approximately 79% of the estimated permitted capacity of the landfill. The County will recognize the remaining estimated cost of closure and postclosure care of \$638,492 as the remaining estimated capacity is filled.

**STEELE COUNTY
OWATONNA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities (Continued)

4. Other Long-Term Liabilities

These amounts are based on what it would cost to perform all closure and postclosure care in 2017. The County expects to close the landfill in 2040. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. The County is required by state and federal laws and regulations to make annual contributions to a trust to finance closure and postclosure care. The County is in compliance with these requirements, and, at December 31, 2017, investments of \$2,382,216 are held for these purposes. These are reported as restricted assets on the statement of net position. The County expects that future inflation costs will be paid from interest earnings on these annual contributions. However, if interest earnings are inadequate or additional postclosure care requirements are determined (due to changes in technology or applicable laws or regulations, for example), these costs may need to be covered by charges to future landfill users or from future tax revenue.

5. Operating Lease

The County leases space from Industrial Properties, LLC for the Highway facilities. The total cost for this lease was \$187,560 for the year ended December 31, 2017. Future minimum lease obligations include \$78,150 due in 2018.

NOTE 4 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS

A. Plan Description

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

General Employees Retirement Plan (accounted for in the General Employees Fund) has multiple benefit structures with members belonging to the Coordinated Plan, or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan, for which benefits vest after five years of credited service.

**STEELE COUNTY
OWATONNA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 4 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)

A. Plan Description (Continued)

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% after five years and increasing 10% for each year of service until fully vested after ten years. Benefits for members first hired after June 30, 2014, vest on a prorated basis from 50% after ten years and increasing 5% for each year of service until fully vested after twenty years.

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

B. Benefits Provided

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

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

**STEELE COUNTY
OWATONNA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 4 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)

B. Benefits Provided (Continued)

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 and Basic 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 Basic Plan member is 2.2% of average salary for each of the first ten years of service and 2.7% for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2% of average salary for each of the first ten years of service and 1.7% for each remaining year. Under Method 2, the annuity accrual rate is 2.7% of average salary for Basic Plan members and 1.7% 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% of average salary for each year of service. For Public Employees Correctional Plan members, the annuity accrual rate is 1.9% of average salary for each year of service.

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

C. Contributions

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the state legislature. General Employees Retirement Plan Basic members and Coordinated members were required to contribute 9.10%, and 6.50%, respectively, of their annual covered salary in 2017. Public Employees Police and Fire Plan members were required to contribute 10.80% of their annual covered salary in 2016. Public Employees Correctional Plan members were required to contribute 5.83% of their annual covered salary in 2017.

In 2017, the County was required to contribute the following percentages of annual covered salary:

General Employees Retirement Plan	
Basic Plan Members	11.78 %
Coordinated Plan Members	7.50
Public Employees Police and Fire Plan	16.20
Public Employees Correctional Plan	8.75

**STEELE COUNTY
OWATONNA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 4 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)

C. Contributions (Continued)

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

The County's contributions for the year ended December 31, 2017 to the pension plans were:

The County's General Employees Retirement Plan	\$ 735,921
Public Employees Police and Fire Plan	\$ 248,762
Public Employees Correctional Plan	\$ 186,847

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

D. Pension Costs

1. General Employees Retirement Plan Pension Costs

At December 31, 2017, the County reported a liability of \$8,687,859 for its proportionate share of the General Employees Retirement Plan's net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2016 through June 30, 2017, relative to the total employer contributions received from all PERA's participating employers. At June 30, 2017 the County's proportion share was .1344%. It was .1286% measured at June 30, 2016.

For the year ended December 31, 2017 the County recognized pension expense of \$660,669 for its proportionate share of the General Employees Retirement Plan's pension expense. In addition, the County recognized an additional \$3,116 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$6 million to the General Employees Retirement Plan.

County's Proportionate Share of the Net Pension Liability	\$ 8,580,007
States Proportionate Share of the Net Pension Liability	<u>107,852</u>
Total	<u><u>\$ 8,687,859</u></u>

**STEELE COUNTY
OWATONNA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 4 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

1. General Employees Retirement Plan Pension Costs (Continued)

At December 31, 2017, 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:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 282,772	\$ 551,973
Changes in Actuarial Assumptions	1,424,465	860,169
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	55,416	-
Changes in Proportion and Differences Between County Contributions and Proportionate Share of Contributions	245,945	987,998
County Contributions Subsequent to the Measurement Date	321,786	-
Total	<u>\$ 2,330,384</u>	<u>\$ 2,400,140</u>

\$321,786 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2018	\$ (233,342)
2019	286,526
2020	(80,499)
2021	(364,227)

**STEELE COUNTY
OWATONNA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 4 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

2. Public Employees Police and Fire Plan Pension Costs

At December 31, 2017, the County reported a liability of \$2,025,179 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, 2017, 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, 2016, through June 30, 2017, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the County's proportion was 0.1500%. It was .1400% measured at June 30, 2016.

For the year ended December 31, 2017 the County recognized pension expense of \$534,742 for its proportionate share of the Public Employees Police and Fire Plan's pension expense. The County also recognized \$13,500 for the year ended December 31, 2017 as pension expense (and an offsetting reduction of 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 passed in 2013 required the State of Minnesota to begin contributing \$9 million to the Police and Fire Fund each year, starting in fiscal year 2014.

At December 31, 2017, 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:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 46,615	\$ 541,409
Changes in Actuarial Assumptions	2,650,350	2,875,251
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	27,814	-
Changes in Proportion and Differences Between County Contributions and Proportionate Share of Contributions	190,093	21,601
County Contributions Subsequent to the Measurement Date	132,001	-
Total	<u>\$ 3,046,873</u>	<u>\$ 3,438,261</u>

**STEELE COUNTY
OWATONNA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 4 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

2. Public Employees Police and Fire Plan Pension Costs (Continued)

\$132,001 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2018	\$ 68,695
2019	68,695
2020	(5,544)
2021	(117,049)
Thereafter	(538,186)

3. Public Employees Correctional Plan Pension Costs

At December 31, 2017, the County reported a liability of \$3,078,011 for its proportionate share of the Public Employees Correctional Plan's net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2016, through June 30, 2017, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the County's proportion was 1.08%. It was 1.12% measured at June 30, 2016. The County recognized pension expense of \$1,207,870 for its proportionate share of the Public Employees Correctional Plan's pension expense.

**STEELE COUNTY
OWATONNA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 4 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

3. Public Employees Correctional Plan Pension Costs (Continued)

At December 31, 2017, 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:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 2,235	\$ 51,564
Changes in Actuarial Assumptions	1,815,442	535,791
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	-
Changes in Proportion and Differences Between County Contributions and Proportionate Share of Contributions	-	246,964
County Contributions Subsequent to the Measurement Date	103,779	-
Total	<u>\$ 1,921,456</u>	<u>\$ 834,319</u>

\$103,779 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2018	\$ 659,949
2019	683,411
2020	(264,184)
2021	(95,818)

4. Total Pension Expense

The total pension expense for all plans recognized by the County for the year ended December 31, 2017 was \$1,092,565.

**STEELE COUNTY
OWATONNA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 4 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)

E. Actuarial Assumptions

The total pension liability in the June 30, 2017, actuarial valuation was determined using the following actuarial assumptions:

<u>Assumptions</u>	
Inflation	2.50% per Year
Active Member Payroll Growth	3.25% per Year
Investment Rate of Return	7.50%

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%. Cost of living benefit increases for retirees are assumed to be 2.5% for the Public Employees Correctional Plan.

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

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

**STEELE COUNTY
OWATONNA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 4 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)

E. Actuarial Assumptions (Continued)

The long-term expected rate of return on pension plan investments is 7.5%. 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>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
International Equity	39 %	5.10 %
Domestic Equity	19	5.30
International Equity	20	0.75
Bonds	20	5.90
Alternative Assets	2	0.00
Cash	2	
Totals	<u>100 %</u>	

F. Discount Rate

The discount rate used to measure the total pension liability was 7.50% in 2017, same as the 7.50% used in 2016. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, the fiduciary net position of the General Employees Retirement Plan was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. In the Public Employees Police and Fire Plan and the Public Employees Correctional Plan, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members through June 30, 2056, and June 30, 2058, respectively. Beginning in fiscal years ended June 30, 2057, for the Police and Fire Plan and June 30, 2059, for the Public Employees Correctional Plan, when projected benefit payments exceed the Plans' projected fiduciary net position, benefit payments were discounted at the municipal bond rate of 2.85% based on an index of 20-year general obligation bonds with an average AA credit rating at the measurement date. An equivalent single discount rate of 5.60% for the Public Employees Police and Fire Plan and 5.31% 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% applied to all years of projected benefits through the point of asset depletion and 2.85% thereafter.

**STEELE COUNTY
OWATONNA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 4 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)

G. Changes in Actuarial Assumptions

The following changes in actuarial assumptions occurred in 2017:

General Employees Retirement Plan

- The Combined Service Annuity (CSA) loads were changed from 0.8% for active members and 60% for vested and nonvested deferred members. The revised CSA loads are now 0.0% for active member liability, 15.0% for vested deferred member liability, and 3.0% for nonvested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.0% per year for all years to 1.0% per year through 2044 and 2.5% per year thereafter.

Public Employees Police and Fire Plan

- Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34% lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements.
- The Combined Service Annuity (CSA) load was 30% for vested and nonvested, deferred members. The CSA has been changed to 33% for vested members and 2% for nonvested members.
- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees.
- Assumed termination rates were decreased to 3.0% for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- Assumed percentage of married female members was decreased from 65% to 60%.
- Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.
- The assumed percentage of female members electing Joint and Survivor annuities was increased.
- The assumed post-retirement benefit increase rate was changed from 1.00% for all years to 1.00% per year through 2064 and 2.50% thereafter.
- The single discount rate was changed from 5.6% per annum to 7.5% per annum.

**STEELE COUNTY
OWATONNA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 4 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)

G. Changes in Actuarial Assumptions (Continued)

Public Employees Police and Fire Plan (Continued)

- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016, and is applied to healthy and disabled members. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the RP-2014 disabled annuitant mortality table (with future mortality improvement according to MP-2016).
- The Combined Service Annuity (CSA) load was 30% for vested and nonvested, deferred members. The CSA has been changed to 35% for vested members and 1% for nonvested members.
- The Single Discount Rate was changed from 5.31% per annum to 5.96% per annum.

H. Pension Liability Sensitivity

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

Description	1% Decrease in Discount Rate	Current Discount Rate	1% Increase in Discount Rate
<u>Discount Rate</u>	6.50%	7.50%	8.50%
County's Proportionate Share of the General Employees Retirement Net Pension Liability	\$ 13,308,229	\$ 8,580,007	\$ 4,709,099
<u>Discount Rate</u>	4.60%	5.60%	6.60%
County's Proportionate Share of the Public Employees Police and Fire Plan Net Pension Liability	\$ 3,814,002	\$ 2,025,179	\$ 548,406
<u>Discount Rate</u>	4.31%	5.31%	6.31%
County's Proportionate Share of the Public Employees Correctional Plan Net Pension Liability	\$ 5,072,177	\$ 3,078,011	\$ 1,521,536

I. Pension Plan Fiduciary Net Position

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

**STEELE COUNTY
OWATONNA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 4 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)

J. Defined Contribution Plan

Commissioners of the County are covered by the Public Employees Defined Contribution Plan (PEDCP), a multiple-employer deferred compensation plan administered by the Public Employees Retirement Association of Minnesota (PERA). The PEDCP 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. Minnesota Statutes Chapter 353D.03, specifies the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes 5% of salary which is matched by the elected official's employer. Employees who are paid for their services may elect to make member contributions in an amount not to exceed the employer share. Employer and employee 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% of employer contributions and twenty-five hundredths of 1% of the assets in each member's account annually.

Total contributions made by the County for the years ending December 31, 2017, 2016, and 2015 were \$4,907, \$6,399, and \$6,530, respectively, equal to the contractually required contributions for each year as set by state statute.

NOTE 5 OTHER POSTEMPLOYMENT BENEFIT PLAN

A. Plan Description

The County operates a single-employer retiree benefit plan ("the Plan") that provides health insurance to eligible employees and their spouses through the County's health insurance plan. There are 236 active participants and 7 retired participants. Benefit and eligibility provisions are established through negotiations between the County and various unions representing County employees and are renegotiated each two-year bargaining period. The Plan does not issue a publicly available financial report.

B. Funding Policy

Contribution requirements are negotiated between the County and collective bargaining unit representatives. The County contributes a single sum payment to a Health Care Savings Plan based on years of service and hourly rate for elected officials. There are no other subsidized postemployment medical, dental or life benefits for 2017. For 2017, the County contributed \$61,121 to the plan.

**STEELE COUNTY
OWATONNA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 5 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

C. Annual OPEB Cost and Net OPEB Obligation

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

Annual Required Contribution (ARC)	\$ 158,279
Interest on Net OPEB Obligation	37,291
Adjustment to ARC	<u>(56,943)</u>
Annual OPEB Cost	138,627
Contributions during the year	<u>(61,121)</u>
Increase in Net OPEB Obligation	77,506
Net OPEB - Beginning of the Year	<u>1,065,467</u>
Net OPEB - End of the Year	<u><u>\$ 1,142,973</u></u>

The County's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015, 2016, and 2017:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Employer Contribution</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation</u>
December 31, 2015	\$ 217,527	\$ 112,417	51.7 %	\$ 973,411
December 31, 2016	140,325	48,269	34.4	1,065,467
December 31, 2017	138,627	61,121	44.1	1,142,973

D. Funded Status and Funding Progress

Funded Status

The County has not placed any assets in an irrevocable trust for future benefits. Therefore, the actual value of assets is zero.

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (b)</u>	<u>Unfunded Actuarial Accrued Liability (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
1/1/2016	\$ -	\$ 904,527	\$ 904,527	-	\$ 11,395,232	7.9 %

**STEELE COUNTY
OWATONNA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 5 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

D. Funded Status and Funding Progress (Continued)

Funding Progress

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 healthcare cost trends. 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, presented as required supplementary information following the notes to basic financial statements, presents multiyear 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 plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are 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, 2016 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 3.5% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date. The initial healthcare trend rate was 6.75%, reduced by decrements to an ultimate rate of 5% after seven years. The UAAL is being amortized as a level percentage of projected payrolls on a 30-year closed basis. The remaining amortization period at December 31, 2017 was 25 years.

NOTE 6 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. The County has entered into a joint powers agreement with other Minnesota counties to form the Minnesota Counties Insurance Trust (MCIT) to protect against liabilities from workers' compensation and property and casualty. The County purchases commercial insurance for other risks of loss. There were no significant reductions in insurance from the previous year or settlements in excess of insurance for any of the past three years.

**STEELE COUNTY
OWATONNA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 6 RISK MANAGEMENT (CONTINUED)

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 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. The 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.

NOTE 7 SUMMARY OF SIGNIFICANT CONTINGENCIES AND OTHER ITEMS

A. Contingent Liabilities

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

The Count is a defendant in a lawsuit. Although the outcome of the lawsuit is not presently determinable, in the opinion of the County Attorney, the resolution of the matter will not have a material adverse effect on the financial condition of the government.

B. Construction Commitments

The County has active construction projects as of December 31, 2017. The projects are for the construction and maintenance of various roads and bridges. The County has spent \$968,120 to date, with a remaining commitment at year-end of \$0-.

C. Joint Ventures

South Central Human Relations Center

Steele County is a participant with Dodge and Waseca Counties in a joint venture to contract with the South Central Human Relations Center (a nonprofit corporation) for mental health services. On dissolution of the corporation, net position shall be divided in proportion to the contributions made by all participants. The counties are obligated by contract to provide financial support annually based on population and usage factors. No financial support payments were made to this entity during 2017. Complete financial statements can be obtained from the administrative office at 610 Florence Avenue, Owatonna, Minnesota 55060.

**STEELE COUNTY
OWATONNA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 7 SUMMARY OF SIGNIFICANT CONTINGENCIES AND OTHER ITEMS (CONTINUED)

C. Joint Ventures (Continued)

Consolidated Dispatch

Steele County is a participant with Rice County, the City of Faribault, the City of Northfield, and the City of Owatonna in the Consolidated Dispatch joint venture to provide enhanced 911 services to public safety entities in their service area. On dissolution, net position will be distributed in proportion to the total contributions made by all the participants. Beginning in 2002, annual operating costs are split between the two county participants on a per capita basis, using the most recent census figures. Total payments made to this entity during 2017 were \$945,330. Complete financial statements can be obtained from the Steele County Administrator's Office at 630 Florence Avenue, Owatonna, Minnesota 55060.

South Country Health Alliance

South Country Health Alliance (SCHA) was created by a joint powers agreement between Brown, Dodge, Freeborn, Goodhue, Kanabec, Mower, Sibley, Steele, Wabasha, and Waseca Counties on July 24, 1998, under Minnesota Statutes §471.59. The agreement was in accordance with Section 256B.692, which allows the formation of a board of directors to operate, control, and manage all matters concerning the participating member counties' health care functions, referred to as county-based purchasing.

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

Each member county has an explicit and measurable right to its share of the total capital surplus of the SCHA. Gains and losses are allocated annually to all members based on the percentage of their utilization. The County's equity interest in the SCHA at December 31, 2017 was \$4,305,852. The equity interest is reported as an investment in joint venture on the government-wide statement of net position. Changes in equity are included in the government-wide statement of activities as Human Services.

Complete financial statements for the SCHA may be obtained from SCHA.

**STEELE COUNTY
OWATONNA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 7 SUMMARY OF SIGNIFICANT CONTINGENCIES AND OTHER ITEMS (CONTINUED)

C. Joint Ventures (Continued)

Steele County Communities for a Lifetime, Inc.

Steele County Communities for a Lifetime, Inc. (SCCL) is a Minnesota nonprofit corporation that operates a 108-bed skilled nursing facility and a 50-unit assisted living facility in Owatonna, Minnesota. During 2009, Steele County and Benedictine Health System (BHS), a Minnesota nonprofit corporation and tax-exempt organization entered into an agreement to create SCCL. Steele County and BHS are equal corporate members of SCCL and will share equally in any profits or losses generated by the entity. Steele County has entered into a lease and purchase agreement with SCCL which is discussed in detail in Note 3 A.5.

As part of the initial master agreement, effective October 31, 2010, each member has agreed to complete an investment into SCCL totaling \$1,000,000. As of December 31, 2017, the County has paid a total of \$3,250,000.

Each member has an explicit and measurable right to its share of the total capital surplus of the SCCL. The County's equity interest in the SCCL at December 31, 2017 was \$-0-. At December 31, 2017 the County terminated its participation in this joint venture.

Complete financial statements for SCCL may be obtained from SCCL.

Minnesota Prairie County Alliance

Minnesota Prairie County Alliance is a multi-county human services delivery authority that was created by a joint powers agreement between Dodge, Waseca, and Steele Counties effective June 1, 2014, under Minnesota Statutes §§ 402A.35 and 471.59.

The joint powers board consists of two representatives from each member county. Each member county contributes an annual amount based on a formula involving population and relative proportion of each member county's estimated market value. During 2017, Steele County contributed \$3,485,525. On dissolution, net position will be distributed in proportion to operating formula used to determine contributions. Complete financial statements can be obtained from the administrative office at 630 Florence Avenue, Owatonna, Minnesota 55060.

**STEELE COUNTY
OWATONNA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 7 SUMMARY OF SIGNIFICANT CONTINGENCIES AND OTHER ITEMS (CONTINUED)

D. Jointly Governed Organizations

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

1. Minnesota Counties Computer Cooperative

The Minnesota Counties Computer Cooperative was established to provide computer programming to member counties. The County made no payments to this entity in 2017.

2. Southeastern Minnesota Community Action Council

The Southeastern Minnesota Community Action Council provides various elder care programs on behalf of member counties. The County made no payments to this entity in 2017.

3. South Central Drug Investigations

South Central Drug Investigations provides drug investigation services for member organizations. The County paid \$13,000 to this entity in 2017.

4. Southeastern Minnesota Private Industry Council

The Southeastern Minnesota Private Industry Council provides various job training services to member counties. The County made no payments to this entity in 2017.

5. Southeast Minnesota Water Resources Board

The Southeast Minnesota Water Resources Board provides water quality services to several counties. The County paid \$5,000 to the Board during the year.

6. Southeast Minnesota Regional Radio Board

The Southeast Minnesota Regional Board has been organized to ensure communication among member counties for emergency service purposes. The County made no payments to this entity in 2017.

**STEELE COUNTY
OWATONNA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 8 TAX ABATEMENTS

The County has multiple tax increment financing districts with local businesses pursuant to Minn. Stat. §§ 469.174-.1794; nine to promote economic development, three to promote housing districts for low to moderate income, and four to promote redevelopment. The County is currently collecting tax increments that are paid through the property tax collection processes. The requirement for businesses to receive the excess tax increments from the County is to perform improvements on the owned property. The increment taxes are based on the increase of the property value after the improvements are made.

Purpose	Name	City	Excess Tax Increment Paid During 2017
Economic Development	TIF District 3-3	Owatonna	\$ 40,909
Economic Development	TIF District 3-4	Owatonna	7,248
Economic Development	TIF District 3-5	Owatonna	9,100
Economic Development	TIF District 3-6	Owatonna	76,000
Economic Development	TIF District 3-7	Owatonna	9,338
Economic Development	TIF District 3-8	Owatonna	70,230
Economic Development	TIF District 3-9	Owatonna	62,047
Economic Development	TIF District 3-10	Owatonna	21,307
Housing District for Low to Moderate Income	TIF District 1-1	Owatonna	5,268
Housing District for Low to Moderate Income	TIF District 4-1	Blooming Prairie	6,462
Redevelopment	TIF District 1-6	Owatonna	20,712
Redevelopment	TIF District 4-1	Owatonna	22,520
Redevelopment	TIF District 5-1	Owatonna	3,310
Redevelopment	TIF District 7-1	Owatonna	2,742

For the year ended December 31, 2017, the County paid excess tax increment in the amount of \$357,193. No other commitments were made by the County as part of these arrangements.

**REQUIRED SUPPLEMENTARY INFORMATION
OTHER THAN MD&A**

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**STEELE COUNTY
OWATONNA, MINNESOTA
SCHEDULE OF THE COUNTY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST TEN FISCAL YEARS**

	Measurement Date June 30, 2017	Measurement Date June 30, 2016	Measurement Date June 30, 2015
PERA - General Employees Retirement Plan			
County's Proportion of the Net Pension Liability	0.1344%	0.1286%	0.1534%
County's Proportionate Share of the Net Pension Liability	\$ 8,580,007	\$ 10,441,682	\$ 7,949,985
State's Proportionate Share of the Net Pension Liability	\$ 107,852	\$ 136,372	\$ -
County's Proportionate Share of the Net Pension Liability and State's Proportionate Share of the Net Pension Liability	\$ 8,687,859	\$ 10,578,054	\$ 7,949,985
County's Covered Payroll	\$ 8,360,730	\$ 7,967,772	\$ 8,665,124
County's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	102.62%	131.05%	91.75%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.90%	68.90%	78.20%
PERA - Public Employees Police and Fire Plan			
County's Proportion of the Net Pension Liability	0.1500%	0.1400%	0.1330%
County's Proportionate Share of the Net Pension Liability	\$ 2,025,179	\$ 5,618,444	\$ 1,511,191
County's Covered Payroll	\$ 1,547,524	\$ 1,344,913	\$ 1,223,553
County's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	130.87%	417.76%	123.51%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	85.40%	63.90%	86.60%
PERA - Public Employees Correction Plan			
County's Proportion of the Net Pension Liability	1.0800%	1.1700%	1.1200%
County's Proportionate Share of the Net Pension Liability	\$ 3,078,011	\$ 4,274,174	\$ 173,152
County's Covered Payroll	\$ 2,115,325	\$ 2,198,788	\$ 2,018,597
County's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	145.51%	194.39%	8.58%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	67.90%	58.20%	96.90%

NOTE: Amounts prior to the measurement date of June 30, 2015 are not available.

**STEELE COUNTY
OWATONNA, MINNESOTA
SCHEDULE OF THE COUNTY CONTRIBUTIONS
LAST TEN FISCAL YEARS**

	2017	2016	2015	2014
PERA - General Employees Retirement Plan				
Contractually Required Contribution	\$ 735,921	\$ 609,601	\$ 616,105	\$ 731,729
Contributions in Relation to the Contractually Required Contribution	(735,921)	(609,601)	(616,105)	(731,729)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's Covered Payroll	\$ 8,360,730	\$ 8,115,735	\$ 8,187,493	\$ 10,092,827
Contributions as a Percentage of Covered Payroll	7.50%	7.50%	7.50%	7.25%
PERA - Public Employees Police and Fire Plan				
Contractually Required Contribution	\$ 248,762	\$ 234,065	\$ 210,200	\$ 187,179
Contributions in Relation to the Contractually Required Contribution	(248,762)	(234,065)	(210,200)	(187,179)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's Covered Payroll	\$ 1,547,524	\$ 1,444,845	\$ 1,297,530	\$ 1,223,393
Contributions as a Percentage of Covered Payroll	16.07%	16.20%	16.20%	15.30%
PERA - Public Employees Correction Plan				
Contractually Required Contribution	\$ 186,847	\$ 182,191	\$ 192,416	\$ 175,742
Contributions in Relation to the Contractually Required Contribution	(186,847)	(182,191)	(192,416)	(175,742)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's Covered Payroll	\$ 2,115,325	\$ 2,082,175	\$ 2,199,124	\$ 2,008,480
Contributions as a Percentage of Covered Payroll	8.83%	8.75%	8.75%	8.75%

NOTE: Amounts prior to 2014 are not available.

**STEELE COUNTY
OWATONNA, MINNESOTA
SCHEDULE OF FUNDING PROGRESS
OTHER POSTEMPLOYMENT HEALTH CARE BENEFITS
DECEMBER 31, 2017**

The funding progress for the County follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/2012	\$ -	\$ 1,766,257	\$ 1,766,257	- %	\$ 11,713,579	15.1 %
1/1/2014	-	1,524,056	1,524,056	-	12,677,910	12.0
1/1/2016	-	904,527	904,527	-	11,395,232	7.9

**STEELE COUNTY
OWATONNA, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED DECEMBER 31, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 17,585,712	\$ 17,585,712	\$ 17,979,397	\$ 393,685
Licenses and Permits	165,500	165,500	158,443	(7,057)
Intergovernmental	3,597,929	3,586,078	3,651,360	65,282
Charges for Services	4,481,843	4,481,843	4,475,080	(6,763)
Fines and Forfeits	36,700	36,700	12,783	(23,917)
Investment Earnings	150,000	150,000	497,396	347,396
Insurance Dividend	150,000	150,000	165,395	15,395
Miscellaneous	1,350,616	1,350,616	1,356,052	5,436
Total Revenues	27,518,300	27,506,449	28,295,906	789,457
EXPENDITURES				
CURRENT				
GENERAL GOVERNMENT				
Commissioners	236,850	236,850	200,929	35,921
Courts	363,250	363,250	489,187	(125,937)
County Coordinator	301,310	301,310	322,240	(20,930)
Human Resources	453,430	453,430	396,438	56,992
County Auditor	600,190	600,190	594,406	5,784
County Treasurer	405,575	405,575	324,762	80,813
County Assessor	660,035	660,035	633,421	26,614
Elections	35,400	35,400	13,023	22,377
Data Processing	570,140	570,140	519,103	51,037
Attorney	1,064,270	1,064,270	1,112,018	(47,748)
Law Library	36,000	36,000	18,973	17,027
Recorder	426,810	426,810	516,289	(89,479)
Surveyor	25,000	25,000	17,894	7,106
Planning and Zoning	501,550	501,550	498,337	3,213
Buildings and Plant	1,079,205	1,079,205	899,240	179,965
GIS	105,240	105,240	94,874	10,366
Veterans Service Officer	208,080	208,080	195,285	12,795
Other	870,722	870,222	838,723	31,499
Central Services	75,000	75,000	65,550	9,450
Total General Government	8,018,057	8,017,557	7,750,692	266,865
PUBLIC SAFETY				
Sheriff	2,960,150	2,960,150	2,812,248	147,902
Boat and Water Safety	4,525	4,525	2,515	2,010
Emergency Services	77,625	77,625	72,589	5,036
Coroner	70,000	70,000	66,568	3,432
Public Transit	13,500	13,500	9,152	4,348
E-911	769,664	769,664	769,340	324
County Jail	4,912,420	4,912,420	4,619,809	292,611
Law Enforcement Center	449,190	449,190	371,173	78,017
Community Corrections	1,681,400	1,681,400	1,319,941	361,459
Total Public Safety	10,938,474	10,938,474	10,043,335	895,139

The Notes to Required Supplementary Information are an Integral Part of this Schedule.

**STEELE COUNTY
OWATONNA, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (CONTINUED)
YEAR ENDED DECEMBER 31, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
EXPENDITURES (CONTINUED)				
CURRENT (CONTINUED)				
SANITATION				
Solid Waste	\$ 896,655	\$ 896,655	\$ 814,499	\$ 82,156
HUMAN SERVICES				
Minnesota Prairie	3,958,636	3,958,636	3,958,636	-
HEALTH				
Nursing Service	2,583,219	2,571,368	2,323,225	248,143
Community Health	250	250	-	250
Total Health	<u>2,583,469</u>	<u>2,571,618</u>	<u>2,323,225</u>	<u>248,393</u>
CULTURE AND RECREATION				
Historical Society	-	-	6,000	(6,000)
Parks	306,690	306,690	298,794	7,896
Four Seasons	504,185	504,185	444,968	59,217
Other	14,600	14,600	10,252	4,348
Total Culture and Recreation	<u>825,475</u>	<u>825,475</u>	<u>760,014</u>	<u>65,461</u>
CONSERVATION OF NATURAL RESOURCES				
Cooperative Extension	339,530	339,530	343,437	(3,907)
Soil and Water Conservation	135,000	135,000	135,000	-
Agricultural Society/County Fair	22,500	22,500	38,459	(15,959)
Bixby Sewer Project	17,886	17,886	6,853	11,033
Total Conservation of Natural Resources	<u>514,916</u>	<u>514,916</u>	<u>523,749</u>	<u>(8,833)</u>
CAPITAL OUTLAY				
General Government	39,000	49,500	173,807	(124,307)
Public Safety	125,000	125,000	84,302	40,698
Total Capital Outlay	<u>164,000</u>	<u>174,500</u>	<u>258,109</u>	<u>(83,609)</u>
DEBT SERVICE				
Principal	210,857	210,857	180,358	30,499
Interest	22,305	22,305	16,807	5,498
Total Debt Service	<u>233,162</u>	<u>233,162</u>	<u>197,165</u>	<u>35,997</u>
Total Expenditures	<u>28,132,844</u>	<u>28,130,993</u>	<u>26,629,424</u>	<u>1,501,569</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(614,544)	(624,544)	1,666,482	2,291,026
OTHER FINANCING SOURCES (USES)				
Transfers In	614,544	624,544	185,890	(438,654)
Transfers Out	-	-	(130,273)	(130,273)
Total Other Financing Sources (Uses)	<u>614,544</u>	<u>624,544</u>	<u>55,617</u>	<u>(568,927)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	1,722,099	<u>\$ 1,722,099</u>
Fund Balance - Beginning of Year			19,629,014	
FUND BALANCE - END OF YEAR			<u>\$ 21,351,113</u>	

The Notes to Required Supplementary Information are an Integral Part of this Schedule.

**STEELE COUNTY
OWATONNA, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
YEAR ENDED DECEMBER 31, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 5,585,731	\$ 5,585,731	\$ 5,708,503	\$ 122,772
Licenses and Permits	12,000	12,000	11,710	(290)
Intergovernmental	7,231,144	7,231,144	6,365,705	(865,439)
Charges for Services	385,988	385,988	192,383	(193,605)
Miscellaneous	3,500	3,500	97,342	93,842
Total Revenues	<u>13,218,363</u>	<u>13,218,363</u>	<u>12,375,643</u>	<u>(842,720)</u>
EXPENDITURES				
CURRENT				
HIGHWAY AND STREETS				
Administration	436,253	436,253	490,374	(54,121)
Maintenance	3,245,527	3,245,527	2,235,505	1,010,022
Construction	9,006,050	9,006,050	5,493,653	3,512,397
Equipment Maintenance and Shop	796,130	796,130	680,173	115,957
Other	220,403	220,403	219,715	688
Total Highways and Streets	<u>13,704,363</u>	<u>13,704,363</u>	<u>9,119,420</u>	<u>4,584,943</u>
CAPITAL OUTLAY				
Highways and Streets	490,000	490,000	507,637	(17,637)
Total Expenditures	<u>14,194,363</u>	<u>14,194,363</u>	<u>9,627,057</u>	<u>4,567,306</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(976,000)	(976,000)	2,748,586	3,724,586
OTHER FINANCING SOURCES (USES)				
Transfers In	976,000	976,000	22,022	(953,978)
Proceeds from Sale of Assets	-	-	23,000	23,000
Total Other Financing Sources (Uses)	<u>976,000</u>	<u>976,000</u>	<u>45,022</u>	<u>(930,978)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	2,793,608	<u>\$ 2,793,608</u>
Fund Balance - Beginning of Year			8,995,153	
Increase in Inventory			<u>29,868</u>	
FUND BALANCE - END OF YEAR			<u>\$ 11,818,629</u>	

The Notes to Required Supplementary Information are an Integral Part of this Schedule.

**STEELE COUNTY
OWATONNA, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2017**

NOTE 1 BUDGETARY INFORMATION

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds, except the Ditch and Community Wellness Special Revenue Funds, Debt Service Fund, and Capital Projects Fund.

On or before mid-June of each year, all departments and agencies submit requests for appropriations to the County Treasurer so that a budget can be prepared. Before October 31, the proposed budget is presented to the Board of County Commissioners for review. The Board holds public hearings, and a final budget must be prepared and adopted no later than December 31.

The appropriated budget is prepared by fund, function, and department. The County's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require approval of the Board of County Commissioners. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the fund level.

Encumbrance accounting is employed in governmental funds. Encumbrances outstanding at year-end are reported as commitments of fund balances and do not constitute expenditures or liabilities because the commitments will be re-apportioned and honored during the subsequent year.

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SUPPLEMENTARY INFORMATION

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**STEELE COUNTY
OWATONNA, MINNESOTA
DESCRIPTION OF FUNDS**

AGENCY FUNDS

The State Revenue Fund accounts for the collection and transfer of state fees and taxes to the state.

The Taxes and Penalties Fund accounts for the collection of all property taxes, current and delinquent.

The Consolidated Dispatch Fund accounts for the funds associated with the operation of the joint dispatch center.

**STEELE COUNTY
OWATONNA, MINNESOTA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
YEAR ENDED DECEMBER 31, 2017**

	<u>Balance January 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31</u>
STATE REVENUE				
ASSETS				
Cash and Pooled Investments	\$ 82,417	\$ 1,415,155	\$ 1,351,996	\$ 145,576
Accounts Receivable	<u>1,744</u>	<u>1,919</u>	<u>1,744</u>	<u>1,919</u>
Total Assets	<u><u>\$ 84,161</u></u>	<u><u>\$ 1,417,074</u></u>	<u><u>\$ 1,353,740</u></u>	<u><u>\$ 147,495</u></u>
LIABILITIES				
Due to Other Governments	<u><u>\$ 84,161</u></u>	<u><u>\$ 1,417,074</u></u>	<u><u>\$ 1,353,740</u></u>	<u><u>\$ 147,495</u></u>
TAXES AND PENALTIES				
ASSETS				
Cash and Pooled Investments	\$ 612,443	\$ 61,887,536	\$ 61,895,928	\$ 604,051
Accounts Receivable	<u>18,713</u>	<u>17,514</u>	<u>18,713</u>	<u>17,514</u>
Total Assets	<u><u>\$ 631,156</u></u>	<u><u>\$ 61,905,050</u></u>	<u><u>\$ 61,914,641</u></u>	<u><u>\$ 621,565</u></u>
LIABILITIES				
Funds Held in Trust	\$ 192,947	\$ 55,439,795	\$ 55,480,086	\$ 152,656
Due to Other Governments	<u>438,209</u>	<u>6,465,255</u>	<u>6,434,555</u>	<u>468,909</u>
Total Liabilities	<u><u>\$ 631,156</u></u>	<u><u>\$ 61,905,050</u></u>	<u><u>\$ 61,914,641</u></u>	<u><u>\$ 621,565</u></u>

**STEELE COUNTY
OWATONNA, MINNESOTA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES (CONTINUED)
ALL AGENCY FUNDS
YEAR ENDED DECEMBER 31, 2017**

	Balance January 1	Additions	Deductions	Balance December 31
CONSOLIDATED DISPATCH				
ASSETS				
Cash and Pooled Investments	\$ 801,754	\$ 2,591,175	\$ 2,400,117	\$ 992,812
Prepaid Items	9,327	11,439	-	20,766
Due from Other Governments	35,219	23,260	35,219	23,260
Total Assets	<u>\$ 846,300</u>	<u>\$ 2,625,874</u>	<u>\$ 2,435,336</u>	<u>\$ 1,036,838</u>
LIABILITIES				
Accounts Payable	\$ 100,233	\$ 850,149	\$ 945,330	\$ 5,052
Salaries Payable	29,242	75,850	29,242	75,850
Due to Other Governments	716,825	1,699,875	1,460,764	955,936
Total Liabilities	<u>\$ 846,300</u>	<u>\$ 2,625,874</u>	<u>\$ 2,435,336</u>	<u>\$ 1,036,838</u>
TOTAL ALL AGENCY FUNDS				
ASSETS				
Cash and Pooled Investments	\$ 1,496,614	\$ 65,893,866	\$ 65,648,041	\$ 1,742,439
Prepaid Items	9,327	11,439	-	20,766
Accounts Receivable	20,457	19,433	20,457	19,433
Due from Other Governments	35,219	23,260	35,219	23,260
Total Assets	<u>\$ 1,561,617</u>	<u>\$ 65,947,998</u>	<u>\$ 65,703,717</u>	<u>\$ 1,805,898</u>
LIABILITIES				
Salaries Payable	\$ 29,242	\$ 75,850	\$ 29,242	\$ 75,850
Funds Held in Trust	192,947	55,439,795	55,480,086	152,656
Accounts Payable	100,233	850,149	945,330	5,052
Due to Other Governments	1,239,195	9,582,204	9,249,059	1,572,340
Total Liabilities	<u>\$ 1,561,617</u>	<u>\$ 65,947,998</u>	<u>\$ 65,703,717</u>	<u>\$ 1,805,898</u>

**STEELE COUNTY
OWATONNA, MINNESOTA
SCHEDULE OF INTERGOVERNMENTAL REVENUE
YEAR ENDED DECEMBER 31, 2017**

	General Fund	Road and Bridge	Debt Service	Capital Projects	Total All Funds
SHARED REVENUE					
STATE					
County Program Aid	\$ 1,395,870	\$ 208,854	\$ 178,003	\$ -	\$ 1,782,727
PERA Rate Reimbursement	49,359	-	-	-	49,359
Disparity Reduction Aid	20,982	3,139	2,676	-	26,797
Police Aid	172,844	-	-	-	172,844
Highway Users Tax	-	6,124,566	-	-	6,124,566
Aquatic Invasive Species	17,361	-	-	-	17,361
Market Value Credit	196,804	29,146	24,844	-	250,794
Disaster Aid Credit	7,088	-	-	-	7,088
Riparian Aid	74,479	-	-	-	74,479
Total Shared Revenue	<u>1,934,787</u>	<u>6,365,705</u>	<u>205,523</u>	<u>-</u>	<u>8,506,015</u>
REIMBURSEMENT FOR SERVICES					
PAYMENTS					
Local					
MNPrairie	72,055	-	-	-	72,055
Local - Payments in Lieu of Taxes	37,696	-	-	-	37,696
Total Payments	<u>109,751</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>109,751</u>
GRANTS					
STATE					
Minnesota Department/Board of					
Corrections	497,175	-	-	-	497,175
Natural Resources	24,705	-	-	-	24,705
Health	497,627	-	-	-	497,627
Veterans Affairs	10,000	-	-	-	10,000
Soil and Water Resources	91,083	-	-	-	91,083
Public Safety	7,463	-	-	109,477	116,940
Pollution Control Agency	106,497	-	-	-	106,497
Total State	<u>1,234,550</u>	<u>-</u>	<u>-</u>	<u>109,477</u>	<u>1,344,027</u>
FEDERAL					
Department of					
Agriculture	200,409	-	-	-	200,409
Health and Human Services	164,168	-	-	-	164,168
Public Safety	-	-	-	884,029	884,029
Transportation	7,695	-	-	-	7,695
Total Federal	<u>372,272</u>	<u>-</u>	<u>-</u>	<u>884,029</u>	<u>1,256,301</u>
Total State and Federal Grants	<u>1,606,822</u>	<u>-</u>	<u>-</u>	<u>993,506</u>	<u>2,600,328</u>
Total Intergovernmental Revenue	<u>\$ 3,651,360</u>	<u>\$ 6,365,705</u>	<u>\$ 205,523</u>	<u>\$ 993,506</u>	<u>\$ 11,216,094</u>