

NEW ISSUE: FULL BOOK-ENTRY ONLY**RATING: “AA” (S&P GLOBAL RATINGS)**

In the opinion of Dorsey & Whitney LLP, Bond Counsel, based on existing law and assuming the accuracy of certain representations and compliance with certain covenants, interest on the Bonds (i) is excluded from gross income for federal income tax purposes, (ii) is not an item of tax preference for federal alternative minimum tax purposes, (iii) is excluded from taxable net income of individuals, estates, and trusts for Minnesota income tax purposes, and (iv) is not an item of tax preference for Minnesota alternative minimum tax purposes. Interest on the Bonds is included, in taxable income for purposes of the Minnesota franchise tax imposed on corporations and financial institutions. The County will designate the Bonds as “qualified tax-exempt obligations” for purposes of Section 265(b)(3) of the U.S. Internal Revenue Code of 1986 (the “Code”) relating to the ability of financial institutions to deduct from income for federal income tax purposes a portion of the interest expense that is allocable to carrying and acquiring tax-exempt obligations. See “TAX CONSIDERATIONS” herein.

OFFICIAL STATEMENT**\$4,570,000****GENERAL OBLIGATION CAPITAL IMPROVEMENT PLAN BONDS, SERIES 2019A
RICE COUNTY, MINNESOTA****Dated:** Date of Delivery**Principal Due:** February 1, 2023 through 2034

The \$4,570,000 General Obligation Capital Improvement Plan Bonds, Series 2019A (the “Bonds”) are being issued by Rice County, Minnesota (the “County”), pursuant to Minnesota Statutes, Section 373.40 and Chapter 475. The Bonds will be issued for the purpose of (i) financing a portion of the cost of acquisition and betterment, including the necessary and incidental costs described in Minnesota Statutes, Section 475.65, for the capital improvement projects included in the County’s Capital Improvement Plan for the Years 2018 - 2022, and (ii) paying the costs associated with the issuance of the Bonds. The Bonds are general obligations of the County for which its full faith, credit and unlimited taxing powers are pledged.

The Bonds will be issued as fully registered Bonds without coupons and, when issued, will be registered in the name of Cede & Co., as nominee of the Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository of the Bonds. Individual purchases may be made in book-entry form only, in the principal amount of \$5,000 and integral multiples thereof of a single maturity. Purchasers will not receive certificates representing their interest in the Bonds purchased. Principal, payable annually on February 1, beginning February 1, 2023, and interest, payable semiannually on each February 1 and August 1, beginning on August 1, 2019, will be paid to DTC, which will in turn remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the Bonds as described herein.

The Bonds are dated January 8, 2019 and will mature on February 1 in the following years and amounts:

<u>Year</u>	<u>Amount⁽¹⁾</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP</u>	<u>Year</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP</u>
2023	\$ 375,000	4.000%	2.150%	762698 JD1	2029	\$ 430,000	3.000%	2.800% ⁽¹⁾	762698 JK5
2024	385,000	4.000%	2.250%	762698 JE9	2031 ⁽²⁾	610,000	3.000%	3.000%	762698 JM1
2025	410,000	4.000%	2.350%	762698 JF6	2032	360,000	3.000%	3.100%	762698 JN9
2026	415,000	4.000%	2.450%	762698 JG4	2033	370,000	3.125%	3.150%	762698 JP4
2027	420,000	3.000%	2.550% ⁽¹⁾	762698 JH2	2034	380,000	3.125%	3.200%	762698 JQ2
2028	415,000	3.000%	2.650% ⁽¹⁾	762698 JJ8					

The Bonds maturing on or after February 1, 2027, will be subject to redemption and prepayment prior to maturity at the option of the County at par plus accrued interest on February 1, 2026, and any date thereafter, in whole or in part, in such order of maturity dates as the County may select.

LEGAL OPINION:

Dorsey & Whitney LLP, Minneapolis, Minnesota

REGISTRAR/PAYING AGENT:

U.S. Bank National Association, St. Paul, Minnesota

BANK QUALIFIED:

The Bonds are designated as “Qualified Tax-Exempt Obligations.”

Northland Securities, Inc. has agreed to purchase the Bonds from the County for an aggregate price of **\$4,701,035.50**. The Bonds will be available for delivery on or about **January 8, 2019**.

The date of this Official Statement is December 12, 2018.

⁽¹⁾ Priced to the call date of February 1, 2026

⁽²⁾ Subject to mandatory sinking fund redemption. See “DESCRIPTION OF THE BONDS – Redemption Provisions.”

(THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.)



No dealer, broker, salesman or other person has been authorized by the County, the Financial Advisor or the Underwriters to give any information or to make any representations other than those contained in this Official Statement or the Final Official Statement and, if given or made, such information and representations must not be relied upon as having been authorized by the County, the Financial Advisor or the Underwriters. This Official Statement or the Final Official Statement does not constitute an offer to sell or solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained from the County and other sources which are believed to be reliable, but it is not to be construed as a representation by the Financial Advisor or Underwriters. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement or the Final Official Statement nor any sale made thereafter shall, under any circumstances, create any implication that there has been no change in the affairs of the County or in any other information contained herein, since the date hereof.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER(S) MAY OVER-ALLOT OF EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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INTRODUCTION TO THE OFFICIAL STATEMENT

The following information is furnished solely to provide limited introductory information regarding the County's \$4,570,000 General Obligation Capital Improvement Plan Bonds, Series 2019A (the "Bonds") and does not purport to be comprehensive. All such information is qualified in its entirety by reference to the more detailed descriptions appearing in this Official Statement, including the appendices hereto.

Issuer:	Rice County, Minnesota
Authority for Issuance:	The Bonds are issued pursuant Minnesota Statutes, Section 373.40 and Chapter 475.
Security:	The Bonds are general obligations of the County. The principal of and interest on the Bonds are payable from ad valorem taxes to be levied on taxable property in the County. To any extent not so paid, the principal of and interest on the Bonds are payable from additional ad valorem taxes required by law to be levied on all taxable property in the County, which additional taxes are not subject to any limitation as to rate or amount (See "DESCRIPTION OF THE BONDS" – "Security").
Purpose:	The Bonds will be issued for the purpose of (i) financing a portion of the cost of acquisition and betterment, including the necessary and incidental costs described in Minnesota Statutes, Section 475.65, for the capital improvement projects included in the County's Capital Improvement Plan for the Years 2018 - 2022, and (ii) paying the costs associated with the issuance of the Bonds. (See "DESCRIPTION OF THE BONDS" – "Purpose").
Principal Payments:	Principal on the Bonds is payable annually on February 1 of the years 2023 through 2034.
Interest Payments:	Interest on the Bonds is payable semiannually on each February 1 and August 1, commencing August 1, 2019.
Optional Redemption:	The Bonds maturing on or after February 1, 2027, will be subject to redemption and prepayment prior to maturity at the option of the County at par plus accrued interest on February 1, 2026, and any date thereafter, in whole or in part, in such order of maturity as the County may select.
Denominations:	Individual purchases may be made in denominations of \$5,000 or integral multiples thereof, of a single maturity.
Book-Entry Only:	The Bonds will be issued as book-entry form only securities through DTC.
Tax Status:	The Bonds are generally exempt from federal and Minnesota state income taxes (See "TAX CONSIDERATIONS" herein).
Bank Qualified:	The Bonds will be designated as "Qualified Tax-Exempt Obligations."
Legal Matters:	Validity, tax exemption, and legal matters incident to the authorization and issuance of the Bonds are subject to the opinion of Dorsey & Whitney LLP, Bond Counsel. The opinion will be substantially in the form set forth in Appendix B attached hereto.
Conditions Affecting Issuance of the Bonds:	The Bonds are offered when, as and if issued, subject to the approving legal opinion of Dorsey & Whitney LLP.
Dated Date/Delivery Date:	The Bonds will be available for delivery on or about January 8, 2019.

Professional Consultants:

Municipal Advisor: Public Financial Management, Inc.
Minneapolis, Minnesota

Bond Counsel: Dorsey & Whitney LLP
Minneapolis, Minnesota

Paying Agent/Registrar: U.S. Bank National Association
St. Paul, Minnesota

Continuing Disclosure:

By a Continuing Disclosure Certificate, the County will covenant and agree to provide to the Municipal Securities Rulemaking Board, certain annual financial information of the type included in this Official Statement, including audited financial statements, and notice of the occurrence of certain material events. The County is the only “obligated person” in respect of the Bonds within the meaning of Securities and Exchange Commission Regulations, 17 C.F.R. Section 240.15c2-12. A copy of the proposed certificate is included in Appendix C.

The information set forth herein has been obtained from the County and other sources which are believed to be reliable, but it is not to be construed as a representation by the Municipal Advisor or Underwriters. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made thereafter shall, under any circumstances, create any implication that there has been no change in the affairs of the County or in any other information contained herein, since the date hereof.

Questions regarding the Bonds or the Official Statement can be directed to, and additional copies of the Official Statement, the County's audited financial reports and the documents described herein may be obtained from, PFM Financial Advisors LLC, 50 South Sixth Street, Suite 2250, Minneapolis, Minnesota 55402 (612/338-3535, 612/338-7264 fax), the County's Municipal Advisor.

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DESCRIPTION OF THE BONDS

Authority

The Bonds are being issued pursuant to Minnesota Statutes, Sections 373.40 and Chapter 475.

Purpose

The Bonds will be issued for the purpose of (i) financing a portion of the cost of acquisition and betterment, including the necessary and incidental costs described in Minnesota Statutes, Section 475.65, for the government building expansion and renovation project included in the County's Capital Improvement Plan for the Years 2018 - 2022, and (ii) paying the costs associated with the issuance of the Bonds.

Security

The Bonds are general obligations of the County. The full faith, credit and unlimited taxing power of the County are pledged to the payment of principal of and interest on the Bonds.

As required by Minnesota Statutes, Section 475.61, the County will initially levy general ad valorem taxes on all taxable property in the County in an amount equal to 105% of the principal of and interest on the Bonds. The County will levy additional taxes, without limitation as to rate or amount, on all taxable property in the County if necessary to pay principal of and interest on any Bonds when due.

Bond Terms

Principal is due on each February 1 in the years 2023 through 2034 as set forth on the cover page of the Official Statement. Interest on the Bonds is payable on each February 1 and August 1, commencing August 1, 2019. Interest will be computed on a 360-day year, 30-day month basis, to the owners of record as of the close of business on the fifteenth of the immediately preceding month. Payments coming due on a non-business day will be paid on the next business day. Individual purchases may be made in denominations of \$5,000 or integral multiples thereof, of a single maturity.

Redemption Provisions

Optional Redemption

The Bonds maturing on or after February 1, 2027, are subject to optional redemption and prepayment by the County, on February 1, 2026, and on any date thereafter, in whole or in part, in any order of maturity as the County may select, in \$5,000 principal amounts, at a price of par plus accrued interest to the date of redemption.

Notice of Redemption

Notice of redemption for the Bonds shall be published and mailed, first-class postage prepaid, not less than twenty (20) days prior to the redemption date, to registered holder(s) of Bonds to be redeemed; but no defect in or failure to give such mailed notice shall affect the validity of the proceedings for redemption as to any Bond not affected by such defect or failure.

Mandatory Redemption

The Term Bond maturing in the year 2031 is subject to mandatory redemption prior to maturity in the years and following amounts as shown below at a redemption price of one hundred percent (100%) of the principal amount to be redeemed, plus accrued interest to the redemption date.

Term Bonds Maturing in 2031

<u>Sinking Fund Payment Date</u>	<u>Sinking Fund Installment Amounts</u>
February 1, 2030	\$ 300,000
February 1, 2031 (Maturity)	310,000

Sources and Uses of Funds

Table 1 below presents the sources and uses of funds for the Bonds.

Table 1
Sources and Uses of Funds

Sources of Funds

Par Amount of Bonds	\$ 4,570,000
Reoffering Premium	<u>157,042</u>
Total Sources of Funds	<u>\$ 4,727,042</u>

Uses of Funds

Construction Fund	\$ 4,668,536
Cost of Issuance/Underwriters' Discount	<u>58,506</u>
Total Uses of Funds	<u>\$ 4,727,042</u>

Continuing Disclosure

In order to permit bidders for the Bonds and other participating underwriters in the primary offering of the Bonds to comply with paragraph (b)(5) of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (the "Rule"), the County will covenant and agree, for the benefit of the registered holders or beneficial owners, to provide certain financial information and operating data relating to the County and audited financial statements (the "Annual Reports") 365 days after the end of each fiscal year, commencing with the Fiscal Year ending December 31, 2018, and notice of the occurrence of certain events, if material, as hereinafter described (the "Disclosure Covenants") not more than ten business days after occurrence of the event. Information to be provided on an annual basis, the events as to which notice is to be given, if material, and a form of Continuing Disclosure Undertaking, including the other provisions of the Disclosure Covenants, including termination, amendment and remedies, is included in Appendix C to this Official Statement.

The County has not failed to comply in all material respects with any previous undertakings under the Rule to provide annual reports or notices of material events. Breach of the Disclosure Covenants will not constitute a default or an "Event of Default" under the Bonds or the Resolution. A broker or dealer is to consider a known breach of the Disclosure Covenants, however, before recommending the purchase or sale of the Bonds in the secondary market. Thus, a failure on the part of the County to observe the Disclosure Covenants may adversely affect the transferability and liquidity of the Bonds and their market price.

Book-Entry Only System

The information contained in the following paragraphs of this subsection “Book-Entry Only System” has been extracted from a schedule prepared by Depository Trust Company (“DTC”) entitled “SAMPLE OFFERING DOCUMENT LANGUAGE DESCRIBING BOOK-ENTRY ONLY ISSUANCE.” The County makes no representation as to the completeness or the accuracy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof.

1. The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the securities (the “Securities”). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for the Bonds, in the aggregate principal amount of such issue, and will be deposited with DTC.

2. DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC’s records. The ownership interest of each actual purchaser of each Security (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

10. Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

11. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

NEITHER THE COUNTY NOR THE UNDERWRITERS WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO PARTICIPANTS, TO INDIRECT PARTICIPANTS OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DTC PARTICIPANT OR ANY INDIRECT PARTICIPANT; (2) THE PAYMENT BY DTC, ANY DTC PARTICIPANT OR ANY INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OF OR INTEREST ON THE BONDS; (3) ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO CERTIFICATEHOLDERS; (4) ANY CONSENT GIVEN BY DTC OR OTHER ACTION TAKEN BY DTC AS CERTIFICATEHOLDER; OR (5) THE SELECTION BY DTC, ANY DTC PARTICIPANT OR ANY INDIRECT PARTICIPANT OF ANY BENEFICIAL OWNER TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF BONDS.

RICE COUNTY

General Information

Rice County (the “County”) was established in 1853, and is an organized county having the powers, duties and privileges granted counties by Minnesota Statutes, Chapter 373 (1986).

The County is located in southeastern Minnesota 30 miles south of Minneapolis and St. Paul. The County covers an area of approximately 496 square miles and contains 7 cities and 14 townships. According to the most recent 2017 estimate from U.S. Census, the City of Faribault, the county seat, has a population of 23,750 and the second largest city, the City of Northfield, has a population of 20,380. The County has a total population of 65,968, according to the July 1, 2017 Census estimate.

The official newspaper of the County is the Faribault Daily News which publishes daily except Mondays.

Organization

The County Board of Commissioners consists of five commissioners elected from five districts in the County. All commissioners serve overlapping four-year terms of office. Each member of the board serves on various committees.

The Board appoints the County Administrator who is the chief executive officer of the County. The Administrator is responsible for the administration of Board policy and for the management of the various County departments. Regular meetings of the Board of County Commissioners are held at the Rice County Government Services Building on the second and fourth Tuesday of each month except in January. In January, the Board meets the first Tuesday after the first Monday. The Board also meets as a committee of the whole on the first and third Tuesdays of the month.

The County's functions and employees are divided among 17 departments. Four of these departments - Attorney, Auditor/Treasurer, Recorder and Sheriff - are headed by members who are elected to office. The remaining department heads are appointed by the County Board. The County provides a full range of services. These services include: health and social services; tax assessment and collection; judicial, law enforcement and jail services; the construction and maintenance of highways and infrastructure; recreational facilities, planning and zoning; and general administrative services.

The following tables present a list of the current positions on the Board of County Commissioners and their respective terms in office.

Board of County Commissioners

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Jake Gillen	Chair	01/01/2021
Jeff Docken	Commissioner	01/01/2021
Galen Malecha	Commissioner	01/01/2021
Dave Miller	Commissioner	01/01/2019
Steve Bauer	Commissioner	01/01/2019
John Fossum	Commissioner	01/01/2019

County Officials

<u>Name</u>	<u>Position</u>
Sara Folsted	County Administrator
Paula O’Connell	Chief Financial Officer
Judy Van Erp	County Recorder
Troy Dunn	Sheriff
John Fossum	Attorney

Employee Contracts and Employee Count

The County employs 364 full-time and part-time employees. In addition, the County employs 10 temporary part-time and seasonal employees. Organized employees of the County, which represent 75% of the total workforce, are represented by eight bargaining units. The following table presents the employee groups within the County.

Table 2
Employee Bargaining Units

<u>Employee Groups within County</u>	<u>Approximate Number of Employees⁽¹⁾</u>	<u>Current Contract Expiration Date</u>
Highway and Waste Management Unit	21	12/31/2018
Social Service Unit	113	12/31/2018
Patrol	20	12/31/2018
Sergeants	6	12/31/2018
Community Corrections	14	12/31/2018
Correctional Officers	20	12/31/2018
General Unit	73	12/31/2018
Minnesota Nurses Association	18	12/31/2018
Non Union	<u>123</u>	--
Total Number of Employees (Full-time and Part-time)	<u>408</u>	

⁽¹⁾ Estimate

Source: County's Comprehensive Annual Financial Report for the Fiscal Year Ended December 31, 2017.
Rice County Administrator's Office.

ECONOMIC AND DEMOGRAPHIC INFORMATION

Population

Table 3 shows the population of Rice County as recorded for the past five decennial censuses and the most recent population estimate.

Table 3
Population

<u>Year</u>	<u>Rice County Population</u>
2017 ⁽¹⁾	65,968
2010	64,142
2000	56,665
1990	49,183
1980	46,087
1970	41,582

⁽¹⁾ Estimate

Source: United States Census Bureau, www.census.gov

Business and Industry

The County's primary economic activities are agriculture, manufacturing and education. The City of Faribault is famous for its woolen products, blue cheese production as well as its garden and nursery industry. It is also the site of the largest correctional facility in the State of Minnesota and an elite preparatory school named Shattuck St. Mary's. Shattuck St. Mary's is nationally recognized for its hockey program.

Daikin, Faribault Foods and Aldi have expanded their operations in the County. We anticipate an additional need of 300 employees to staff these businesses by 2025. Roadway planning is being completed to facilitate additional growth along Interstate highway 35 in the County.

The City of Northfield's main employers include two prestigious private colleges, Carleton and St. Olaf. It is also home to Post Consumer Brands, a cereal manufacturer that purchased the company formerly known as MOM Brands/Malt-O-Meal. The largest employers in the County are presented in Table 5 below:

Table 4
Major Employers

<u>Major Employers</u>	<u>Type of Business</u>	<u>City</u>	<u>Number of Employees</u>
St Olaf College	College	Northfield	860
Post Consumer Brands	Cereal Manufacturer	Northfield	750
Carleton College	College	Northfield	700
Jennie-O Turkey Store	Poultry Processing	Faribault	700
Northfield Public Schools	Elementary & Secondary Schools	Northfield	600
State Corrections Department	Correctional Institution	Faribault	556
McLane Minnesota	Food Distributor	Northfield	480
Daikin Applied	Manufacturer	Faribault	450
Rice County Offices	Government	Faribault	389 ⁽¹⁾
District One Hospital	Hospital	Faribault	350
Administrative Office	Government	Faribault	350
Network Trading Inc.	Food Products	Nerstrand	301
Hy-Vee	Retail	Faribault	300
Innovative Food Processors Inc.	Food Products	Faribault	270
Three Links Care Center	Nursing	Northfield	250
Butter Kernel Products Inc	Canning	Faribault	250
Alcoholism & Drug Detox Help	Treatment Center	Faribault	247
Crown Cork & Seal Co Inc	Manufacturer	Faribault	200

⁽¹⁾ Includes full time, part-time, temporary and seasonal employees.

Source: Infosource.

(The remainder of this page has been left blank intentionally.)

Labor Force and Unemployment Statistics

Table 5 lists the labor force and annual average unemployment rates for the County as compared to the unemployment rates for the State of Minnesota for the years 2013 through 2018, and the most recent data available. Information in this table has not been seasonally adjusted.

Table 5
Labor Force and Unemployment Statistics

<u>Year</u>	<u>Rice County</u>		<u>State of Minnesota</u>
	<u>Labor Force</u>	<u>Unemployment Rate</u>	<u>Unemployment Rate</u>
2018 ⁽¹⁾	36,849	2.6%	3.5%
2017	36,863	3.5%	3.9%
2016	36,261	3.5%	4.0%
2015	32,768	3.6%	3.7%
2014	32,838	4.1%	4.2%
2013	33,727	4.9%	4.9%

⁽¹⁾ As of August, 2018.

Source: Minnesota Department of Employment and Economic Development, www.deed.state.mn.us.

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FINANCIAL SUMMARY

(This summary is subject in all respects to more complete information contained in this Official Statement.)

Economic Market Value (2017/18)	\$ 6,785,272,936
Estimated Market Value (2017/18)	\$ 6,256,600,800
Taxable Market Value (2017/18)	\$ 5,909,664,100
Net Tax Capacity (2017/18)	\$ 61,326,774
General Obligation Debt (Including the Bonds)	\$ 24,875,000
Indirect Debt	\$ 103,242,343
Population (2017 Estimate)	65,968

Debt Ratios:

	<u>Amount</u>	<u>Per Capita (65,968)</u>	<u>% of Economic Market Value</u>
General Obligation Debt	\$ 24,875,000	\$ 377	0.40%
Indirect Debt	<u>103,242,343</u>	<u>1,565</u>	<u>1.68%</u>
Total	<u>\$ 128,117,343</u>	<u>\$ 1,942</u>	<u>2.08%</u>

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INDEBTEDNESS

General Obligation Long-Term Debt

Table 6 and Table 7 on the next page summarize the County's general obligation debt outstanding as of the issuance of the Bonds.

Table 6
General Obligation Long-Term Debt by Issue

<u>Issue Date</u>	<u>Purpose</u>	<u>Original Amount</u>	<u>Interest Range Outstanding</u>	<u>Maturities Outstanding</u>	<u>Principal Outstanding</u>
12/01/2009	Taxable Capital Improvement (BAB)	\$ 15,000,000	4.40%	02/01/19	\$ 750,000 ⁽¹⁾
09/08/2011	Capital Improvement	2,665,000	1.80%-2.40%	02/01/19-22	1,555,000
06/01/2013	Capital Improvement and Refunding	9,550,000	2.00%-3.00%	02/01/19-24	5,640,000
12/31/2013	PFA Note	2,538,907	1.23%	08/20/19-43	2,050,000
09/15/2016	Capital Improvement Refunding	8,910,000	2.00%	02/01/20-29	8,910,000
12/31/2018	Capital Equipment Notes	1,400,000	2.40%	12/31/19-23	1,400,000
01/08/2019	Capital Improvement	4,570,000	3.00%-4.00%	02/01/23-34	<u>4,570,000</u>
Total					<u>\$ 24,875,000</u>

- ⁽¹⁾ Bonds maturing in February 1, 2020 through 2029 were advance refunded by the Series 2016 Bonds and will be called for redemption on February 1, 2019. Therefore, those maturities have not been included in the outstanding debt calculation.

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Table 7
General Obligation Long-Term Debt
Annual Maturity Schedule

Year (December 31)	Outstanding		The Bonds		Total
	Principal	Interest ⁽¹⁾	Principal	Interest	
2019	\$ 2,355,000	\$ 633,579	\$ --	\$ 86,775	\$ 3,075,354
2020	2,461,000	333,833	--	153,888	2,948,721
2021	2,517,000	278,578	--	153,888	2,949,466
2022	2,558,000	226,086	--	153,888	2,937,973
2023	2,199,000	177,171	375,000	146,388	2,897,558
2024	1,950,000	132,344	385,000	131,188	2,598,531
2025	971,000	103,725	410,000	115,288	1,600,012
2026	987,000	84,743	415,000	98,788	1,585,531
2027	1,008,000	65,399	420,000	84,188	1,577,587
2028	1,029,000	45,643	415,000	71,663	1,561,306
2029	1,045,000	25,525	430,000	58,988	1,559,513
2030	81,000	14,895	300,000	48,038	443,932
2031	82,000	13,902	310,000	38,888	444,790
2032	83,000	12,897	360,000	28,838	484,735
2033	84,000	11,880	370,000	17,656	483,536
2034	85,000	10,851	380,000	5,938	481,788
2035	86,000	9,809	--	--	95,809
2036	87,000	8,755	--	--	95,755
2037	88,000	7,689	--	--	95,689
2038	89,000	6,611	--	--	95,611
2039	90,000	5,520	--	--	95,520
2040	91,000	4,417	--	--	95,417
2041	92,000	3,302	--	--	95,302
2042	93,000	2,175	--	--	95,175
2043	<u>94,000</u>	<u>1,036</u>	<u>--</u>	<u>--</u>	<u>95,036</u>
Total	<u>\$ 20,305,000</u>	<u>\$ 2,220,365</u>	<u>\$ 4,570,000</u>	<u>\$ 1,394,282</u>	<u>\$ 28,489,648</u>

⁽¹⁾ Does not include the subsidy payments received from the IRS on the interest payments of the General Obligation Capital Improvement Bonds (Build America Bonds), Series 2009, dated December 1, 2009.

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Loan Agreements

The County has entered into various loan agreements with the Minnesota Department of Agriculture (“MDA”) for financing of failing septic systems. The loans are secured by special assessments placed on the individual parcels requesting repair of a failing septic system. The original loan amount was \$970,862 at 0% interest. Final maturity of the loans is in the year 2025. As of December 31, 2017, the outstanding balance to be repaid to the State of Minnesota was \$474,085.

Debt Limitation

The statutory limit on debt of Minnesota municipalities other than school districts or cities of the first class (Minnesota Statutes, Section 475.53, subd. 1) is 3% of the assessor’s estimated market value of all taxable property within its boundaries. “Net debt” (Minnesota Statutes, Section 475.51, subd. 4) is the amount remaining after deducting from gross debt: (1) obligations payable wholly or partly from special assessments levied against benefited property (including the Obligations); (2) warrants or orders having no definite or fixed maturity; (3) obligations issued to finance any public revenue producing convenience; (4) obligations issued to create or maintain a permanent improvement revolving fund; (5) funds held as sinking funds for payment of principal and interest on debt other than those deductible under 1-4 above; (6) other obligations which are not to be included in computing the net debt of a municipality under the provisions of the law authorizing their issuance. The County’s legal debt margin is calculated in the Table 8 below.

Table 8
Debt Limit Computation

Estimated Market Value (2017/18)	\$ 6,256,600,800
	<u>3.00%</u>
Debt Limit (100%)	\$ 187,698,024
Outstanding “Net debt” (12.16%)	<u>22,825,000</u>
Remaining Debt Margin (87.84%)	<u><u>\$ 164,873,024</u></u>

Future Financing

The County intends to issue approximately \$5.4 million of General Obligation Capital Improvement Plan Bonds in the first quarter of 2019 for the completion of the project to the partially financed by the Series 2019A Bonds.

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Indirect Debt

There are fourteen taxing jurisdictions which overlap the County and which had general obligation debt outstanding as of December 31, 2017, unless otherwise noted. Table 9 below sets forth the general obligation debt for those jurisdictions and the amount of that debt allocable to the County .

Table 9
Indirect Debt

<u>Jurisdiction</u>	<u>Net G.O. Debt Outstanding⁽¹⁾</u>	<u>Percentage Allocable to County</u>	<u>Amount Allocable to County</u>
Cities			
Denison	\$ 394,370	11.12%	\$ 43,854
Dundas	4,220,000	100.00%	4,220,000
Faribault	15,736,265	100.00%	15,736,265
Lonsdale	6,665,000	100.00%	6,665,000
Morristown	1,450,000	100.00%	1,450,000
Nerstrand	774,397	100.00%	774,397
Northfield	13,909,931	91.40%	12,713,677
Towns			
Erin	50,000	100.00%	50,000
School Districts			
ISD No. 656 (Faribault)	21,771,778	100.00%	21,771,778
ISD No. 659 (Northfield)	31,599,858	80.82%	25,539,005
ISD No. 721 (New Prague)	92,030,764 ⁽²⁾	12.36%	11,375,002
ISD No. 763 (Medford)	12,125,700 ⁽³⁾	16.32%	1,978,914
ISD No. 829 (Waseca)	35,520,000 ⁽²⁾	0.36%	127,872
ISD No. 2172 (Kenyon/Wanamingo)	10,972,151 ⁽²⁾	7.26%	<u>796,578</u>
Total			<u>\$ 103,242,343</u>

⁽¹⁾ Includes general obligation debt paid from tax levies, tax increment revenue and special assessments. Excludes general obligation debt paid from utility revenues.

⁽²⁾ Outstanding as of 6/30/2017

⁽³⁾ Outstanding as of 2/1/2018

Source: EMMA and the Rice County Administrator's Office.

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FINANCIAL INFORMATION

Financial Reports

The County's financial statements are audited by an independent auditor. Copies of the County's audited financial statements are available upon request from PFM Financial Advisors LLC, the County's Municipal Advisor, or through the Electronic Municipal Market Access website as part of the County's annual continuing disclosure reports. See APPENDIX A for the County's audited financial statements for fiscal year ended December 31, 2017.

Certificate of Achievement for Excellence in Financial Reporting

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County for its comprehensive annual financial report for the year ended December 31, 2016. The County has applied for the GFOA award for its CAFR for the year ended December 31, 2017, which will be available between June 30, 2018 and early 2019.

Budgets for All County Governmental Funds

Table 10 presents the budgeted funding sources and expenditures for County governmental funds for the fiscal year 2018 and 2019.

Table 10
Budgets for County Governmental Funds⁽¹⁾

	<u>Approved 2018 Budget</u>	<u>Proposed 2019 Budget</u>
Revenues		
County Portion of Tax Levy	\$ 25,067,965	\$ 26,513,973
State Aids	<u>3,613,509</u>	<u>3,505,468</u>
Total Tax Levy	<u>\$ 28,681,474</u>	<u>\$ 30,019,441</u>
Other Taxes/Special Assessments	\$ 7,850,750	\$ 5,694,750
Licenses and Permits	38,160	43,360
Intergovernmental	22,913,420	20,390,200
Changes for Services	4,699,550	5,011,917
Miscellaneous	896,055	1,277,409
Investment Earnings	920,000	1,100,000
Transfers from Other Sources	24,000	60,000
Use of Fund Balance	<u>767,000</u>	<u>3,080,000</u>
Total Revenues	<u>\$ 66,790,896</u>	<u>\$ 66,677,077</u>
Expenditures		
General Government	\$ 10,334,587	\$ 10,424,860
Public Safety	10,835,436	11,220,572
Highways and Streets	20,656,081	18,134,616
Health	3,972,544	4,892,954
Sanitation	300,000	300,000
Human Services	16,285,361	16,917,700
Culture and Recreation	764,231	737,750
Conservation of Natural Resources	753,448	812,643
Economic Development	85,559	372,820
Debt Service	<u>2,803,162</u>	<u>2,863,162</u>
Total Expenditures	<u>\$ 66,790,409</u>	<u>\$ 66,677,077</u>

Budgets for the General Fund

Table 11 presents the budgeted funding sources and expenditures for the County's general fund for the fiscal years 2018 and 2019.

Table 11
Budget for the General Fund by Department

	<u>Approved 2018 Budget</u>	<u>Proposed 2019 Budget</u>
Revenues		
County Portion of Tax Levy	\$ 18,947,909	\$ 19,609,111
Law Library	50,000	50,000
Finance/Property Tax and Elections	127,060	100,989
Economic Development	--	284,622
Assessor	9,000	7,000
Information Technology	212,000	185,000
Insurance	175,000	175,000
Elections	121,000	29,000
Attorney	331,000	311,500
Recorder	605,000	619,000
Facilities Maintenance	164,025	282,825
Sheriff/Water Safety	635,000	623,000
Jail	75,500	76,000
Community Corrections	1,114,067	1,087,067
Emergency Services	40,000	40,000
Public Health	3,631,114	4,489,313
Parks	107,830	123,250
Extension	<u>300</u>	<u>300</u>
Total Revenues	<u>\$ 26,345,805</u>	<u>\$ 28,092,977</u>
Expenditures		
Total Expenditures	<u>\$ 26,345,805</u>	<u>\$ 28,092,977</u>

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General Fund Results

Statements of revenues and expenditures of the General Fund of the County have been compiled from the County's audited financial statements and have been organized in such a manner as to facilitate year to year comparison. Table 12 below presents general fund statements of revenues and expenditures and changes in fund balance for the last four fiscal years.

Table 12
Statement of Revenues and Expenditures for the General Fund
(Years Ended December 31)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Revenues				
General Property Taxes	\$ 12,107,221	\$ 11,791,657	\$ 10,467,337	\$ 9,606,359
Mortgage Registry and Deed Taxes	66,058	58,213	65,067	42,578
Gravel Taxes	13,104	14,431	19,724	10,294
Special Assessments	105,105	94,892	109,080	114,733
Licenses and permits	24,240	25,705	22,050	16,848
Intergovernmental	7,236,549	7,045,841	6,801,861	6,450,461
Charges for services	4,057,510	4,223,788	3,979,128	3,730,013
Fines and forfeits	84,058	77,503	91,510	31,895
Gifts & Contributions	12,394	12,710	13,262	17,380
Investment earnings	752,243	922,660	752,724	1,115,318
Miscellaneous	<u>344,916</u>	<u>298,997</u>	<u>393,523</u>	<u>404,525</u>
Total Revenues	<u>\$ 24,803,398</u>	<u>\$ 24,566,397</u>	<u>\$ 22,715,266</u>	<u>\$ 21,540,404</u>
Expenditures				
Current				
General government	\$ 9,759,792	\$ 9,186,361	\$ 8,719,232	\$ 7,822,221
Public safety	9,892,630	9,117,621	8,710,178	8,394,744
Sanitation	71,185	155,000	64,862	43,020
Health	3,890,991	3,617,102	3,391,363	3,292,217
Culture and recreation	613,122	637,550	629,792	601,917
Conservation	447,563	411,667	416,077	456,120
Economic Development	297,938	252,035	215,267	323,403
Capital Outlay				
General Government	51,229	158,866	193,866	91,357
Public Safety	155,135	113,224	138,923	94,148
Culture and Recreation	<u>136,077</u>	<u>4,163</u>	<u>18,306</u>	<u>--</u>
Total Expenditures	<u>\$ 25,315,662</u>	<u>\$ 23,653,589</u>	<u>\$ 22,497,866</u>	<u>\$ 21,119,147</u>
Excess of Revenues Over (Under)Expenditures	<u>\$ (512,264)</u>	<u>\$ 912,808</u>	<u>\$ 217,400</u>	<u>\$ 421,257</u>
Other Financing Sources (Uses)				
Transfers in	\$ 772	\$ 54,163	\$ 150,000	\$ 197,000
Transfers out	(164,434)	(77,088)	(58,987)	(1,525,888)
Proceeds from Sale of Assets	20,270	58,408	32,186	39,620
Insurance Recovery	--	--	--	--
Loans Issued	<u>86,185</u>	<u>140,000</u>	<u>64,862</u>	<u>43,020</u>
Total Other Financing Sources (Uses)	<u>\$ (57,207)</u>	<u>\$ 175,483</u>	<u>\$ 188,061</u>	<u>\$ (1,246,248)</u>
Net Change in Fund Balance	<u>\$ (569,471)</u>	<u>\$ 1,088,291</u>	<u>\$ 405,461</u>	<u>\$ (824,991)</u>
Fund Balance-January 1	<u>17,996,719</u>	<u>16,908,428</u>	<u>16,502,967</u>	<u>17,327,958</u>
Fund Balance - December 31	<u>\$ 17,427,248</u>	<u>\$ 17,996,719</u>	<u>\$ 16,908,428</u>	<u>\$ 16,502,967</u>

Pension Plans

Pension Description

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

1. General Employees Retirement Fund ("GERF")

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

2. Public Employees Police and Fire Fund (PEPFF)

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

3. Public Employees Correctional Fund ("PECF")

The Local Government Correctional Fund, referred to as the PECF, was established for correctional officers serving in county and regional corrections facilities. Eligible participants must be responsible for the security, custody, and control of the facilities and their inmates.

Benefits Provided

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state legislature. Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Members in plans that are at least 90% funded for two consecutive years are given 2.5% increases. Members in plans that have not exceeded 90% funded, or have fallen below 80%, are given 1% increases.

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

1. GERF Benefits

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

2. PEPFF Benefits

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

3. PECF Benefits

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

Contributions

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

1. GERF Contributions

Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.50%, respectively, of their annual covered salary in calendar year 2017. The County was required to contribute 11.78% of pay for Basic Plan members and 7.50% for Coordinated Plan members in calendar year 2017. The County's contributions to the GERF for the year ended December 31, 2017, were \$1,307,922. The County's contributions were equal to the required contributions as set by state statute.

2. PEPFF Contributions

Plan members were required to contribute 10.8% of their annual covered salary in calendar year 2017. The County's was required to contribute 16.20% of pay for PEPFF members in calendar year 2017. The County's contributions to the PEPFF for the year ended December 31, 2017, were \$359,571. The County's contributions were equal to the required contributions as set by state statute.

3. PECF Contributions

In calendar year 2017 plan members were required to contribute 5.83% of their annual covered salary. The County was required to contribute 8.75% of pay for PECF members in calendar year 2017. The County's contributions to the PECF for the year ended December 31, 2017, were \$102,809. The County's contributions were equal to the required contributions as set by state statute.

For additional information about pension costs, actuarial assumptions, discount rate, pension liability sensitivity and pension plan fiduciary net position, see Note 4 to the County's Comprehensive Annual Financial Report for the Fiscal Year Ended December 31, 2017. The County's contributions to the PECF for the year ended December 31, 2017, were \$102,809. The County's contributions were equal to the required contributions as set by state statute.

Pension Costs

1. General Employees Fund Pension Costs

At December 31, 2017, the County reported a liability of \$16,745,059 for its proportionate share of the General Employees Fund's Net Pension Liability. The County's Net Pension Liability reflected a reduction due to the State of Minnesota's contribution of \$6 million to the fund in 2017. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the Net Pension Liability associated with the County totaled \$210,579. 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 portion was 0.2623% which was an increase of .0077% from its proportion measured as of June 30, 2016.

For the year ended December 31, 2017 the County recognized pension expense of \$2,457,408 for its proportionate share of the General Employees Plan's pension expense. In addition, the County recognized an additional \$6,082 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$6 million to the General Employees Fund.

For more detailed information regarding the Actuarial Assumptions, Discount Rate, Pension Liability Sensitivity, Pension Plan Fiduciary Net Position and Defined Contribution Plan, see Note 4 of the County's Comprehensive Audited Financial Statements for FY2017 included as APPENDIX A of this Official Statement.

County's Share of Net Pension Liability	\$ 16,745,059
State's Share of Net Pension Liability	<u>210,579</u>
Total	\$ 16,955,638

At December 31, 2017, the County reported its proportionate share of General Employees Fund's deferred outflows of resources and deferred inflows of resources relating to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Economic Experience	\$ 551,866	\$ 1,077,251
Changes in Actuarial Assumptions	2,780,042	1,678,694
Net Difference Between Projected and Actual Earnings on Pension		
Plan Investments	108,151	-
Changes in Proportion and Differences Between County Contributions		
And Proportionate Share of Contributions	326,182	181,214
County Contributions Subsequent to the Measurement Date	<u>661,687</u>	<u>-</u>
Total	\$ 4,427,928	\$ 2,937,159

\$661,687 is reported as deferred outflows of resources related to pensions resulting from the County's contributions to General Employees Fund subsequent to the measurement date and will be recognized as a reduction of the Net Pension Liability in the year ended December 31, 2018. Other amounts reported as deferred outflows and inflows of resources related to General Employees Fund pensions will be recognized in pension expense as follows:

<u>Year Ended December 31</u>	<u>Pension Expenses Amount</u>
2018	684,154
2019	1,064,100
2020	(208,376)
2021	(710,796)

2. Police and Fire Fund Pension Costs

At December 31, 2017, the County reported a liability of \$2,713,739 for its proportionate share of the Police and Fire Fund'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, 2016, the County's proportion was 0.201% which was an increase of .005% from its proportion measured as of June 30, 2016.

For the year ended December 31, 2017, the County recognized pension expense of \$670,764 for its proportionate share of the Police and Fire Fund's pension expense. The County also recognized \$18,090 for the year ended December 31, 2017, as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's onbehalf contributions to the Police and Fire Fund. Legislation passed in 2013 required the State of Minnesota to begin contributing \$9 million to the Police and Fire Fund each year, starting in fiscal year 2014.

At December 31, 2017, the County reported its proportionate share of the Police and Fire Fund's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Economic Experience	\$ 62,464	\$ 1,077,251
Changes in Actuarial Assumptions	3,551,469	1,678,694
Net Difference Between Projected and Actual Earnings on Pension		
Plan Investments	37,271	-
Changes in Proportion and Differences Between County Contributions		
And Proportionate Share of Contributions	68,854	53,618
County Contributions Subsequent to the Measurement Date	<u>189,670</u>	<u>-</u>
Total	\$ 3,909,728	\$ 4,631,943

\$189,670 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, 2018.

Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31</u>	<u>Pension Expenses Amount</u>
2018	46,261
2019	46,266
2020	(53,218)
2021	(206,886)
2022	(744,303)

3. Correctional Plan Pension Costs (Continued)

At December 31, 2017, the County reported a liability of \$1,681,506 for its proportionate share of the 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 0.59% which was a decrease of .04% from the proportion measured as of June 30, 2016.

For the year ended December 31, 2017, the County recognized pension expense of \$635,950 for its proportionate share of the Correctional Plan's pension expense.

At December 31, 2017, the County reported its proportionate share of the Correctional Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Economic Experience	\$ 1,203	\$ 27,988
Changes in Actuarial Assumptions	977,546	292,700
Net Difference Between Projected and Actual Earnings on Pension		
Plan Investments	1,628	-
Changes in Proportion and Differences Between County		
Contributions		
And Proportionate Share of Contributions	1,415	109,594
County Contributions Subsequent to the Measurement Date	<u>54,367</u>	<u>-</u>
Total	\$ 1,036,159	\$ 430,282

\$54,367 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, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31</u>	<u>Pension Expenses Amount</u>
2018	361,562
2019	373,426
2020	(136,670)
2021	(46,808)

Total Pension Expense

The total pension expense for all plans recognized by the County for the year ended December 31, 2017 was \$3,770,204.

Other Post Employment Benefits

OPEB Disclosure

In 2007, the County prospectively implemented the requirements of GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. The OPEB plan does not issue a publicly available financial report.

1. Elected Officials

The County Board has adopted a policy maintaining payment of single health insurance premiums for its retired elected officials. Elected officials who have eight or more years of service as an elected official are eligible for two years of paid coverage for every four years served, excluding any long-term disability used prior to retirement.

2. Other Employees

The County provides health insurance benefits for certain retired employees under a single-employer fully-insured plan. The County provides benefits for retirees as required by Minnesota Statutes, Section 471.61 subdivision 2b. Active employees who retire from the County when eligible to receive a retirement benefit from PERA (or similar plan) and do not participate in any other health benefits program providing coverage similar to that herein described, will be eligible to continue coverage with respect to both themselves and their eligible dependent(s) under the County's health benefits program. Retirees, are required to pay 100% of the total premium cost. Since the premium is a blended rate determined on the entire active and retiree population, the retirees are receiving an implicit rate subsidy. As of

January 1, 2017, there were six retirees receiving health benefits from the County's health plan. The County pays for these benefits on a "pay-as-you-go" basis.

a. Annual OPEB Cost and Net OPEB Obligation

The County's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of fund that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the County's annual OPEB cost of 2017, the amount actually contributed to the plan, and changes in the County's net OPEB obligation:

Annual Required Contributions (ARC)	\$ 151,949
Interest on Net OPEB Obligation	50,656
Adjustment to ARC	<u>(43,945)</u>
Annual OPEB Cost	\$ 158,660
Contributions During the Year	<u>(72,753)</u>
Increase in Net OPEB Obligation	\$85,907
Net OPEB – Beginning of Year	<u>1,125,699</u>
Net OPEB – End of Year	<u>\$ 1,211,606</u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2017 and the two preceding years were as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Employer Contribution</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation</u>
12/31/2017	\$ 158,660	\$ 72,753	45.9%	\$ 1,211,606
12/31/2016	154,168	56,762	36.8%	1,125,699
12/31/2015	231,152	55,369	24.0%	1,028,293

b. Funding Status

The County currently has no assets that have been irrevocably deposited in a trust for future health benefits. Therefore, the actuarial value of assets is zero.

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Unfunded Actuarial Accrued Liability</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
01/01/2016	\$ --	\$ 1,349,089	\$ 1,349,089	--%	\$19,070,000	7.1%

For additional information about Actuarial Methods and Assumptions, see Note 5 to the County's Comprehensive Annual Financial Report for the Fiscal Year Ended December 31, 2017.

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PROPERTY VALUATIONS AND TAXES

Property Values

The County Assessor, pursuant to State law, is responsible for the assessment of all taxable property located within a county. State law provides, with certain exceptions, that all taxable property is to be valued at its market value. All real property subject to taxation must be listed and shall be valued each year with reference to its value as of January 2. The assessor views and reappraises all parcels at maximum intervals of five years. Personal property subject to taxation must also be listed and assessed annually as of January 2.

With certain exemptions, all property is valued at its Estimated Market Value ("EMV"), which is the value the assessor determines to be the price the property to be fairly worth. Taxable Market Value ("TMV") is EMV less certain exclusions, deferrals of value and adjustments to tax capacity, including a homestead market value exclusion for homesteads valued under \$413,800.

Net Tax Capacity ("NTC") is the value upon which taxes are levied and collected. The NTC is computed by applying the classification rate percentages specific to each type of property classification against the TMV. Classification rate percentages vary depending on the type of property. The following table shows the classification rates for selected property types for taxes payable in 2018.

Table 13
Property Classification Rates

<u>Type of Property</u>	<u>Pay 2018 Classification Rates</u>
Residential Homestead	
First \$500,000 Taxable Market Value	1.00%
Over \$500,000 Taxable Market Value	1.25%
Commercial/Industrial	
First \$150,000 Taxable Market Value	1.50%
Over \$150,000 Taxable Market Value	2.00%
Non-Homestead Market Rate Apartments	1.25%

Neither the NTC nor the TMV may accurately represent what a property's actual market value would be in the marketplace. By dividing the EMV used for tax purposes by the State Equalization Aid Review Committee's ("EARC") Sales Ratio, an Economic Market Value can be calculated which approximates actual market value. The Economic Market Value replaces the Indicated Market Value which was previously calculated by dividing the TMV by the Sales Ratio. Sales ratios represent the relationship between the market value used for tax purposes and actual selling prices which were obtained in real estate transactions within a governmental unit in any particular year. The 2017 Sales Ratio for the County is 92.08%.

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Table 14 below presents the Economic Market Value, Estimated Market Value, Taxable Market Value and Net Tax Capacity of taxable property in the County for assessment year 2017/collection year 2018. In addition, Table 15 presents the Economic Market Value, Estimated Market Value, Taxable Market Value and the Net Tax Capacity for the past five years.

Table 14
Property Values

	<u>Economic Market Value</u>	<u>Estimated Market Value</u>	<u>Taxable Market Value</u>	<u>Taxable Net Tax Capacity</u>
Real Estate	\$ 6,675,153,236	\$ 6,146,481,100	\$ 5,799,544,400	\$ 59,744,768
Personal Property	110,119,700	110,119,700	110,119,700	2,175,513
Less: Increment Value	--	--	--	(593,507)
Total	<u>\$ 6,785,272,936</u>	<u>\$ 6,256,600,800</u>	<u>\$ 5,909,664,100</u>	<u>\$ 61,326,774</u>

Source: Rice County Auditor/Treasurer's office

Table 15
Historical Property Values

<u>Prior Year Values</u>	<u>Economic Market Value</u>	<u>Sales Ratio</u>	<u>Estimated Market Value</u>	<u>Taxable Market Value</u>	<u>Adjusted Net Tax Capacity</u>
2016/17	\$ 6,581,422,171	91.74%	\$ 6,037,796,700	\$ 5,688,314,300	\$ 59,221,427
2015/16	6,160,148,097	94.33%	5,810,867,700	5,456,776,600	54,509,276
2014/15	5,885,750,643	97.13%	5,716,829,600	5,361,900,800	54,442,289
2013/14	5,879,702,368	92.06%	5,412,854,000	5,043,229,400	51,653,485
2012/13	5,542,991,744	96.90%	5,371,159,000	4,994,852,600	51,046,461

Source: Rice County Auditor/Treasurer's Office.

Table 16 presents the Net Tax Capacity of real estate property within the County by the various types of property for assessment year 2017, collection year 2018.

Table 16
Net Tax Capacity by Category

<u>Real State Only</u>	<u>Net Tax Capacity</u>	<u>% of Total Net Tax Capacity</u>
Residential	\$ 28,173,816	47.16%
Non-Residential Class 3D	7,149,195	11.97%
Agricultural	11,749,909	19.67%
Commercial & Industrial	11,266,249	18.86%
Public Utility	683,161	1.14%
Other	<u>722,438</u>	<u>1.21%</u>
Total	<u>\$ 59,744,768</u>	<u>100.00%</u>

Source: Rice County Auditor/Treasurer's Office.

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Property Tax Levies and Collections

The tax year in Minnesota is January 1 to December 31. Taxes are collected by the County Auditor/Treasurer's Office. The sequence of events in the taxation of property begins with the certification of the property tax levy to the County Auditor on or before December 28. The County Auditor then calculates the local tax rates and spreads the taxes designed to meet these budget requirements. The resulting taxes on property are payable the following year. The due dates for taxes on real property are one-half on or before May 15 and one-half on or before October 15. The due dates for payment of agricultural property taxes are one-half on or before May 15th and one-half on or before November 15th.

Penalties on unpaid taxes occur as follows: On May 16, unpaid property taxes on the first one-half are penalized at a rate of 2% on property classified as homestead and 4% on property classified as non-homestead. Thereafter, an additional 1% accrues on the unpaid balance of both homestead and non-homestead property through October. Penalties on the unpaid second half of taxes accrue beginning October 16 at 2% for homestead properties and 4% for non-homestead properties. Additional penalties also accrue on Agricultural homesteads and non-homesteads if the second half has not been paid by November 15th. The penalty rate differs depending on the type of property through December. On January 2, the total penalty on unpaid homestead properties is 10% and on non-homestead properties at 14%. In January following the year in which the taxes were due, interest is also charged based on variable rates per annum, on the full amount of unpaid taxes, penalties, and costs. Personal property tax is also penalized at varying rates determined by the type of property.

Table 17 shows the County's tax levies and collections for collection years 2014 through 2018.

Table 17
Tax Collections

Collection Year	Gross Levy	Adjusted Tax Levy	Collected First Year		Collected as of 06/30/18	
			Amount	% of Adjusted Tax Levy	Amount	% of Adjusted Tax Levy
2018	\$ 25,068,611	\$ 24,650,031	In process of collection			
2017	23,673,579	23,280,857	\$23,105,132	99.25%	\$23,215,312	99.72%
2016	22,817,365	22,434,015	22,265,805	99.25%	22,387,997	99.79%
2015	21,352,970	20,948,631	20,746,883	99.04%	20,911,120	99.82%
2014	20,018,855	19,791,191	19,577,739	98.92%	19,766,218	99.87%

Source: Rice County Auditor/Treasurer's Office.

Tax Rates

Table 18 shows the tax rates for residents of Rice County who reside in the City of Faribault for the collection years 2014 through 2018.

Table 18
Tax Rates

	<u>2018⁽¹⁾</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
County of Rice	40.251%	41.812%	41.566%	40.546%	42.179%
County HRA	0.124%	0.124%	0.109%	0.223%	0.601%
County Hospital	--	--	--	--	1.713%
City of Faribault	57.182%	57.182%	55.696%	53.168%	53.814%
Faribault Economic Development	1.411%	1.411%	1.417%	1.511%	1.558%
Faribault HRA	1.440%	1.440%	1.446%	1.526%	1.589%
I.S.D. No. 656	<u>15.679%</u>	<u>15.812%</u>	<u>22.064%</u>	<u>20.267%</u>	<u>19.493%</u>
Total	<u>116.087%</u>	<u>117.781%</u>	<u>122.298%</u>	<u>117.241%</u>	<u>118.947%</u>

Source: Rice County's 2017 Comprehensive Annual Financial Report

⁽¹⁾ Rice County Website

Principal Taxpayers

A list of the ten taxpayers in the County with the highest net tax capacity for taxes payable in 2018 is presented in Table 19 below.

Table 19
Principal Taxpayers

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Net Tax Capacity</u>	<u>% of total Net Tax Capacity⁽¹⁾</u>
Northern States Power	Utilities	\$ 1,215,888	1.96%
Northwen Natural Gas Co	Utilities	927,514	1.50%
ALDI Inc.	Grocery	444,278	0.72%
MOM Brands Company	Food Production	374,156	0.60%
Faribault Foods, Inc.	Food Production	352,415	0.57%
Individual	Commercial	265,336	0.43%
Wal-Mart	Reatil	257,976	0.42%
McLane Company	Food Distributor	186,318	0.30%
Allina Health System	Health Care	196,754	0.32%
Menard, Inc.	Home Improvement	<u>136,211</u>	<u>0.27%</u>
Total		<u>\$ 4,386,846</u>	<u>7.08%</u>

(1) Based on the net tax capacity of \$61,920,281. Total tax capacity includes real and personal property and is not adjusted for fiscal disparities or tax increment financing.

Source: Rice County Auditor/Treasurer's Office.

RATING

The Bonds are rated "AA" by S&P Global Ratings. A rating is subject to withdrawal at any time; withdrawal of a rating may have an adverse effect on the marketability of the Bonds. For an explanation of the significance of the rating, an investor should communicate with the rating agency directly.

TAX CONSIDERATIONS

The following is a summary of certain U.S. federal and Minnesota income tax considerations relating to the purchase, ownership, and disposition of the Bonds. This summary is based on the U.S. Internal Revenue Code of 1986 (the "Code") and the Treasury Regulations promulgated thereunder, judicial decisions, and published rulings and administrative pronouncements of the Internal Revenue Service (the "IRS"), all as of the date hereof and all of which are subject to change, possibly with retroactive effect. Any such change could adversely affect the matters discussed below, including the tax exemption of interest on the Bonds. The County has not sought and will not seek any rulings from the IRS regarding the matters discussed below, and there can be no assurance the IRS or a court will not take a contrary position regarding these matters.

Prospective purchasers of Bonds should consult their own tax advisors with respect to applicable federal, state, and local tax rules, and any pending or proposed legislation or regulatory or administrative actions, relating to the Bonds based on their own particular circumstances.

This summary is for general information only and is not intended to constitute a complete analysis of all tax considerations relating to the purchase, ownership, and disposition of Bonds. It does not address the U.S. federal estate and gift tax or any state, local, or non-U.S. tax consequences except with respect to Minnesota income tax to the extent expressly specified herein. This summary is limited to consequences to U.S. holders that purchase the Bonds for cash at original issue and hold the Bonds as “capital assets” (generally, property held for investment).

This discussion does not address all aspects of U.S. federal income or state taxation that may be relevant to particular holders of Bonds in light of their specific circumstances or the tax considerations applicable to holders that may be subject to special income tax rules, such as: holders subject to special tax accounting rules under Section 451(b) of the Code; insurance companies; brokers, dealers, or traders in stocks, securities, or currencies or notional principal contracts; foreign corporations subject to the branch profits tax; holders receiving payments in respect of the Bonds through foreign entities; and S corporations, partnerships, or other pass-through entities or investors therein.

For purposes of this discussion, the “issue price” of a maturity of Bonds is the first price at which a substantial amount of Bonds of that maturity is sold for cash to persons other than bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents, or wholesalers.

Tax-Exempt Interest

In the opinion of Dorsey & Whitney LLP, Bond Counsel, based on existing law and assuming the accuracy of certain representations and compliance with certain covenants, interest on the Bonds (i) is excluded from gross income for federal income tax purposes, (ii) is not an item of tax preference for federal alternative minimum tax purposes, (iii) is excluded from taxable net income of individuals, estates, and trusts for Minnesota income tax purposes, and (iv) is not an item of tax preference for Minnesota alternative minimum tax purposes. Interest on the Bonds is included, however, in adjusted current earnings for purposes of the federal alternative minimum tax imposed on corporations with respect to taxable years beginning before January 1, 2018, and in taxable income for purposes of the Minnesota franchise tax imposed on corporations and financial institutions.

The Code establishes certain requirements that must be met after the issuance of the Bonds in order that interest on the Bonds be excluded from federal gross income and from Minnesota taxable net income of individuals, estates, and trusts. These requirements include, but are not limited to, provisions regarding the use of Bond proceeds and the facilities financed or refinanced with such proceeds and restrictions on the investment of Bond proceeds and other amounts. The County has made certain representations and has covenanted to comply with certain restrictions, conditions, and requirements designed to ensure interest on the Bonds will not be included in federal gross income. Inaccuracy of these representations or noncompliance with these covenants may cause interest on the Bonds to be included in federal gross income or in Minnesota taxable net income retroactively to their date of issue. Bond Counsel has not independently verified the accuracy of these representations and will not verify the continuing compliance with these covenants. No provision has been made for redemption of or for an increase in the interest rate on the Bonds in the event that interest on the Bonds is included in federal gross income or in Minnesota taxable net income.

Original Issue Discount

The Bonds maturing in the years 2032 through 2034 are issued at a discount from their principal amount (the “Discount Bonds”). The excess of the principal amount payable on Bonds of a given maturity over their issue price constitutes “original issue discount” (“OID”). OID that accrues to a holder of a Discount Bond is excluded from federal gross income and from Minnesota taxable net income of individuals, estates, and trusts to the same extent that stated interest on such Discount Bond would be so excluded. The amount of OID that accrues on a Discount Bond is added to the holder’s federal and Minnesota tax basis. OID is taxable under the Minnesota franchise tax on corporations and financial institutions.

OID on a Discount Bond generally accrues pursuant to a constant-yield method that reflects semiannual compounding on dates that are determined by reference to the maturity date of the Discount Bond. The amount of OID that accrues for any particular semiannual accrual period generally is equal to the excess of (1) the product of (a) one-half of the yield on such Discount Bonds (adjusted as necessary for an initial short period) and (b) the adjusted issue price of such Discount Bonds, over (2) the amount of stated interest actually payable. For this purpose, the adjusted issue price is determined by adding to the issue price for such Discount Bonds the OID that is treated as having accrued during

all prior accrual periods. If a Discount Bond is sold or otherwise disposed of between compounding dates, then the original issue discount that would have accrued for that accrual period for federal income tax purposes is allocated ratably to the days in that accrual period.

If a Discount Bond is purchased for a cost that exceeds the sum of the issue price plus accrued interest and accrued OID, the amount of OID that is deemed to accrue thereafter to the purchaser is reduced by an amount that reflects amortization of such excess over the remaining term of the Discount Bond. If the excess is greater than the amount of remaining OID, the basis reduction rules for amortizable bond premium may result in taxable gain upon sale or other disposition of the Bonds, even if the Bonds are sold, redeemed, or retired for an amount equal to or less than their cost.

It is possible under certain state and local income tax laws that original issue discount on a Discount Bond may be taxable in the year of accrual and may be deemed to accrue differently than under federal law.

Market Discount

If a Bond is purchased for a cost that is less than the Bond's issue price (plus accrued original issue discount), the purchaser will be treated as having purchased the Bond with market discount (unless a statutory de minimis rule applies). Market discount is treated as ordinary income and generally is recognized on the maturity or earlier disposition of the Bond (to the extent that the gain realized does not exceed the accrued market discount on the Bond).

Bond Premium

The Bonds maturing in the years 2023 through 2029 are being sold at a price greater than the principal amount payable on such Bonds at maturity. A holder that acquires a Bond for an amount in excess of its principal amount generally must, from time to time, reduce the holder's federal and Minnesota tax bases for the Bond. Premium generally is amortized for federal income tax purposes and Minnesota income and franchise tax purposes on the basis of a bondholder's constant yield to maturity or to certain call dates with semiannual compounding. Accordingly, holders who acquire Bonds at a premium might recognize taxable gain upon sale of the Bonds, even if such Bonds are sold for an amount equal to or less than their original cost. Amortized premium is not deductible for federal income tax purposes or for purposes of the Minnesota income tax applicable to individuals, estates, and trusts.

Related Tax Considerations

Section 86 of the Code and corresponding provisions of Minnesota law require recipients of certain social security and railroad retirement benefits to take interest on the Bonds into account in determining the taxability of such benefits. Section 265(a) of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Bonds, and Minnesota law similarly denies a deduction for such interest in the case of individuals, estates, and trusts. In the case of a financial institution, no deduction is allowed under section 265(b) the Code for that portion of the holder's interest expense that is allocable to interest on tax-exempt obligations, such as the Bonds, unless the obligations are "qualified tax-exempt obligations." Indebtedness may be allocated to the Bonds for this purpose even though not directly traceable to the purchase of the Bonds.

The Bonds are "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code. Accordingly, although interest expense allocable to the Bonds is not subject to the disallowance under Section 265(b) of the Code, the deduction for interest on indebtedness incurred or continued to purchase or carry the Bonds may be subject to reduction under Section 291 of the Code.

The ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Bonds may affect a holder's federal, state, or local tax liability in some additional circumstances. The nature and extent of these other tax consequences depends upon the particular tax status of the holder and the holder's other items of income or deduction.

Sale or Other Disposition

A holder will generally recognize gain or loss on the sale, exchange, redemption, retirement, or other disposition of a Bond equal to the difference between (i) the amount realized less amounts attributable to any accrued but unpaid stated

interest and (ii) the holder's adjusted tax basis in the Bond. The amount realized includes the cash and the fair market value of any property received by the holder in exchange for the Bond. A holder's adjusted tax basis in a Bond generally will be equal to the amount that the holder paid for the Bond, increased by any accrued OID with respect to the Bond and reduced by the amount of any amortized bond premium on the Bond. Except to the extent attributable to market discount (which will be taxable as ordinary income to the extent not previously included in income), any gain or loss will be capital gain or loss and will be long-term capital gain or loss if the holder held the Bond for more than one year. Long-term capital gains recognized by certain non-corporate persons, including individuals, generally are taxable at a reduced rate. The deductibility of capital losses is subject to significant limitations.

Information Reporting and Backup Withholding

Payments of interest on the Bonds (including any allocable bond premium or accrued OID) and proceeds from the sale or other disposition of the Bonds are expected to be reported to the IRS as required under applicable Treasury Regulations. Backup withholding will apply to these payments if the holder fails to provide an accurate taxpayer identification number and certification that it is not subject to backup withholding (generally on an IRS Form W-9) or otherwise fails to comply with the applicable backup withholding requirements. Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against the holder's U.S. federal income tax liability, provided that the required information is timely furnished to the IRS. Certain holders are exempt from information reporting. Potential holders should consult their own tax advisors regarding qualification for an exemption and the procedures for obtaining such an exemption.

QUALIFIED TAX-EXEMPT OBLIGATIONS

The Bonds will be designated by the County as "qualified tax-exempt obligations" for purposes of section 265 of the Code relating to the ability of financial institutions to deduct from income for federal income tax purposes interest expense that is allocable to tax-exempt obligations.

LITIGATION

There is no litigation pending or, to the knowledge of County officials, threatened which questions the validity of the Bonds or of any proceedings of the County taken with respect to the issuance or sale thereof.

It is the opinion of the County, based upon the past experience of the payment of claims and judgment amounts, that there are presently no outstanding claims, litigation, pending litigation or contingent liabilities which would exceed the funds accumulated for this purpose and funds currently appropriated by the County for these purposes, and that outstanding claims and suits would not materially affect the financial position of the County as of the date of this Official Statement.

CERTIFICATION

The County will furnish a statement to the effect that this Official Statement, to the best of its knowledge and belief as of the date of sale and the date of delivery, is true and correct in all material respects and does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made herein, in light of the circumstances under which they were made, not misleading.

LEGAL MATTERS

Legal matters incident to the authorization and issuance of the Bonds are subject to the opinion of Dorsey & Whitney LLP, Bond Counsel, as to validity and tax exemption. The opinion will be substantially in the form set forth in Appendix C attached hereto. Except as to the information contained under the caption "TAX CONSIDERATIONS," Bond Counsel has not been requested to, and has not undertaken to, verify the accuracy of the information contained in this Official Statement and expresses no opinion with respect thereto.

MUNICIPAL ADVISOR

The County has retained Public Financial Management, Inc., of Minneapolis, Minnesota, as financial advisor (the "Financial Advisor") in connection with the issuance of the Bonds. In preparing the Official Statement, the Financial Advisor has relied upon governmental officials, and other sources, who have access to relevant data to provide accurate information for the Official Statement, and the Financial Advisor has not been engaged, nor has it undertaken, to independently verify the accuracy of such information. The Financial Advisor is not a public accounting firm and has not been engaged by the County to compile, review, examine or audit any information in the Official Statement in accordance with accounting standards. The Financial Advisor is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities and therefore will not participate in the underwriting of the Bonds.

Requests for information concerning the County should be addressed to Public Financial Management, Inc., 50 South Sixth Street, Suite 2250, Minneapolis, Minnesota 55402 (612/338-3535).

MISCELLANEOUS

Any statements in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are set forth as such and are not representations of fact, and no representation is made that any of the estimates will be realized. Neither this Official Statement nor any statement which may have been made verbally or in writing is to be construed as a contract or agreement with the owners of any Bonds.

This Official Statement has been approved by the County for distribution by the Chief Financial Officer to prospective purchasers of the Bonds.

RICE COUNTY, MINNESOTA

By: /s/ Paula O'Connell
Chief Financial Officer

APPENDIX A

**The County's Comprehensive Annual Financial Report
Year Ended December 31, 2017**

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RICE COUNTY, MINNESOTA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 2017

Prepared by: Rice County Finance Department

Paula O'Connell
Chief Financial Officer

John Lang
Financial Manager

Faribault, Minnesota
(507) 332-6122

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INTRODUCTORY SECTION



RICE COUNTY

Finance Department

PAULA O'CONNELL, CFO

Government Services Building, 320 NW 3rd Street, Suite 5, Faribault, MN 55021

Phone: 507-332-6122 Fax: 507-333-3754 Email: poconnell@co.rice.mn.us

June 25, 2018

Citizens of Rice County, Rice County Board of Commissioners,
County Administrator, and Interested Agencies and Institutions
Rice County Government Services Building
320 Northwest Third Street
Faribault, Minnesota 55021

Commissioners:

This Comprehensive Annual Financial Report of Rice County (the County) is submitted for the fiscal year ended December 31, 2017. This report was prepared by the Finance Department with the assistance of the various departmental accounting staff throughout the Rice County financial reporting structure in conformity with generally accepted accounting principles (GAAP). The responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with Rice County. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds of Rice County and has earned an unmodified opinion from our auditors. All disclosures necessary to enable the reader to gain an understanding of Rice County's financial activities have been included.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. Rice County's MD&A can be found immediately following the independent auditors' report.

Rice County is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984, the Single Audit Act Amendments of 1996, and the requirements of Title 2 U.S. *Code of Federal Regulations (CFR) Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Copies of this report will be sent to elected officials, County management, bond rating agencies, financial institutions, and government agencies, which have expressed an interest in Rice County's affairs. This report is also available on the Rice County web site at www.co.rice.mn.us.

GENERAL INFORMATION

Rice County is located in Southern Minnesota just 30 miles south of Minneapolis and St. Paul. The County encompasses an area of 496 square miles and contains 7 cities and 14 townships. Out of 87 counties in Minnesota, the 2010 census (population of 64,142) puts Rice County as the State's 13th most populous county. Rice County was organized March 5, 1853, and is governed by the general laws of the State of Minnesota.

GOVERNMENTAL ORGANIZATION AND SERVICES

The Rice County Board of Commissioners consists of five commissioners elected from five districts in the County. All commissioners serve overlapping four-year terms of office. Each member of the board serves on various committees.

The Board appoints the County Administrator who is the chief executive officer of the County. This person is responsible for the administration of Board policy and for the management of the various County departments.

In 2017, the County's functions and employees moved from 17 to 18 departments. The Auditor/Treasurer's Office was divided into the Finance and the Property tax/Elections departments. Also in 2017, the Auditor/Treasurer and the Recorder positions were approved to become appointed by the County Board following the next vacancy of the position. The Attorney and Sheriff Offices are managed by department heads who are elected to office. The remaining department heads are appointed by the County Board.

The County provides a full range of services. These services include: health and social services; tax assessment and collection; judicial, law enforcement and jail services; elections; the construction and maintenance of highways and infrastructure; recreational facilities, planning and zoning, and general administrative services. The Soil and Water Conservation District, Historical Society, and Agricultural Society have not met the established criteria for inclusion in the reporting entity, and accordingly are excluded from this report. Because the Housing and Redevelopment Authority Board comprises the same members as the County Board, it is included as a blended component unit.

ECONOMIC CONDITION AND OUTLOOK

The economic condition and outlook for the County appears to continue to be improving with a 26 year low unemployment rate and a 10 year high new construction level. As with the rest of the nation, property values have been increasing more rapidly. We see a shift in tax capacity from agriculture and commercial to residential classifications as housing prices rise. There are several other factors that show the financial stability of the County. Bank deposits were up 5.6% from the prior year and have climbed 37% over the past ten years. Population increases have averaged .46% per year over the past decade. The three colleges and the state run facilities are major employers in Rice County, and have helped provide a stabilizing effect on employment.

Due to Rice County's relatively dense population outside the metro area and close proximity to the Twin Cities metropolitan area, it is attractive to businesses that need affordable land and labor costs to expand their operations. This is quite apparent from various development projects that have appeared within the County. A project that will have an impact on the County's future tax base and employment include the ongoing plant expansion for Faribault Foods. Other notable projects currently just completed or under construction include: an assisted Living apartment complex, an Aldi Store, the Fairfield Inn, Lonsdale Packaging Inc., and the renovation of an old Kmart building into a 10 screen theatre and retail space. Overall new construction is up 50.6% from last year for a total of \$88 million. The last time new construction was at this level was in 2007. Unemployment has continued a pattern of decline, down from its high of 8.8% in 2009 to 3.2% in 2017.

Through Geronimo Energy, Rice County signed a 25 year agreement with Lyra, Aries, and Pollux Community Soar Gar solar garden projects. This agreement enables the County a reduction in energy costs into 2041.

MAJOR INITIATIVES

For the Year

In 2017, The County Board received special legislation and completed the process to convert the Recorder and Auditor/Treasurer positions from an elected positions to an appointed positions. The responsibilities and functions previously held by the Auditor/Treasurer are now divided between a Chief Financial Officer and a Director of Property Tax and Elections.

Rice County continues to make upgrades in technology, including virtual desk tops and enhancing its back-up systems.

The Rice County Board approved a \$10 increase to its wheelage tax. Additional collections are projected to be in excess of \$550,000 and will be used for the maintenance of roads and bridges.

For the Future

Rice County has contracted for engineering for an expansion to the Government Services Building.

Rice County is working with a consultant to modify its compensation system.

The Board is looking at various projects to enable greater tax base growth.

In order to address the growth in operations and expanding service needs, the County Board is developing a long range capital improvement plan. This plan focuses on transportation, facilities, parks, drainage systems and capital equipment items.

FINANCIAL INFORMATION

Rice County's strong financial management continues to provide the people of the County with several initiatives designed to enhance its excellent financial position: (1) investing funds not immediately needed for expenditures to maximize non-tax revenue; (2) allocating County resources to those areas that meet community needs as expressed by the Board of County Commissioners; (3) closely monitoring expenditures to ensure that activities are carried out within authorized levels; and (4) using advice and recommendations from the general public to improve productivity in the delivery of County services.

SINGLE AUDIT

As a recipient of federal, state and local financial assistance, the County also is responsible for ensuring that adequate internal controls are in place to ensure compliance with applicable laws and regulations related to those programs. Internal controls are subject to periodic evaluation by management.

The Single Audit Act and its supplements including Title 2 U.S. *Code of Federal Regulations (CFR) Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) sets forth the audit requirements for state and local governments, and non-profit organizations receiving federal assistance. It provides for a single independent audit of the financial operations, including compliance with certain provisions of federal law and regulations. The requirements have been established to ensure that audits are made on an organization wide basis rather than a grant-by-grant basis. The grants for which these requirements apply are identified in federal awards schedule issued under a separate report.

INTERNAL CONTROL

The County's system of internal control is supported by written policies and procedures, which are continually reviewed, evaluated and modified to meet current needs.

In developing and evaluating the County's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. We believe that the County's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

BUDGETARY CONTROL

Budgetary control is maintained at the fund level and is subject to periodic review by the County Board. Open encumbrances are reported as restrictions of the fund balance. In addition, the County maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with provisions embodied in the annual appropriated budget approved by the County's governing body. Activities of the general, special revenue funds and debt service funds are included in the annual appropriated budget. Project length financial plans are adopted for the capital project fund. According to Minnesota Laws, County governments are required to adopt budgets but are not required to use them as legal limits. The County Board is made aware of all budget variances.

As demonstrated by the statements and schedules included in the financial section of this report, the County continues to meet its responsibility for sound financial management.

NOTES TO THE FINANCIAL STATEMENTS

The Notes to the Financial Statements, presented with the Basic Financial Statements section, are an integral part of this Comprehensive Annual Financial Report and should be read for a fuller understanding of the statements and information presented within. The Notes to the Required Supplementary Information other than the MD&A are an integral part of the Budgetary Comparison Schedules.

REVENUE LIMITATIONS

Rice County has been, and will continue to focus on the social, ecological and financial health of its communities. The County Board has done so through fiscal restraint, exemplary planning, and execution of initiatives. The Rice County Board of Commissioners increased the certified net property tax levies for 2017 and 2018 by 3.75% and 5.89%, respectively. The County has made significant strides in controlling the local tax levy, which is evidenced by Rice County maintaining one of the lowest tax levies per capita in the State of Minnesota. Rice County will continue to improve the quality of services and enhanced customer satisfaction within reasonable taxation limits.

Another factor having an impact on local levies is the aid that counties receive from the state. The County is expecting a slight decrease in County Program Aid for 2018. County program aid is established by legislation and distributed by formula, based on changing demographic needs. Other revenue streams anticipated to have an impact on future levies include changes to federal and state programs. Due to a surplus generated by the state, it is anticipated the Legislature would provide some level of increased funding related to these programs.

FINANCIAL POLICY

Fund balances of the County operating funds were maintained, in total at an adequate level for operating reserve purposes for the subsequent year of 2017.

Due to the property tax calendar in Minnesota, collections do not come in on an even basis. As a result, the County needs to maintain sufficient balances for cash flow purposes. Due to the income tax law changes, prepayment of property taxes collected at the end of 2017 increased \$3 million over the typical \$100,000. Because GASB 54 has changed the way cash flows are to be reported in the financial statements, a separate note has been included in notes to the financial statements under Deposits and Investments, describing the amounts necessary for cash flow purposes.

DEBT ADMINISTRATION

During 2017, the County maintained an AA rating from Standard and Poor's. Rice County currently utilizes only 15.9% of the total allowable general obligation debt according to Minnesota Statutes.

The notes to the financial statements, as well as the Debt Capacity tables in the Statistical Section, explain more fully the debt position and future obligations of the County.

RISK MANAGEMENT

Currently, the County insures itself through the MCIT insurance trust for property casualty, liability and workers' compensation. Note 7 explains the funding and associated risks in further detail.

ENTERPRISE OPERATIONS

Enterprise operations in Rice County include two funds. First, the Environmental Services Fund accounts for various functional areas impacting the Counties environment. This fund is meant to be self-supporting and derives its revenues primarily from tipping fees, sale of recyclable materials, special assessments, permit fees, and grant funds. Activity in this fund supports landfill, recycling, planning and zoning and other environmental costs. Second, the Roberds Lake Fund accounts for the 2016 construction and maintenance of a sewer connection to the City of Faribault's sewer system to service the citizens living around Roberds Lake. Citizens there formed a sanitary sewer district with the County Board presiding over all their activities. The construction cost, just over \$5 million, was funded with over half the cost funded by grants. Operations are funded through user fees billed by the City of Faribault. The statements on Proprietary Funds in the Financial Section explain the activities of these funds in greater detail.

FIDUCIARY OPERATIONS

The County collects and distributes all property and forfeited taxes for the taxing authorities within the county including cities, townships and school districts. It is responsible for collecting fees, fines and payroll deductions and for distributing those funds to third parties. The County is also responsible for collecting and distributing funds for the Family Service Collaborative, Bike Trails, Social Services, and Sheriff's Accounts.

INDEPENDENT AUDIT

Minnesota Statutes require an annual audit of the books of account, financial records and transactions of the County by an independent auditor. The Certified Public Accounting firm of CliftonLarsonAllen LLP has been selected under contract to do the audit for year ends 2015, 2016, and 2017. In addition to meeting the requirements set forth in state statutes, the audit also is designed to meet the requirements of the federal Single Audit Act Amendments of 1996 and the requirements of Title 2 *U.S. Code of Federal Regulations (CFR) Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These requirements have been complied with, and the independent auditors' opinion has been issued in a separate report.

The auditors will also issue management and compliance letters covering the review made as a part of their audit of the County's system of internal control and compliance with applicable legal provisions. The management and compliance letters will not modify or affect, in any way, their report on the financial statements.

CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Rice County for its Comprehensive Annual Financial Report for the fiscal year ended December 31, 2016. This was the twenty-sixth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

INVITATIONS AND ACKNOWLEDGEMENTS

I would like to invite you to continue on and read the remainder of this Comprehensive Annual Financial Report. Rice County is a complex entity and this report will allow the reader to gain a good understanding of our financial position. If you have any questions regarding any of the materials presented herein please contact the Finance Department or any of the other County Departments listed. Our goal with this report is to keep you as well informed as possible about your government. Our efforts have been to provide transparency and disclosure with all finances of the County.

Finally, I wish to acknowledge the professional contribution and hard work put forth by the entire staff throughout the year and during the preparation of this report. The preparation of this report could not have been accomplished without the efficient and dedicated services of everyone. Also, I particularly would like to thank, John Lang our Financial Manager for his dedicated effort to see through the completion of this report. The County Board of Commissioners should also be recognized for their interest and support in planning and conducting the financial activities in a responsible and progressive manner. The County's excellent financial status is a tribute to that involvement.

Respectfully submitted,

A handwritten signature in cursive script that reads "Paula O'Connell".

Paula O'Connell
Chief Financial Officer

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Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Rice County
Minnesota**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2016

Christopher P. Morrell

Executive Director/CEO

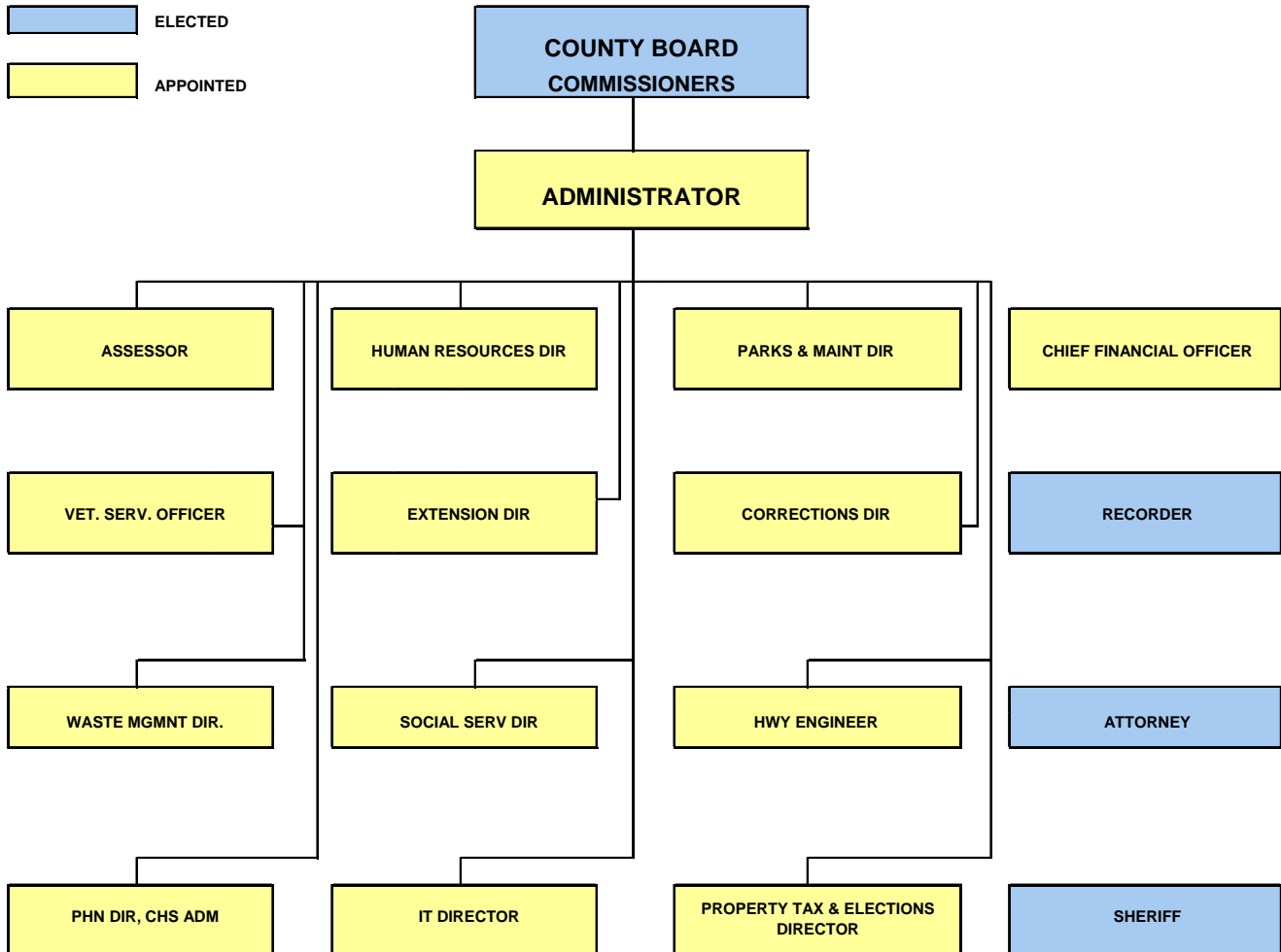
**RICE COUNTY, MINNESOTA
ELECTED AND APPOINTED OFFICIALS
DECEMBER 31, 2017**

Office	Name	Term Expires	
		From	To
Commissioners			
1st District	Jake Gillen *	January 2017	January 2021
2nd District	Galen Malecha	January 2017	January 2021
3rd District	Dave Miller	January 2015	January 2019
4th District	Steve Bauer	January 2015	January 2019
5th District	Jeff Docken	January 2017	January 2021
Officers			
Elected			
Attorney	John Fossum	January 2015	January 2019
Recorder	Judy VanErp	January 2015	January 2019
Sheriff	Troy Dunn	January 2015	January 2019
Appointed			
Administrator	Sara Folsted	Indefinite	
Property Tax & Elections Director	Annette Peters	Indefinite	
Human Resources	Carol Kritzer	Indefinite	
Assessor	Paul Knutson	January 2017	January 2020
Community Corrections	Christine Curtis	Indefinite	
Extension Director	LuAnn Hiniker	Indefinite	
Highway Engineer	Dennis Luebbe	June 2014	May 2018
Parks and Maintenance Director	Jake Rysavy	Indefinite	
Planning and Zoning Director	Julie Runkel	Indefinite	
Public Health Director	Deb Purfeerst	Indefinite	
Social Services Director	Mark Shaw	Indefinite	
Veterans Service Officer	Tracy McBroom	January 2017	January 2021
Waste Management Director	Julie Runkel	Indefinite	
Auditor-Treasurer	Fran Windschitl	January 2017	September 2017
Chief Financial Officer	Vacant	September 2017	December 2017

* = Chair

**RICE COUNTY, MINNESOTA
RICE COUNTY ORGANIZATION CHART
DECEMBER 31, 2017**

RICE COUNTY ORGANIZATIONAL CHART 2017



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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

Board of County Commissioners
Rice County
Faribault, 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 Rice County, Minnesota (the County), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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 *Governmental Accounting 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 Rice 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 conformity 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, the Schedule of the County's Proportionate Share of the Net Pension Liability, the Schedule of the County Contributions, Budgetary Comparison Information, and Schedule of Funding Progress Other Postemployment Benefits Plan, and the Notes to the Required Supplementary Information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Rice County's basic financial statements. The Supplementary Information consisting of the Budgetary Comparison Schedule – Debt Service Fund, Ditch Special Revenue Fund Balance Sheet – by Drainage System – Full Accrual Basis, Combining Statement of Changes in Assets and Liabilities – Agency Funds, Schedule of Deposits and Investments, and Schedule of Intergovernmental Revenues are presented for purposes of additional analysis and are 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the Basic Financial Statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

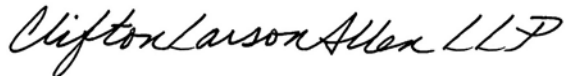
Other Matters (Continued)

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Rice County's basic financial statements. The Introductory Section, Tax Capacity, Tax Rates and Levies, and Statistical Section are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2018, on our consideration of Rice County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Rice 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 Rice County's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Brainerd, Minnesota
June 25, 2018

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REQUIRED SUPPLEMENTARY INFORMATION

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RICE COUNTY MINNESOTA

Management's Discussion and Analysis For the Year Ended December 31, 2017 (Unaudited)

As management of Rice County (the County), we offer readers of the Rice County financial statements this narrative overview and analysis of the financial activities of Rice County for the fiscal year ended December 31, 2017. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the Introductory Section of this report.

FINANCIAL HIGHLIGHTS

- At year-end 2017, Rice County's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$168.8 million (net position).
- Net position consisted of:
 - ✓ \$17.8 million, or 10.6% of total net position was *restricted* for specific purposes.
 - ✓ \$141.0 million, or 83.5% of net position represented the County's *investment in long-term assets* (including roads, bridges and other infrastructure assets) *net of long-term debt* used to finance these assets.
 - ✓ \$10.0 million or 5.9% of net position is *unrestricted* and is available to meet the County's obligations consistent with county policy and legislative intent and direction of the County Board.
- In 2017, the County's net position increased by \$3.3 million. This increase is primarily due to increases in investment of capital assets of \$3.4 million, an increase in Due from Other Governments of \$.5 million, an increase in cash and escrowed cash of \$2.0 million, a decrease in bonds and loans payable of \$2.1 million, and a decrease in Net Pension Liability of \$9.7 million and a decrease of \$6.7 million in Net Pension Related Deferred Outflows of Resources. For further discussion of the capital assets increase and bonds payable increase, refer to the Capital Assets and Long-Term Debt portion of Management's Discussion and Analysis.
- The County's governmental funds reported ending balances of \$46.9 million.
 - ✓ Unlike net position, which measures all County assets and deferred outflows of resources less all County liabilities and deferred inflows of resources, governmental fund balance measures only currently available, spendable resources.
 - ✓ \$.8 million, or 1.7%, of total governmental fund balances are non-spendable and consist of prepaid items, inventory, and advances to other funds.
 - ✓ \$17.1 million, or 36.6%, of total governmental fund balances have been restricted for specific purposes such as construction of long-term assets.
 - ✓ \$14.4 million or 30.7% of total governmental fund balances has been committed for certain necessary purposes and will be spent in future years.
 - ✓ \$2.1 million or 4.4% of total governmental fund balances has been assigned for certain necessary purposes and will be spent in future years.
 - ✓ \$12.5 million or 26.6% of governmental fund balances are unassigned and, therefore, subject to appropriation by the County Board.
- The County's main operating fund, the General Fund, reported a year-end fund balance of \$17.4 million.
 - ✓ The General Fund's balance represents 68.8% of its annual spending.

- The County's total bonded debt decreased by \$2.0 million, or 6.2% from the prior-year.
 - ✓ Total County bonded debt represents a ratio of 18.1% of net position.
 - ✓ The County restricts fund balances for debt service. The County's restricted resources for debt service are \$11.6 million which represents 32.8% of total debt outstanding at year-end 2017 and 325.3% of calendar year 2018 scheduled payments of interest and principal.

THE FINANCIAL STATEMENTS

The County's *basic financial statements* consist of:

1. *Government-wide* financial statements.
2. *Fund* financial statements.
3. *Notes* to the basic financial statements.

This comprehensive annual report also includes other supplementary information beyond the basic financial statements.

Government-Wide Financial Statements provide users with a broad overview of the County's finances similar to the financial statements of private-sector businesses. The Statement of Net Position presents information on all of Rice County's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between them reported as net position. The Statement of Activities is a picture of the flows (revenues and expenses) that took place during the year and affect the County's net position.

The government-wide financial statements group the County's functions into two broad categories: (1) "Governmental Activities" are primarily financed through taxes and other intergovernmental revenues. Governmental activities include most of the activities that are normally associated with county government: general governance, sheriff patrol and jail, health and human services, building and maintaining roads, etc. (2) "Business-type activities" are primarily financed through user-charges or fees. Typical county business-type activities include landfill and recycling. The Roberds Lake Fund accounts for construction and maintenance of a sanitary sewer system surrounding Roberds Lake. This fund will be financed through special assessments and user fees. The government-wide statements measure all the economic resources owned or owed by the County. Government-wide statements use an accounting method called "full-accrual" which accounts for changes in assets and liabilities when the underlying event causing the change occurs irrespective of the timing of the related cash-flows.

The government-wide financial statements include not only Rice County itself (known as the primary government), but also a legally separate Housing and Redevelopment Authority (RCHRA). The RCHRA has been included as a blended component unit in this report.

With their full-accrual accounting of the County's total economic resources, the government-wide financial statements provide a long-term view of the County's overall finances. Taken together, the Statement of Net Position and the Statement of Activities should help the user of the County's financial statements draw useful conclusions and make useful inferences about the amounts, timing, and certainty of the County's cash-flows. They should help the user decide whether the County's financial condition is improving or declining. Over time, increases or decreases in net position may serve as a useful indicator of the County's overall financial condition.

The government-wide financial statements for the Rice County are included on pages 23 through 25 of this report.

Fund Financial Statements provide detailed information about the County’s most significant components—funds—not the County as a whole. Funds are groupings of related accounts. They are used to establish financial control over resources that have been segregated for various activities and objectives. The County Board establishes funds for a variety of purposes, the most important of which is to promote fulfilling its stewardship role with respect to using certain resources such as taxes and grants. Rice County’s funds are divided into three major groups: governmental funds; proprietary funds; and, fiduciary funds. Each of these types of funds needs and uses different accounting approaches to provide information relevant to their functions.

Governmental Funds accumulate and report information on the condition and results of functions, which are essentially the same as those called “Governmental Activities” in the government-wide financial statements. Because the terms “Government-wide activities” and “governmental funds” are so similar, they can cause some confusion. It is important to be aware of the differences between these concepts:

<i>Government-wide activities</i>	<i>Governmental funds</i>
Government-wide statements measure the full economic resources of the government and claims against those resources.	<i>Governmental fund</i> statements focus on the flow of spendable resources into and out of these funds and the balance of spendable resources available for appropriation by the County Board at each year-end.
Government-wide activities are reported using the full accrual basis of accounting, which records assets, revenues, liabilities and expenses when they occur irrespective of the related cash flows.	Governmental funds use a modified accrual method of accounting, which recognizes increases, and decreases in fund assets and liabilities only when there is a change in available, spendable resources.
Government-wide reporting of the County’s governmental activities provides information about the long-term implications and consequences of governmental activity.	Governmental Fund statements provide information about the near-term financing of those activities.

The County’s governmental fund statements are included on pages 26 through 29 of this report. All funds in this report are considered to be major.

Proprietary Fund statements, like the government-wide statements, measure all the economic resources of a fund and the claims against those resources. Also, like government-wide statements, the proprietary fund statements use a full accrual method of accounting for changes in the assets and liabilities of the fund.

The County has two proprietary funds, its Environmental Services enterprise fund and Roberds Lake enterprise fund. Enterprise funds account for functions reported as “business-type” activities in the government-wide statements. The County’s Environmental Services enterprise fund accounts for all the activities related to its landfill, recycling, environmental health, and zoning programs. The County’s Roberds Lake enterprise fund accounts for the activities related to the construction and maintenance of the Roberds Lake sanitary sewer district.

Proprietary fund statements are included on pages 31 through 33 of this report.

Fiduciary Funds are used to account for resources held for the benefit of third parties. Fiduciary funds are not included in the government-wide financial statements because the resources of these funds are not available to support the County’s programs.

The fiduciary fund statement is on page 34 of this report.

Notes to the Basic Financial Statements provide the user with additional information essential to a full understanding of the basic financial statements. Notes to the Basic Financial Statements are presented after the Basic Financial Statements in this report.

Required Supplementary Information (RSI) other than MD&A is included after the notes to the financial statements. Governmental Accounting Standards Board (GASB) Statement No. 34 requires reporting certain supplementary information including budgetary compliance information for general and special revenue funds with legally adopted budgets.

GOVERNMENT-WIDE FINANCES

Net Position

Net Position is derived from a County's assets and deferred outflows of resources less its liabilities and deferred inflows of resources. At year-end, 2017, Rice County's total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources by \$168.8 million.

Summary Statement of Net Position as of December 31, 2017 and 2016:

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Assets						
Current and Other Assets	\$ 56,215,361	\$ 54,290,111	\$ 11,416,533	\$ 10,795,775	\$ 67,631,894	\$ 65,085,886
Capital Assets	154,030,126	151,801,637	7,513,521	7,610,482	161,543,647	159,412,119
Total Assets	210,245,487	206,091,748	18,930,054	18,406,257	229,175,541	224,498,005
Deferred Outflows of Resources						
Pension Related	9,085,999	15,482,680	287,816	577,421	9,373,815	16,060,101
Liabilities						
Other Liabilities	6,011,414	6,353,212	641,511	493,648	6,652,925	6,846,860
Long-Term Liabilities	48,428,285	59,830,117	5,681,896	5,415,198	54,110,181	65,245,315
Total Liabilities	54,439,699	66,183,329	6,323,407	5,908,846	60,763,106	72,092,175
Deferred Inflows of Resources						
Pension Related	7,808,469	2,886,267	190,915	136,207	7,999,384	3,022,474
Taxes Receivable for Future Periods	992,155	-	33,463	-	1,025,618	-
Total Deferred Inflows of Resources	8,800,624	2,886,267	224,378	136,207	9,025,002	3,022,474
Net Position						
Net Investment in Capital Assets	135,159,084	130,972,477	5,820,010	5,831,908	140,979,094	136,804,385
Restricted	11,964,425	20,320,275	16,914	180,304	11,981,339	20,500,579
Unrestricted	8,967,654	1,212,080	6,833,161	6,926,413	15,800,815	8,138,493
Total Net Position	\$ 156,091,163	\$ 152,504,832	\$ 12,670,085	\$ 12,938,625	\$ 168,761,248	\$ 165,443,457

Of the County's \$168.8 million in net position, \$141.0 million, (83.5% of total net position) represent the County's investment in long-term (capital) assets less the remaining balances of debt used to finance the acquisition of these assets. Investment in capital assets is not available to pay the County's current obligations. \$11.9 million or 7.1% of total net position is subject to external restrictions on how it may be used. Finally, \$15.8 million or 9.4% of total net position is unrestricted. That is, these assets are available to finance the County's day-to-day activities.

Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues						
<i>Program Revenues:</i>						
Charges for Service	\$ 5,466,302	\$ 6,444,019	\$ 4,898,635	\$ 4,468,734	\$ 10,364,937	\$ 10,912,753
Operating Grants and Contributions	16,672,565	17,611,597	438,206	548,401	17,110,771	18,159,998
Capital Grants and Contributions	3,540,011	5,648,396	140,041	11,296	3,680,052	5,659,692
<i>General Revenues:</i>						
Property and Other Taxes	24,034,317	22,873,620	-	-	24,034,317	22,873,620
Wheelage Taxes	592,893	510,140	-	-	592,893	510,140
Sales Taxes	3,362,825	3,211,778	-	-	3,362,825	3,211,778
Payments in Lieu of Taxes	116,313	125,245	-	-	116,313	125,245
Grants Not Restricted to Programs	4,965,740	4,111,672	2,728	5,411	4,968,468	4,117,083
Investment Income	862,916	961,007	21,362	23,910	884,278	984,917
Other	185	67,989	-	6,000	185	73,989
Total Revenues	59,614,067	61,565,463	5,500,972	5,063,752	65,115,039	66,629,215
Expenses						
General Government	10,170,517	10,782,472	-	-	10,170,517	10,782,472
Public Safety	11,415,384	11,181,329	-	-	11,415,384	11,181,329
Highways and Streets	9,220,707	8,874,944	-	-	9,220,707	8,874,944
Sanitation	71,185	155,000	-	-	71,185	155,000
Human Services	16,268,131	16,011,035	-	-	16,268,131	16,011,035
Health	3,885,407	3,866,395	-	-	3,885,407	3,866,395
Culture and Recreation	655,041	603,211	-	-	655,041	603,211
Conservation of Natural Resources	1,069,776	650,783	-	-	1,069,776	650,783
Economic Development	2,322,819	2,229,399	-	-	2,322,819	2,229,399
Interest on Long-Term Debt	949,541	889,185	-	-	949,541	889,185
Environmental Services	-	-	5,768,740	4,540,576	5,768,740	4,540,576
Total Expenses	56,028,508	55,243,753	5,768,740	4,540,576	61,797,248	59,784,329
Excess (Deficiency) in Net Position Before Transfers	3,585,559	6,321,710	(267,768)	523,176	3,317,791	6,844,886
Transfers	772	54,163	(772)	(54,163)	-	-
Change in Net Position	3,586,331	6,375,873	(268,540)	469,013	3,317,791	6,844,886
Net Position at Beginning of Year	152,504,832	146,128,959	12,938,625	12,469,612	165,443,457	158,598,571
Net Position at Year End	\$ 156,091,163	\$ 152,504,832	\$ 12,670,085	\$ 12,938,625	\$ 168,761,248	\$ 165,443,457

Governmental Activities:

A distinguishing financial characteristic of governmental activities is the role of general taxation (from property tax) used to fund such activities. The following table shows Rice County's main governmental functions and compares their total costs with their net costs (total cost less revenues generated by the function). Net costs measure how much of the cost of government may potentially require support from tax revenue.

As shown in the table below, the total cost of the County's governmental activities in 2017 was \$56.0 million. However, these costs were partially offset by payments from those who directly benefited from the activities (for example, through payments for permits and fines). After factoring out program revenues, the net cost of governmental activities in 2017 was only \$30.3 million.

	Total Cost	Net Cost
General Government	\$ 10,170,517	\$ 7,441,248
Public Safety	11,415,384	9,792,666
Highways and Streets	9,220,707	2,632,379
Sanitation	71,185	71,185
Human Services	16,268,131	6,416,334
Health	3,885,407	1,260,825
Culture and Recreation	655,041	558,745
Conservation of Natural Resources	1,069,776	993,015
Economic Development	2,322,819	233,692
Interest on Long-Term Debt	949,541	949,541
Total Governmental Activities	<u>\$ 56,028,508</u>	<u>\$ 30,349,630</u>

Only \$27.9 million or 50.0% of total governmental cost was ultimately financed through taxes. General revenues financing the County's net governmental costs were as follows for 2017:

General Revenues:	
Taxes	\$ 27,990,035
Payments in Lieu of Taxes	116,313
Unrestricted Grants and Contributions	4,965,740
Unrestricted Investment Earnings	862,916
Other	185
Transfers	772
Total General Revenues and Transfers	<u>33,935,961</u>
General Revenues in Excess of (Less Than) Net Governmental Costs	<u>\$ 3,586,331</u>

Business-type Activities

The County's Business-type activities are accounted for, financed, and operated in a manner similar to private business enterprises. It is generally intended that the cost of providing services to the public be financed or recovered primarily through user charges. The County maintains two Business-type funds, the Environmental Services Fund and the Roberds Lake Fund. The County's Environmental Services enterprise fund accounts for all the activities related to its landfill, recycling, environmental health, and zoning programs. The County's Roberds Lake enterprise fund, established in 2013, accounts for the activities, construction and maintenance, related to the Roberds Lake sanitary sewer district. The County's investment in capital assets (net of accumulated depreciation) of its business-type activities totaled \$7.5 million in 2017. Capital assets represented 39.7% of total business-type assets and 61.3% of total non-cash, business-type assets in 2017. The principal challenge for the County's business-type activities is financing the replacement, maintenance, and expansion of their capital assets (asset maintenance). Rice County combines operating and nonoperating sources (primarily area-wide assessments) to finance its investment in business-type assets.

The table below highlights some key components and financial ratios of the County's business-type activities:

	2017	Percent of 2017 Operating Revenue	2016	Percent of 2016 Operating Revenue	Percent Change From 2016
Operating Revenue	\$ 3,857,730	100.0 %	\$ 3,450,394	100.0 %	11.8 %
Operating Expense	5,308,591	137.6	4,053,467	117.5	31.0
Operating Income Before Depreciation	(1,450,861)	(37.6)	(603,073)	(17.5)	(140.6)
Depreciation Expense	460,149	11.9	487,109	14.1	(5.5)
Operating Income (Loss) After Depreciation	(1,911,010)	(49.5)	(1,090,182)	(31.6)	(75.3)
Nonoperating Revenue (Expense)	1,503,201	39.0	1,613,358	46.8	(6.8)
Net Income Before Net Transfers To Governmental Activities	(407,809)	(10.6)	523,176	15.2	(177.9)
Capital Contributions	140,041	3.6	-	-	
Transfers (To) From Governmental Activities	(772)	(0.0)	(54,163)	(1.6)	98.6
Income (Loss) Before Contributions	(268,540)	(7.0)	469,013	13.6	(157.3)
Changes In Net Position	(268,540)	(7.0)	469,013	13.6	(157.3)
Net Position	\$ 12,670,085	328.4 %	\$ 12,938,625	375.0 %	(2.1)%

The ratio of operating income to total operating revenue (before depreciation) measures how efficiently management converts each dollar of revenue into net income. After paying operating costs, 5.0¢ for every dollar of revenue was available to provide for asset maintenance.

Operating income alone is not sufficient to provide for the replacement, maintenance and expansion of the County's business-type capital assets. Depreciation allocates the cost of capital assets over their estimated useful lives; it approximates the amount of capital assets "used-up" during the year. As operating income is greater than depreciation, it is enough to fully offset — "fund" — depreciation on capital assets. Compared to its operating loss before depreciation of \$1.5 million, the County reported operating loss on business-type activities of \$1.9 million after depreciation. Including nonoperating income and transfers, the County's business-type activities posted a net loss (decrease in net position) of \$269 thousand for 2017.

THE COUNTY'S FUNDS

Governmental Funds, at the fund-level of reporting, use a current financial resources focus and modified accrual basis of accounting to report changes in near-term flows and balances of spendable resources. Fund balances within governmental funds, particularly, unrestricted fund balances, indicate the amount of available, spendable resources potentially available for appropriation by the County Board to finance the County's day-to-day activities.

The following table summarizes changes in governmental fund balances during 2017:

	General Fund	Road & Bridge	Human Services	Ditch	Hsg/Redev Authority	Debt Service	Capital Projects	Total Governmental Funds
Beginning Fund Balance	\$ 17,996,719	\$ 10,776,565	\$ 4,540,279	\$ (669,184)	\$ 1,410,395	\$ 11,907,670	\$ 195,809	\$ 46,158,253
Revenues	24,803,398	13,439,810	15,040,950	896,514	1,963,143	2,865,598	100,000	59,109,413
(Less) Expenditures	(25,315,662)	(11,657,435)	(15,743,441)	(597,895)	(2,053,745)	(2,993,313)	(196,190)	(58,557,681)
Other Financing Sources (Uses)	(57,207)	70,000	-	-	-	164,434	-	177,227
Ending Fund Balance	\$ 17,427,248	\$ 12,628,940	\$ 3,837,788	\$ (370,565)	\$ 1,319,793	\$ 11,944,389	\$ 99,619	\$ 46,887,212

- The General Fund's fund balance is the County's principal liquidity reserve and includes amounts set aside for restricted balances, future projects, and postemployment benefits. The fund balance decreased \$569 thousand during the year primarily due to lower than anticipated Special Assessment Tax collections of \$195 thousand, higher court cost expenditures by \$347 thousand, higher than anticipated Charges for Services by \$375 thousand, higher than anticipated Sheriff expenditures by \$384 thousand, lower than anticipated Septic expenditures by \$228 thousand, and greater than anticipated Economic Development expenditures by \$228 thousand.
- Balances in the Road and Bridge Fund are set aside for compensated absences liabilities, inventories, and other fund purposed. The fund balance increased by \$1.85 million primarily due to \$770 thousand of sales tax revenues received being reserved for future road and drainage improvement projects, \$250 thousand lower than anticipated construction program, maintenance expenditures less than anticipated of \$560 thousand, as well as fuel expenditures by \$190 thousand.
- Balances in the Human Services Fund are set aside for compensated absences liabilities, inventories, and other fund purposes. The fund balance decreased by \$702 thousand in 2017. Of this, \$200 thousand was a planned use of reserves. Revenues exceeded the budget by \$1 million and expenditures exceeded the budget by \$1.5 million. The excess in revenues was due primarily to higher than anticipated intergovernmental revenues. Higher than anticipated expenditures occurred primarily in assistance payments of \$1.3 million.
- The deficit fund balance in the Ditch Fund is the result of ditch project expenditures, funded by an advance from the General Fund, to be reimbursed by current and future special assessments.
- The fund balance in the Debt Service Fund increased \$37 thousand primarily due to the investment income of \$62 thousand received in 2017.
- Balances in the Capital Projects Fund are set aside for building renovations and highway projects. The fund balance decreased \$96 thousand for the year. Major project disbursements in 2017 included, \$114 thousand for building upgrades, and \$82 thousand for design costs for planned expansion and renovation of the Government Services Building.
- Balances in the Housing and Redevelopment Authority Fund are set aside to meeting future economic development needs and cash flow purposes for the delivery of assisted housing programs. The fund balance decreased \$91 thousand in 2017.

Business-type Activities

Balances in the Environmental Services Fund are set aside for Investment in capital assets and restricted for post closure costs. The net position decreased \$335 thousand in 2017 primarily due to sanitation costs being higher than anticipated.

The County's Roberds Lake enterprise fund, established in 2013, accounts for the activities, construction and maintenance, related to the Roberds Lake sanitary sewer district. The district began construction of the septic sewer district in 2013 with construction costs to be paid by grants and loans to be repaid by user special assessments. Construction was completed in 2017. The net position increased by \$67 thousand after depreciation expense of \$105 thousand.

GENERAL FUND BUDGETARY HIGHLIGHTS

The final General Fund budget represents the originally adopted budget plus any amendments that are approved during the course of the year by the County Board.

The final General Fund budget was \$24.6 million. Actual revenues were more than budgetary estimates by \$224 thousand. Charges for services revenues exceeded budgeted amount by \$375 thousand with the Public Health Department exceeding budget by \$142 thousand, and Records Department by \$109 thousand.

Actual expenditures were greater than budget estimates by \$712 thousand. This was due primarily to greater than anticipated Courts expenditures of \$347 thousand, lower utilization than anticipated for Septic Loans of \$229 thousand, lower than anticipated expenditures for Recorders funds \$51 thousand, capital expenditures \$160 thousand higher than anticipated, Courts costs \$347 thousand higher than anticipated, IT expenditures of \$495 thousand lower than anticipated, Economic Development Costs of \$228 thousand higher than anticipated, and Sheriffs expenditures \$384 thousand higher than anticipated.

Actual other financing sources and uses were over budget by \$82 thousand due primarily to transfers out of \$164 thousand to apply collected loan payments to debt service.

Fund balance in the General Fund decreased by \$569 thousand due to over spending budgeted expenditures by \$712 thousand, higher than anticipated revenues of \$224 thousand, and higher than anticipated other financing sources and uses of \$82 thousand.

CAPITAL ASSETS AND LONG-TERM DEBT

The County's total investment in long-term (capital) assets, net of accumulated depreciation totaled \$162 million at year-end.

Components of the County's capital assets at cost (excluding accumulated depreciation), by type and activity, as of December 31, 2017 are described in the table below:

	Governmental Activities	Business - Type Activities	Total Capital Assets
Land	\$ 8,889,380	\$ 635,075	\$ 9,524,455
Construction-in-Progress	957,017	-	957,017
Infrastructure	186,476,262	5,373,904	191,850,166
Buildings	26,664,237	1,474,582	28,138,819
Improvements	3,216,577	198,508	3,415,085
Machinery, Furniture and Equipment	13,863,413	2,746,591	16,610,004
Total Capital Assets	<u>\$ 240,066,886</u>	<u>\$ 10,428,660</u>	<u>\$ 250,495,546</u>

Major transactions and other events affecting capital asset balances during the year included the construction or acquisition of the following assets:

Location	Length *	Cost
Bituminous Projects-Completed		
23.12.Steele Co line to MN TH 60	6.00	\$ 1,980,650
33.09 CSAH 1 to int CSAH 33 & 80th St W	2.85	849,993
Bituminous Projects - Construction in Progress		
19.20 CSAH 21 to CSAH 26 (Lamb Ave)	9.00	273,098
81.01 MN TH 246 to MN TH 246	5.31	196,269
Bridges		
Bridge 66558 CSAH 21 Conc beam-Completed		427,658
Bridge 66J72 CR 90 Precast Conc Box - Completed		114,868
Equipment		
IT VDI		459,434
Highway sign truck		268,255
Buildings		
McCullough Park cabin		136,077
Courthouse HVAC improvements		76,802

* In Miles

Note 3.A.3 to the financial statements includes additional information about the County's capital assets.

The County's long-term, bonded debt (net of discounts and premiums) totaled \$28.2 million at year-end. Components of the County's long-term debt by type and activity are described in the table below:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
G.O. Bonds	\$ 29,630,000	\$ -	\$ 1,900,000	\$ 27,730,000	\$ 1,950,000
Less Amortized Amounts:					
For Issuance Discounts	(120,318)	-	(13,460)	(106,858)	-
For Issuance Premiums	669,193	-	72,827	596,366	-
Total Bonds Payable	<u>\$ 30,178,875</u>	<u>\$ -</u>	<u>\$ 1,959,367</u>	<u>\$ 28,219,508</u>	<u>\$ 1,950,000</u>

The County's debt holds an AA rating from Standard & Poor's. Additional information about the County's long-term debt is included in note 3.C.1 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Rice County economy has shown substantial improvement over the last several years. We have seen unemployment shrink from 4.0% in 2014 to 3.2% in 2017 which is lower than the state average of 3.5%. Population has continued to grow at an annual pace of .46% over the past ten years. Bank deposits are up 5.6% from 2016 to 2017. This has established a great foundation for future growth.

The Governor and legislature have continued to generate surpluses throughout the past year which has helped reduce funding cuts and/or cost shifts while providing some inflationary increases to various grants. This has also enabled the state to put more aside for future emergencies or to buffer themselves for downturns in the economy.

The 2018 budget increased the total property tax levy by a total of \$1,395,286 or +5.89%. Personnel costs are budgeted to increase by \$3,088,406 with total personnel costs budgeted at \$31,298,882 for 2018 or about 42.5% of all county spending.

Tax rates collected in 2017 decreased 2.5% from that of the prior year. New construction is up over 50% which will help lower rates for 2019. New construction is anticipated to continue in future years.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

Questions concerning the information provided in this report or requests for additional financial information should be addressed to the Rice County Chief Financial Officer, Rice County Government Center, 320 NW Third Street, Faribault, MN 55021.

BASIC FINANCIAL STATEMENTS

**RICE COUNTY
FARIBAULT, MINNESOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2017**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Investments	\$ 37,835,869	\$ 6,737,761	\$ 44,573,630
Petty Cash and Change Funds	3,635	400	4,035
Cash and Investments with Escrow Agent	9,147,424	-	9,147,424
Property Taxes Receivable	353,657	-	353,657
Special Assessments Receivable	817,058	1,709,130	2,526,188
Accounts Receivable - Net	277,504	238,908	516,412
Accrued Interest Receivable	331,852	-	331,852
Due from Other Governments	6,995,926	113,025	7,108,951
Loans Receivable	144,546	-	144,546
Prepaid Items	38,422	11,439	49,861
Inventories	269,468	12,354	281,822
Restricted Assets			
Cash and Pooled Investments	-	2,593,516	2,593,516
Capital Assets:			
Nondepreciable	9,846,397	635,075	10,481,472
Depreciable (Net of Accumulated Depreciation)	144,183,729	6,878,446	151,062,175
Total Assets	<u>210,245,487</u>	<u>18,930,054</u>	<u>229,175,541</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension Related	9,085,999	287,816	9,373,815
LIABILITIES			
Accounts Payable	1,054,311	84,261	1,138,572
Salaries Payable	924,377	52,616	976,993
Contracts Payable	21,375	156,462	177,837
Escrow Payable	60,747	-	60,747
Due to Other Governments	164,949	175,583	340,532
Accrued Interest Payable	373,196	7,361	380,557
Unearned Revenue	14,228	-	14,228
Compensated Absences Payable - Due Within One Year	1,380,623	97,228	1,477,851
Bonds Payable - Due Within One Year	1,950,000	68,000	2,018,000
Loans Payable - Due Within One Year	67,608	-	67,608
Compensated Absences Payable - Due in More than One Year	488,819	34,289	523,108
Bonds Payable - Due in More than One Year	26,269,508	1,625,511	27,895,019
Loans Payable - Due in More than One Year	406,477	-	406,477
Other Postemployment Benefit Obligation - Due in More than One Year	1,211,606	-	1,211,606
Estimated Landfill Postclosure Liability - Due in More than One Year	-	2,933,667	2,933,667
Net Pension Liability - Due in More than One Year	20,051,875	1,088,429	21,140,304
Total Liabilities	<u>54,439,699</u>	<u>6,323,407</u>	<u>60,763,106</u>
DEFERRED INFLOWS OF RESOURCES			
Pension Related	7,808,469	190,915	7,999,384
Taxes Received for Future Periods	992,155	33,463	1,025,618
Total Deferred Inflows of Resources	<u>8,800,624</u>	<u>224,378</u>	<u>9,025,002</u>
NET POSITION			
Net Investment in Capital Assets	135,159,084	5,820,010	140,979,094
Restricted For:			
General Government			
Recorder's Fund	652,191	-	652,191
Law Library	30,072	-	30,072
Veteran's Van	71,664	-	71,664
Gravel Tax	57,471	-	57,471
Missing Heirs	66,270	-	66,270
Public Safety	140,573	-	140,573
Highways and Streets	8,058,200	-	8,058,200
Sanitation	474,085	-	474,085
Culture and Recreation	87,358	-	87,358
Debt Service	2,322,346	-	2,322,346
Housing Assistance Payments	4,195	-	4,195
System Replacement	-	16,914	16,914
Unrestricted	8,967,654	6,833,161	15,800,815
Total Net Position	<u>\$ 156,091,163</u>	<u>\$ 12,670,085</u>	<u>\$ 168,761,248</u>

See accompanying Notes to Basic Financial Statements.

**RICE COUNTY
FARIBAULT, MINNESOTA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2017**

FUNCTIONS/PROGRAMS	Program Revenues			
	Expenses	Fees, Charges, Fines, and Other	Operating Grants and Contributions	Capital Grants and Contributions
GOVERNMENTAL ACTIVITIES				
General Government	\$ 10,170,517	\$ 2,141,613	\$ 587,656	\$ -
Public Safety	11,415,384	483,583	1,139,135	-
Highways and Streets	9,220,707	302,279	2,746,038	3,540,011
Sanitation	71,185	-	-	-
Human Services	16,268,131	760,943	9,090,854	-
Health	3,885,407	1,442,719	1,181,863	-
Culture and Recreation	655,041	55,152	41,144	-
Conservation of Natural Resources	1,069,776	20,815	55,946	-
Economic Development	2,322,819	259,198	1,829,929	-
Interest	949,541	-	-	-
Total Governmental Activities	56,028,508	5,466,302	16,672,565	3,540,011
BUSINESS-TYPE ACTIVITIES				
Environmental Services	5,572,261	4,796,926	438,206	-
Roberds Lake	196,479	101,709	-	140,041
Total Business-Type Activities	5,768,740	4,898,635	438,206	140,041
Total Primary Government	\$ 61,797,248	\$ 10,364,937	\$ 17,110,771	\$ 3,680,052

GENERAL REVENUES

Property Taxes
Wheelage Taxes
Sales Taxes
Mortgage Registry and Deed Tax
Gravel Taxes
Payments in Lieu of Taxes
Grants and Contributions not Restricted for a Particular Purpose
Unrestricted Investment Earnings
Miscellaneous

TRANSFERS

Total General Revenues and Transfers

CHANGE IN NET POSITION

Net Position - Beginning of Year

NET POSITION - END OF YEAR

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

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$ (7,441,248)	\$ -	\$ (7,441,248)
(9,792,666)	-	(9,792,666)
(2,632,379)	-	(2,632,379)
(71,185)	-	(71,185)
(6,416,334)	-	(6,416,334)
(1,260,825)	-	(1,260,825)
(558,745)	-	(558,745)
(993,015)	-	(993,015)
(233,692)	-	(233,692)
(949,541)	-	(949,541)
(30,349,630)	-	(30,349,630)
-	(337,129)	(337,129)
-	45,271	45,271
-	(291,858)	(291,858)
(30,349,630)	(291,858)	(30,641,488)
23,927,670	-	23,927,670
592,893	-	592,893
3,362,825	-	3,362,825
66,058	-	66,058
40,589	-	40,589
116,313	-	116,313
4,965,740	2,728	4,968,468
862,916	21,362	884,278
185	-	185
772	(772)	-
33,935,961	23,318	33,959,279
3,586,331	(268,540)	3,317,791
152,504,832	12,938,625	165,443,457
<u>\$ 156,091,163</u>	<u>\$ 12,670,085</u>	<u>\$ 168,761,248</u>

**RICE COUNTY
FARIBAULT, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2017**

	General	Road and Bridge	Human Services
ASSETS			
Cash and Pooled Investments	\$ 17,791,762	\$ 12,288,558	\$ 3,325,390
Cash and Investments with Escrow Agent	-	-	-
Petty Cash and Change Funds	3,635	-	-
Property Taxes Receivable	351,633	-	-
Special Assessments Receivable	380,336	-	-
Accounts Receivable, Net	202,558	-	74,946
Interest Receivable	331,851	-	-
Due from Other Governments	544,097	5,038,068	1,408,661
Due from Other Funds	21,085	-	-
Loans Receivable	-	-	-
Prepaid Items	32,726	5,696	-
Inventories	-	250,556	5,200
Advances to Other Funds	478,294	-	-
Total Assets	<u>\$ 20,137,977</u>	<u>\$ 17,582,878</u>	<u>\$ 4,814,197</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ 384,014	\$ 314,385	\$ 322,781
Salaries Payable	558,950	65,335	300,092
Contracts Payable	-	-	-
Escrow Payable	-	-	-
Due to Other Funds	-	-	13,668
Due to Other Governments	32,738	3,626	126,139
Unearned Revenue	14,228	-	-
Advance from Other Funds	-	-	-
Total Liabilities	<u>989,930</u>	<u>383,346</u>	<u>762,680</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Taxes	275,857	-	-
Unavailable Revenue - Special Assessments	379,575	-	-
Unavailable Revenue - State Aid Allotments	-	4,570,592	-
Unavailable Revenue - Grants	73,212	-	213,729
Unavailable Revenue - Loans Receivable	-	-	-
Taxes Received for Future Periods	<u>992,155</u>	<u>-</u>	<u>-</u>
Total Deferred Inflows of Resources	<u>1,720,799</u>	<u>4,570,592</u>	<u>213,729</u>
FUND BALANCES			
Non-Spendable			
Prepaid Items	32,726	5,696	-
Inventory	-	250,556	5,200
Advances to Other Funds	478,294	-	-
Restricted			
Veterans Van	71,664	-	-
Law Library	30,072	-	-
Recorder's Technology Fund	204,207	-	-
Recorder's Compliance Fund	447,984	-	-
Park Fees	87,358	-	-
Sanitation Loans	474,085	-	-
D.A.R.E.	23,899	-	-
Operation Lifesaver	2,342	-	-
Gravel Tax	57,471	-	-
Sheriff & Attorney's Forfeitures	114,332	-	-
Missing Heirs	66,270	-	-
Road and Drainage Improvements	-	3,517,677	-
Debt Service	-	-	-
Capital Projects	-	-	-
Housing Assistance Payments	-	-	-
Committed			
Compensated Absences	-	151,977	583,756
Health Insurance - OPEB	1,449,267	-	-
Health Insurance - Self Funded	237,704	33,183	166,673
Fund Purposes	-	8,669,851	3,082,159
Assigned			
Sanitation Loans	740,074	-	-
Economic Development Activities	-	-	-
Unassigned	<u>12,909,499</u>	<u>-</u>	<u>-</u>
Total Fund Balances (Deficits)	<u>17,427,248</u>	<u>12,628,940</u>	<u>3,837,788</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 20,137,977</u>	<u>\$ 17,582,878</u>	<u>\$ 4,814,197</u>

See accompanying Notes to Basic Financial Statements.

Ditch	Housing and Redevelopment Authority	Debt Service	Capital Projects	Total Governmental Funds
\$ 128,199	\$ 1,314,636	\$ 2,857,712	\$ 129,612	\$ 37,835,869
-	60,747	9,086,677	-	9,147,424
-	-	-	-	3,635
-	2,024	-	-	353,657
436,722	-	-	-	817,058
-	-	-	-	277,504
-	-	-	-	331,851
1,434	3,666	-	-	6,995,926
-	-	-	-	21,085
-	144,546	-	-	144,546
-	-	-	-	38,422
-	13,712	-	-	269,468
-	-	-	-	478,294
<u>\$ 566,355</u>	<u>\$ 1,539,331</u>	<u>\$ 11,944,389</u>	<u>\$ 129,612</u>	<u>\$ 56,714,739</u>

\$ 19,459	\$ 5,054	\$ -	\$ 8,618	\$ 1,054,311
-	-	-	-	924,377
-	-	-	21,375	21,375
-	60,747	-	-	60,747
-	7,417	-	-	21,085
2,445	-	-	-	164,948
-	-	-	-	14,228
478,294	-	-	-	478,294
500,198	73,218	-	29,993	2,739,365

-	1,774	-	-	277,631
436,722	-	-	-	816,297
-	-	-	-	4,570,592
-	-	-	-	286,941
-	144,546	-	-	144,546
-	-	-	-	992,155
436,722	146,320	-	-	7,088,162

-	-	-	-	38,422
-	13,712	-	-	269,468
-	-	-	-	478,294

-	-	-	-	71,664
-	-	-	-	30,072
-	-	-	-	204,207
-	-	-	-	447,984
-	-	-	-	87,358
-	-	-	-	474,085
-	-	-	-	23,899
-	-	-	-	2,342
-	-	-	-	57,471
-	-	-	-	114,332
-	-	-	-	66,270
-	-	-	-	3,517,677
-	-	11,944,389	-	11,944,389
-	-	-	99,619	99,619
-	4,195	-	-	4,195
-	-	-	-	735,733
-	-	-	-	1,449,267
-	7,440	-	-	445,000
-	-	-	-	11,752,010
-	-	-	-	740,074
-	1,294,446	-	-	1,294,446
(370,565)	-	-	-	12,538,934
<u>(370,565)</u>	<u>1,319,793</u>	<u>11,944,389</u>	<u>99,619</u>	<u>46,887,212</u>
<u>\$ 566,355</u>	<u>\$ 1,539,331</u>	<u>\$ 11,944,389</u>	<u>\$ 129,612</u>	<u>\$ 56,714,739</u>

See accompanying Notes to Basic Financial Statements.

**RICE COUNTY
FARIBAULT, MINNESOTA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION – GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2017**

TOTAL FUND BALANCES FOR GOVERNMENTAL FUNDS	\$ 46,887,212
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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.	154,030,126
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The County's net pension liability and related deferred inflows and outflows of resources are recorded only on the Statement of Net Position. Balances at year-end are:

Net Pension Liability	\$ (20,051,875)	
Deferred Inflows of Resources - Pension Related	(7,808,469)	
Deferred Outflows of Resources - Pension Related	9,085,999	(18,774,345)

Other long-term assets (deferred inflows of resources) are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.	6,096,007
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Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.

Bonds Payable	(28,219,508)	
Loans Payable	(474,085)	
Accrued Interest Payable	(373,196)	
Other Postemployment Benefit Obligation	(1,211,606)	
Compensated Absences	(1,869,442)	(32,147,837)

TOTAL NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ 156,091,163
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**RICE COUNTY
FARIBAUT, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2017**

	General	Road and Bridge	Human Services	Ditch	Housing and Redevelopment Authority	Debt Service	Capital Projects	Total Governmental Funds
REVENUES								
Property Taxes	\$ 12,107,221	\$ 3,150,571	\$ 5,343,851	\$ -	\$ 63,126	\$ 2,803,162	\$ 100,000	\$ 23,567,931
Wheelage Taxes	-	592,893	-	-	-	-	-	592,893
Sales Taxes	-	3,362,825	-	-	-	-	-	3,362,825
Mortgage Registry and Deed Taxes	66,058	-	-	-	-	-	-	66,058
Gravel Taxes	13,104	27,485	-	-	-	-	-	40,589
Special Assessments	105,105	-	-	884,854	-	-	-	989,959
Licenses and Permits	24,240	22,250	-	-	-	-	-	46,490
Intergovernmental	7,236,549	6,002,594	8,940,943	-	1,829,929	-	-	24,010,015
Charges for Services	4,057,510	98,173	590,247	-	1,500	-	-	4,747,430
Fines and Forfeits	84,058	-	-	-	-	-	-	84,058
Gifts and Contributions	12,394	-	-	-	-	-	-	12,394
Investment Income	752,243	1,163	-	9,776	37,298	62,436	-	862,916
Miscellaneous	344,916	181,856	165,909	1,884	31,290	-	-	725,855
Total Revenues	24,803,398	13,439,810	15,040,950	896,514	1,963,143	2,865,598	100,000	59,109,413
EXPENDITURES								
CURRENT								
General Government	9,759,792	-	-	-	-	-	-	9,759,792
Public Safety	9,892,630	-	-	-	-	-	-	9,892,630
Highways and Streets	-	4,902,585	-	-	-	-	-	4,902,585
Sanitation	71,185	-	-	-	-	-	-	71,185
Human Services	-	-	15,743,441	-	-	-	-	15,743,441
Health	3,890,991	-	-	-	-	-	-	3,890,991
Culture and Recreation	613,122	-	-	-	-	-	-	613,122
Conservation of Natural Resources	447,563	-	-	597,895	-	-	-	1,045,458
Economic Development	297,938	-	-	-	2,053,745	-	-	2,351,683
CAPITAL OUTLAY								
General Government	51,229	-	-	-	-	-	196,190	247,419
Public Safety	155,135	-	-	-	-	-	-	155,135
Highways and Streets	-	6,754,850	-	-	-	-	-	6,754,850
Culture and Recreation	136,077	-	-	-	-	-	-	136,077
DEBT SERVICE								
Principal Retirement	-	-	-	-	-	2,064,434	-	2,064,434
Interest	-	-	-	-	-	928,879	-	928,879
Total Expenditures	25,315,662	11,657,435	15,743,441	597,895	2,053,745	2,993,313	196,190	58,557,681
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(512,264)	1,782,375	(702,491)	298,619	(90,602)	(127,715)	(96,190)	551,732
OTHER FINANCING SOURCES (USES)								
Proceeds from Sale of Assets	20,270	70,000	-	-	-	-	-	90,270
Loan Proceeds	86,185	-	-	-	-	-	-	86,185
Transfers In	772	-	-	-	-	164,434	-	165,206
Transfers Out	(164,434)	-	-	-	-	-	-	(164,434)
Total Other Financing Sources (Uses)	(57,207)	70,000	-	-	-	164,434	-	177,227
NET CHANGE IN FUND BALANCES	(569,471)	1,852,375	(702,491)	298,619	(90,602)	36,719	(96,190)	728,959
Fund Balances (Deficits) - Beginning of Year	17,996,719	10,776,565	4,540,279	(669,184)	1,410,395	11,907,670	195,809	46,158,253
FUND BALANCES (DEFICITS) - END OF YEAR	<u>\$ 17,427,248</u>	<u>\$ 12,628,940</u>	<u>\$ 3,837,788</u>	<u>\$ (370,565)</u>	<u>\$ 1,319,793</u>	<u>\$ 11,944,389</u>	<u>\$ 99,619</u>	<u>\$ 46,887,212</u>

See accompanying Notes to Basic Financial Statements.

**RICE COUNTY
FARIBAULT, MINNESOTA
RECONCILIATION OF THE GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL ACTIVITIES
YEAR ENDED DECEMBER 31, 2017**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 728,959

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.

Depreciation	\$ (5,528,513)	
Capital Outlay	7,840,748	
Net Book Value of Assets Disposed	(83,746)	2,228,489

Pension expenditures on the governmental funds are measured by current year employer contributions. Pension expenses on the Statement of Activities are measured by the change in net pension liability and the related deferred inflows and outflows of resources.

(1,920,377)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds.

668,609

The issuance of long-term debt (e.g., bonds payable) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.

Principal Repayments	2,064,434	
Septic/ISTS Loans	(86,185)	1,978,249

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. Expenses reported in the statement of activities include the effects of the changes in these expense accruals as follows:

Change in Compensated Absences	(73,113)	
Change in Other Postemployment Benefit Obligation	(85,907)	
Amortization of Discounts and Premiums	59,367	
Change in Accrued Interest Payable	2,055	(97,598)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES **\$ 3,586,331**

See accompanying Notes to Basic Financial Statements.

**RICE COUNTY
FARIBAUT, MINNESOTA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2017**

	Environmental Services Fund	Roberds Lake Fund	Total Proprietary Funds
ASSETS			
CURRENT ASSETS			
Cash and Pooled Investments	\$ 6,663,436	\$ 74,325	\$ 6,737,761
Petty Cash and Change Funds	400	-	400
Special Assessments Receivable	-	61,325	61,325
Accounts Receivable (Net)	230,497	8,411	238,908
Due from Other Governments	113,025	-	113,025
Prepaid Assets	11,439	-	11,439
Inventories	12,354	-	12,354
Total Current Assets	7,031,151	144,061	7,175,212
NONCURRENT ASSETS			
Special Assessments Receivable	50,499	1,597,306	1,647,805
RESTRICTED ASSETS			
Cash and Pooled Investments	2,593,516	-	2,593,516
CAPITAL ASSETS			
Nondepreciable	635,075	-	635,075
Depreciable (Net)	1,763,811	5,114,635	6,878,446
Total Capital Assets	2,398,886	5,114,635	7,513,521
Total Noncurrent Assets	5,042,901	6,711,941	11,754,842
Total Assets	12,074,052	6,856,002	18,930,054
DEFERRED OUTFLOWS OF RESOURCES			
Pension Related	287,816	-	287,816
LIABILITIES			
CURRENT LIABILITIES			
Accounts Payable	80,241	4,020	84,261
Salaries Payable	52,616	-	52,616
Contracts Payable	156,462	-	156,462
Due to Other Funds	-	-	-
Due to Other Governments	172,095	3,488	175,583
Accrued Interest Payable	-	7,361	7,361
Compensated Absences Payable - Due Within One Year	97,228	-	97,228
Bonds Payable - Due Within One Year	-	68,000	68,000
Total Current Liabilities	558,642	82,869	641,511
NONCURRENT LIABILITIES			
Compensated Absences - Due in More than One Year	34,289	-	34,289
Public Facilities Authority General Obligation Note - Due in More than One Year	-	1,625,511	1,625,511
Estimated Liability for Landfill Closure/Postclosure - Due in More than One Year	2,933,667	-	2,933,667
Net Pension Liability - Due in More than One Year	1,088,429	-	1,088,429
Total Noncurrent Liabilities	4,056,385	1,625,511	5,681,896
Total Liabilities	4,615,027	1,708,380	6,323,407
DEFERRED INFLOWS OF RESOURCES			
Pension Related	190,915	-	190,915
Taxes Received for Future Period	28,286	5,177	33,463
Total Deferred Inflows of Resources	219,201	5,177	224,378
NET POSITION			
Net Investment in Capital Assets	2,398,886	3,421,124	5,820,010
Restricted for System Replacement	-	16,914	16,914
Unrestricted	5,128,754	1,704,407	6,833,161
Total Net Position	\$ 7,527,640	\$ 5,142,445	\$ 12,670,085

See accompanying Notes to Basic Financial Statements.

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

	Environmental Services Fund	Roberds Lake Fund	Total Proprietary Funds
OPERATING REVENUES			
Charges for Services	\$ 2,869,899	\$ 91,063	\$ 2,960,962
Licenses and Permits	478,072	-	478,072
Resale	400,752	-	400,752
Miscellaneous	16,809	1,135	17,944
Total Operating Revenues	3,765,532	92,198	3,857,730
OPERATING EXPENSES			
Depreciation	354,863	105,286	460,149
Sanitation	2,578,021	81,453	2,659,474
Planning and Zoning	846,781	-	846,781
Recycling	1,792,596	-	1,792,596
Miscellaneous	-	9,740	9,740
Total Operating Expenses	5,572,261	196,479	5,768,740
OPERATING INCOME (LOSS)	(1,806,729)	(104,281)	(1,911,010)
NONOPERATING REVENUES (EXPENSES)			
Investment Income	-	21,362	21,362
Special Assessments	1,031,394	9,511	1,040,905
Intergovernmental - Operating Grants	440,934	-	440,934
Total Nonoperating Revenues (Expenses)	1,472,328	30,873	1,503,201
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	(334,401)	(73,408)	(407,809)
CAPITAL CONTRIBUTIONS	-	140,041	140,041
TRANSFERS			
Transfers Out	(772)	-	(772)
CHANGES IN NET POSITION	(335,173)	66,633	(268,540)
Net Position - Beginning of Year	7,862,813	5,075,812	12,938,625
NET POSITION - END OF YEAR	<u>\$ 7,527,640</u>	<u>\$ 5,142,445</u>	<u>\$ 12,670,085</u>

See accompanying Notes to Basic Financial Statements.

**RICE COUNTY
FARIBAUT, MINNESOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2017**

	Environmental Services Fund	Roberds Lake Fund	Total Proprietary Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers and Users	\$ 3,326,367	\$ 91,825	\$ 3,418,192
Receipts from Sales	400,752	-	400,752
Other Receipts	45,095	6,312	51,407
Payments to Suppliers	(1,928,942)	(131,453)	(2,060,395)
Payments for Planning and Zoning	(846,781)	-	(846,781)
Payments to Employees	(1,575,606)	-	(1,575,606)
Other Payments	-	(9,740)	(9,740)
Net Cash Provided (Used) by Operating Activities	(579,115)	(43,056)	(622,171)
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES			
Intergovernmental - Operating Grants	440,934	139,723	580,657
Special Assessments	1,031,126	99,221	1,130,347
Transfers Out	(772)	-	(772)
Net Cash Provided (Used) by Noncapital and Related Financing Activities	1,471,288	238,944	1,710,232
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment Income	-	21,362	21,362
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Debt	-	140,041	140,041
Purchases of Capital Assets	(143,928)	(290,142)	(434,070)
Principal Paid on Public Facilities Authority General Obligation Note	-	(154,445)	(154,445)
Interest Paid on Public Facilities Authority General Obligation Note	-	(160)	(160)
Net Cash Provided (Used) by Capital and Related Financing Activities	(143,928)	(304,706)	(448,634)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	748,245	(87,456)	660,789
Cash and Cash Equivalents - Beginning of Year	8,509,107	161,781	8,670,888
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 9,257,352</u>	<u>\$ 74,325</u>	<u>\$ 9,331,677</u>
PRESENTED ON THE STATEMENT OF NET POSITION AS FOLLOWS			
Cash and Investments	\$ 6,663,436	\$ 74,325	\$ 6,737,761
Petty Cash	400	-	400
Restricted Cash and Investments	2,593,516	-	2,593,516
TOTAL CASH AND INVESTMENTS	<u>\$ 9,257,352</u>	<u>\$ 74,325</u>	<u>\$ 9,331,677</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO CASH FLOWS FROM OPERATING ACTIVITIES			
Operating Income (Loss)	\$ (1,806,729)	\$ (104,281)	\$ (1,911,010)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Depreciation	354,863	105,286	460,149
Deferred Outflows of Resources - Pension Related	289,605	-	289,605
Deferred Inflows of Resources - Pension Related	54,708	-	54,708
Taxes Received for Future Periods	28,286	5,177	33,463
Changes in Assets and Liabilities:			
(Increase) Decrease in Assets:			
Accounts Receivable	16,835	762	17,597
Due from Other Governments	(35,143)	-	(35,143)
Prepaid Items	4,052	-	4,052
Inventories	14,083	-	14,083
Increase (Decrease) in Liabilities:			
Accounts Payable	21,128	-	21,128
Contracts	156,462	-	156,462
Due to Other Funds	-	(50,000)	(50,000)
Salaries Payable	4,214	-	4,214
Unearned Revenue	(3,296)	-	(3,296)
Due to Other Governments	34,881	-	34,881
Compensated Absences Payable	2,922	-	2,922
Net Pension Liability	(300,747)	-	(300,747)
Estimated Liability for Landfill Closure/Postclosure	584,761	-	584,761
Net Cash Provided (Used) by Operating Activities	<u>\$ (579,115)</u>	<u>\$ (43,056)</u>	<u>\$ (622,171)</u>

See accompanying Notes to Basic Financial Statements.

**RICE COUNTY
FARIBAULT, MINNESOTA
STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
DECEMBER 31, 2017**

ASSETS

Cash and Pooled Investments	<u>\$ 3,684,300</u>
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LIABILITIES

Funds Held in Trust	\$ 316,476
Due to Other Governments	<u>3,367,824</u>
 Total Liabilities	 <u>\$ 3,684,300</u>

See accompanying Notes to Basic Financial Statements.

**RICE COUNTY
FARIBAUT, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Rice County, Minnesota (the County) are prepared in accordance with generally accepted accounting principles (GAAP) for the year ended December 31, 2017. 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

The County was established March 5, 1853, and is an organized county having the powers, duties, and privileges granted counties by Minnesota Statutes ch. 373. As required by accounting principles generally accepted in the United States of America, these financial statements present the County (Primary Government) and its component unit for which the County is financially accountable. The County is governed by a five-member Board of Commissioners elected from districts within the County. The Board is organized with a chair and vice chair elected at the first meeting in January of each year.

Blended Component Unit

The Housing and Redevelopment Authority (HRA) provides services pursuant to Minnesota Statutes Section 469.001-.047. The HRA board is comprised of all the County Commissioners and a resident Commissioner and the HRA is a financial burden as the County funds a significant portion of the HRA's administrative costs. Therefore, the HRA is included as a blended component unit as a special revenue fund. The HRA does not issue separate financial statements.

Joint Ventures

The County participates in a joint venture which is described in Note 8.C. The County also participates in several jointly-governed organizations which are described in Note 8.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. These statements include the financial activities of the overall government, except for fiduciary activities. When eliminating internal activity, interfund services provided and used are not eliminated in the process of consolidation. 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.

**RICE COUNTY
FARIBAULT, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basic Financial Statements (Continued)

1. Government-Wide Statements (Continued)

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. The County first utilizes restricted resources to finance qualifying activities.

The Statement of Activities demonstrates the degree to which the direct expenses of each function of the County's governmental activities 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 funds. 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.

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 which is responsible for the construction and maintenance of roads, bridges, and other projects affecting County roadways. Property taxes and intergovernmental revenues are the primary funds committed for these projects.

**RICE COUNTY
FARIBAULT, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basic Financial Statements (Continued)

2. Fund Financial Statements (Continued)

The Human Services Special Revenue Fund is used to account for economic assistance and community social services programs. These programs are funded primarily by property taxes, committed through the Board approved levy, and restricted intergovernmental revenues.

The Ditch Special Revenue Fund is used to account for the repair, maintenance, and construction of ditches within the County. Special assessment revenues are the primary revenue source restricted for this purpose.

The Housing and Redevelopment Authority Special Revenue Fund is used to account for the revenues and expenditures of the County's blended component unit. This program is funded primarily by property taxes and restricted intergovernmental revenues.

The Debt Service Fund is used to account for the payment of principal and interest payments on long-term debt which is financed by property tax revenue restricted through bond documents.

The Capital Projects Fund is used to account for various capital projects within the County. Financing is provided by bonds issued by the County.

The County considers all funds to be major.

The County reports the following major enterprise funds:

The Environmental Services Fund is used to account for the operation, maintenance, and development of the County's recycling center, solid waste landfill, and planning and zoning operations.

The Roberds Lake Fund is used to account for the construction and operation of the sanitary sewer system for the Roberds Lake Sanitary Sewer District.

Additionally, the County reports the following fund type:

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

**RICE COUNTY
FARIBAULT, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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. Rice 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. Budget

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds except the Capital Projects Fund.

The County board adopts estimated revenue and expenditures budgets for the General Fund, the major Special Revenue Funds, and the Debt Service Fund, which they may amend or modify at any time. Comparisons of estimated revenues and expenditures to actual for the General Fund and the major Special Revenue Funds are presented in the required supplementary information section of the report.

E. 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 funds can deposit or effectively withdraw cash at any time without prior notice or penalty.

**RICE COUNTY
FARIBAULT, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

2. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the Chief Financial Officer for the purpose of increasing earnings through investment activities. Pooled 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.

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 maturities 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."

All receivables are shown net of an allowance for uncollectibles which is calculated on a case-by-case basis.

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

Property taxes are levied as of January 1 on property values assessed as of the same date. The tax levy notice is mailed in March with the first half payment due 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.

4. Inventories

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

**RICE COUNTY
FARIBAULT, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

5. Prepaid Items

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. Prepaid items are expensed using the consumption method for both the government-wide and fund financial statements.

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. In the case of the initial capitalization of infrastructure, the County retroactively implemented the reporting of this item when GASB Statement No. 34 was implemented. Capital assets are defined by the government 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 or estimated historical cost if purchased or constructed. Public domain infrastructure costs of more than \$100,000 are capitalized and reported in the government-wide financial statements. Donated capital assets and donated works of art are recorded at acquisition value.

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.

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

Assets	Years
Buildings	10-50
Improvements	10-50
Infrastructure	25-50
Machinery, Furniture, and Equipment	5-15

7. Deferred Outflows of Resources

In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This separate section represents a consumption of net position that applies to a future period. 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.

**RICE COUNTY
FARIBAUT, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

8. Compensated Absences

The liability for compensated absences reported in financial statements consists of unpaid, accumulated vacation and sick leave balances. The liability has been calculated using the vesting method, which includes 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. Compensated absences are accrued when incurred in the government-wide and proprietary fund financial statements.

9. Deferred Inflows of Resources

The County's governmental fund 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 County has three types of items which occur relating to revenue recognition. 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 as described in Note 4 to the financial statements. The third type occurs because the County collected property taxes prior to the year they were levied for and, therefore, the County will report deferred inflows for these items.

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 using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts 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.

**RICE COUNTY
FARIBAULT, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

11. Net Pension Liability

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

12. 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 from outside parties (e.g., statute, grantors, bond agreements, etc.). Committed fund balances are established and modified by a resolution approved by the Board of Commissioners. The Board passed a resolution authorizing the Chief Financial Officer to assign fund balances and its 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 purposes 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. The general fund is the only fund that reports a positive unassigned fund balance. In governmental funds other than the general fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to those purposes, may report a negative unassigned fund balance.

Rice County receives a majority of its property tax payments based on the property tax calendar as discussed in Note 1.E.3. As a result of the unequal timing of the tax receipts, it is necessary for the County to maintain adequate fund balances to meet the operational expenditure needs of the County.

It is the County's policy to maintain a minimum unassigned fund balance, equal to 50% of the subsequent year's tax levy, for cash flow purposes in the General Fund. In the Road and Bridge and Human Services Special Revenue Funds, it is the County's policy to maintain a minimum committed fund balance for fund purpose equal to 50% of the subsequent year's tax levy for each of the respective funds. The failure to maintain these fund balance levels could result in the need for short term borrowing. For the year ended December 31, 2017, the required minimum fund balances are \$8,503,704, \$1,394,541, and \$2,990,912, respectively.

**RICE COUNTY
FARIBAULT, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

13. Restricted Net Position

Certain funds of the County are classified as restricted net position 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, their use is limited by applicable laws and regulations.

14. Interfund Transactions

Interfund services provided and used are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. Interfund loans are reported as an interfund loan receivable or payable which offsets the movement of cash between funds. All other interfund transactions are reported as transfers.

15. 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, deferred outflows of resources, liabilities, and deferred inflows of resources; and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

16. Restricted Assets

Certain assets in the Environmental Services Fund are restricted for future landfill closure and postclosure care costs.

**RICE COUNTY
FARIBAULT, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Expenditures in Excess of Budget

The following funds had expenditures in excess of budget for the year ended December 31, 2017. These over expenditures were seen as necessary and were funded by greater than anticipated revenues and/or existing fund balance.

	Actual Expenditures	Final Budget	Expenditures in Excess of Budget
General Fund	\$25,315,662	\$24,604,041	\$ 711,621
Human Services Fund	15,743,441	14,179,000	1,564,441
Ditch Fund	597,895	300,000	297,895
Debt Service Fund	2,993,313	2,803,162	190,151

B. Deficit Fund Equity

The Ditch Fund had deficit fund balance as of December 31, 2017, of \$370,565. The deficit will be eliminated through future special assessments and tax levies.

C. Tax Abatements

The County is subject to tax abatements granted by cities within the County pursuant to Minnesota Statutes §§ 469.310 to 469.320, the Job Opportunity Building Zone (JOBZ) program. JOBZ provides business subsidy assistance in the form of tax exemptions or tax credits to qualified businesses located in a job zone under the JOBZ program. The JOBZ program exempts improvements to real property, and personal property, that is classified by the assessor as class 3 (commercial/industrial). During 2017, there was one JOBZ location within the County. The property tax exemptions during 2017 totaled \$281,596. There was one JOBZ location with exemptions over 1% of the 2017 Rice County property tax levy, SAGE Electrochromics Inc. in Northfield, Minnesota was exempted from \$281,596 in property taxes during 2017.

The County is subject to tax abatements granted by cities within the County pursuant to Minnesota Statutes §§ 469.174 to 469.1794 (Tax Increment Financing) through a pay-as-you-go note program. Tax increment financing (TIF) can be used to encourage private development, redevelopment, renovation and renewal, growth in low-to-moderate-income housing, and economic development within a city. TIF captures the increase in tax capacity and property taxes (of all taxing jurisdictions, including the County) from development or redevelopment to provide funding for the related project. The pay-as-you-go note provides for payment to the developer of a percentage of all tax increment received in the prior six months. The payment reimburses the developer for certain public improvements. During 2017, there were six pay-as-you-go notes within the County. The tax increment taxes collected during 2017 totaled \$500,871. There was one pay-as-you-go TIF district with increments in excess of 1% for the 2017 Rice County property tax levy, TIF District 2 in Dundas, Minnesota, with an increment of \$306,369 in 2017.

**RICE COUNTY
FARIBAULT, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 3 DETAILED NOTES ON ALL FUNDS

A. Assets

1. Deposits and Investments

Following is a summary of the fair values of the County's deposits and investments at December 31, 2017:

Government-Wide Statement of Net Position	
Governmental Activities	
Cash and Pooled Investments	\$ 37,835,869
Cash and Investments with Escrow Agent	9,147,424
Petty Cash and Change Funds	3,635
Business-Type Activities	
Cash and Pooled Investments	6,737,761
Petty Cash and Change Funds	400
Cash and Pooled Investments - Restricted Assets	2,593,516
Statement of Fiduciary Net Position	
Cash and Pooled Investments	3,684,300
Total Cash and Investments	<u>\$ 60,002,905</u>

The cash balance of substantially all funds are pooled and invested by the Chief Financial Officer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at fair value at December 31, 2017, based on market prices. Pursuant to Minnesota Statutes Chapter 385.07, investment earnings on cash and pooled investments are credited to the General Fund. Cash and investments that are not pooled are credited to the respective fund. The County had \$884,278 of investment earnings in 2017.

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 does not have a deposit policy for custodial credit risk and follows Minnesota Statutes for deposits.

Minnesota Statutes require that all deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or corporate surety bonds.

As of December 31, 2017, all County deposits were fully collateralized.

**RICE COUNTY
FARIBAULT, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

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.

Interest Rate Risk - Investments - Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. The County minimizes their exposure to interest rate risk by investing in both shorter and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. The County’s investment policy does not specifically place limits on investment duration or maturity, but does provide strategies to reduce interest rate risk through diversification of investment type, appropriate duration and maturity.

Custodial Credit Risk – Investments – For investments in securities, custodial credit risk is the risk that in the event of a failure of the counterparty, the County will not be able to recover the value of its investment securities that are in the possession of an outside party. The County’s investment policy requires all brokered investments be held with an independent third-party custodian. As of December 31, 2017, all the County’s brokered investments were held by the County or its agent in the County’s name.

Concentration of Credit Risk – The concentration of credit risk is the risk of loss that may be caused by the County’s investment in a single issuer. It is the County’s policy that U.S. Treasury securities, U.S. Agency securities, and obligations backed by U.S. Treasury and/or U.S. Agency securities, may be held without limit.

**RICE COUNTY
FARIBAULT, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

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

The following table presents the County's investment balances at December 31, 2017, and information relating to potential investment risks:

Investment Type	Credit Risk		Concentration	Interest	Carrying (Fair) Value
	Credit Rating	Rating Agency	Over 5% of Portfolio	Rate Risk Maturity Date	
Raymond James					
Total Federal National Mortgage Association	NA, NA	Moody's/S&P	2.2%	2/1/2019	\$ 587,148
Municipalities					
Albert Lea ISD 241	N/A, AA++	Moody's/S&P		02/01/21	359,579
Alexandria ISD	Aa2, N/A	Moody's/S&P		02/01/18	100,426
Anoka Co Bond	Aa2, N/A	Moody's/S&P		06/01/21	110,954
Anoka Co Bond	Aa2, N/A	Moody's/S&P		06/01/22	116,117
Brown Co, WI	Aaa, N/R	Moody's/S&P		11/01/21	420,780
Bloomington SD 271B	N/A, AA+	Moody's/S&P		02/01/21	69,254
Bloomington SD 271B	N/A, AA+	Moody's/S&P		02/01/22	103,759
Conn St Txbt Bonds	A1, A+	Moody's/S&P		08/01/20	498,645
Eden Prairie ISD 272	Aa2, N/A	Moody's/S&P		02/01/19	416,208
Forest Lake ISD 831	Aa2, N/R	Moody's/S&P		02/01/21	118,754
Grand Lake Town	N/R, A+	Moody's/S&P		02/01/29	98,509
Hennepin Co Bond	Aaa, AAA	Moody's/S&P		12/01/21	312,399
Hopkins ISD 270	Aa2, N/A	Moody's/S&P		02/01/18	501,345
Hopkins ISD 270	Aa2, N/A	Moody's/S&P		02/01/18	155,291
Inver Grove ISD 199	Aa2, N/A	Moody's/S&P		02/01/19	315,042
Lake City ISD 813	N/R, AA++	Moody's/S&P		02/01/31	207,716
Lk Pk Audubon ISD A	N/A, AA+	Moody's/S&P		02/01/20	516,181
LeRoy-Ostr ISD 499	N/R, AA++	Moody's/S&P		02/01/18	30,104
LeRoy-Ostr ISD 499	Aa2, N/A	Moody's/S&P		02/01/21	81,510
LeRoy-Ostr ISD 499	Aa2, N/A	Moody's/S&P		02/01/23	70,944
LeRoy-Ostr ISD 499	Aa2, N/A	Moody's/S&P		02/01/20	79,602
Maple Lake ISD 881	Aa2, AA+	Moody's/S&P		02/05/18	100,206
McGregor ISD 04	N/R, AA+	Moody's/S&P		12/30/20	153,858
Met Council Mpls	Aaa, AAA	Moody's/S&P		09/01/21	49,254
MoundsView ISD621	Aa2, N/A	Moody's/S&P		02/01/19	210,558
Mtn Iron Buhl ISD712	Aa2, N/A	Moody's/S&P		02/01/29	125,694
New York City GO	Aa2, AA	Moody's/S&P		08/01/22	132,710
N St Paul ISD 622	Aa2, AA+	Moody's/S&P		02/01/20	206,134
N St Paul ISD 522	Aa2, AA+	Moody's/S&P		02/01/24	310,410
Oregon ST	Aa2, AAA	Moody's/S&P		04/01/22	229,671
Osseo ISD 279	Aa1, N/A	Moody's/S&P		02/01/20	103,984
Osseo ISD 279	Aa1, N/A	Moody's/S&P		02/01/21	104,012
Proctor ISD 704	Aa2, N/R	Moody's/S&P		02/01/23	177,028
Richfield ISD 280	N/R, AA+	Moody's/S&P		02/01/18	300,843
Rochester MN	Aaa, AAA	Moody's/S&P		02/21/21	205,706
Rocori ISD 750	AA2, N/A	Moody's/S&P		02/01/18	90,288
Rocori ISD 750	AA2, N/A	Moody's/S&P		02/01/18	301,221
Rosemount ISD 196	Aa1, AA+	Moody's/S&P		02/01/18	150,399
Rosemount ISD 196	Aa1, AA+	Moody's/S&P		02/01/19	413,240
Roseville ISD 623	Aa2, N/R	Moody's/S&P		02/01/19	210,314
Roseville ISD 623	Aa2, N/R	Moody's/S&P		02/01/19	316,632
St Paul Port Auth-2	N/A, AA+	Moody's/S&P		03/21/21	361,434
Waconia ISD 110	Aa2, N/A	Moody's/S&P		02/01/19	207,716
Washington Co HRA	N/R, AAA	Moody's/S&P		01/01/40	205,544
W St Paul ISD 197	N/A, AA+	Moody's/S&P		02/01/20	107,028
Winona ISD 861	N/A, AA+	Moody's/S&P		02/01/18	401,580
Winona ISD 861	N/A, AA+	Moody's/S&P		02/01/18	401,612
Total Municipalities			38.3%		<u>10,260,195</u>

**RICE COUNTY
FARIBAUT, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

The following table presents the County's investment balances at December 31, 2017, and information relating to potential investment risks (Continued):

Investment Type	Credit Risk		Concentration	Interest	Carrying (Fair) Value
	Credit Rating	Rating Agency	of Credit Risk Over 5% of Portfolio	Rate Risk Maturity Date	
Negotiable CD's					
Ally Bank Industry Banks	NR, NR	Moody's/S&P		09/24/18	\$ 248,198
American Expr Centurion	NR, NR	Moody's/S&P		04/05/22	244,324
American Expr Centurion	NR, NR	Moody's/S&P		05/03/22	243,314
BMW Bank North America	NR, NR	Moody's/S&P		07/07/20	247,563
Bank of Baroda	NR, NR	Moody's/S&P		10/29/18	245,600
Bank Hapoalim BM NY	NR, NR	Moody's/S&P		04/05/22	245,654
Capital One N	NR, NR	Moody's/S&P		07/22/20	247,551
Capital One Bk	NR, NR	Moody's/S&P		03/29/22	247,692
Discover Bank	NR, NR	Moody's/S&P		03/01/22	246,886
Enerbank USA	NR, NR	Moody's/S&P		08/25/19	247,524
Everbank	NR, NR	Moody's/S&P		03/29/22	246,202
GE Capital Bk	NR, NR	Moody's/S&P		04/18/22	59,196
Goldman Sachs Bk	NR, NR	Moody's/S&P		03/30/22	189,526
HSBC Bk	NR, NR	Moody's/S&P		03/21/22	248,252
Key Bank	NR, NR	Moody's/S&P		08/08/18	247,918
Lincoln First Bk	NR, NR	Moody's/S&P		07/01/24	249,314
Live Oak Bk	NR, NR	Moody's/S&P		04/07/22	248,131
Medallion Bk	NR, NR	Moody's/S&P		04/04/22	246,160
Park Natl Bank Newark	NR, NR	Moody's/S&P		09/12/19	249,286
Privatebank	NR, NR	Moody's/S&P		03/30/22	244,701
Sallie Mae Bank	NR, NR	Moody's/S&P		03/22/22	247,240
State Bank India	NR, NR	Moody's/S&P		01/26/22	247,585
Synchrony Bank	NR, NR	Moody's/S&P		02/10/23	49,584
Synchrony Bank	NR, NR	Moody's/S&P		02/24/23	123,634
Synchrony Bank	NR, NR	Moody's/S&P		02/17/23	71,392
WashingtonFirst Bank Reston	NR, NR	Moody's/S&P		10/31/22	245,612
Wells Fargo Bank	NR, NR	Moody's/S&P		01/20/22	245,935
Worlds Foremost Bank	NR, NR	Moody's/S&P		08/27/19	200,592
Total Negotiable CD's			22.9%		6,124,566
MAGIC Fund, Money Market					
Minnesota Association of Governments Investing for Counties (MAGIC)			18.0%		4,809,738
Commercial Paper					
Credit Agricole CIB NY	NR, NR	Moody's/S&P		1/8/2018	990,025
Bayerische Landesbk Giro	NR, NR	Moody's/S&P		1/16/2018	995,558
Bank Tokyo-MIT UFJ NY	NR, NR	Moody's/S&P		1/23/2018	998,616
DCAT LLC	NR, NR	Moody's/S&P		1/18/2018	998,978
EDC	NR, NR	Moody's/S&P		1/10/2018	999,456
Total Commercial Paper			8.3%		4,982,633
Total Investments					26,764,280
Deposits					33,234,590
Petty Cash					4,035
Total Cash and Investments					\$ 60,002,905

**RICE COUNTY
FARIBAULT, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

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.

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.

Assets measured at fair value on a recurring basis:

Type	Level 1	Level 2	Level 3	Total
Municipal Securities	\$ -	\$ 10,260,194	\$ -	\$ 10,260,194
U.S. Agencies	-	587,148	-	587,148
Negotiable Certificates of Deposit	-	6,124,566	-	6,124,566
Total	<u>\$ -</u>	<u>\$ 16,971,908</u>	<u>\$ -</u>	<u>\$ 16,971,908</u>
Investments Measured at Amortized Cost				<u>\$ 4,809,738</u>
				<u>\$ 21,781,646</u>

**RICE COUNTY
FARIBAULT, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

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

MAGIC Portfolio is valued using amortized costs. Shares of 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 sufficient number of shares to meet their redemption request. The 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 the Portfolio's securities or determination of its net asset value not reasonably practical.

Shares of MAGIC Term Series are purchased to mature upon pre-determined maturity dates selected by the County at the time of purchase. Should the County need to redeem shares in a MAGIC Term Series prematurely they must provide notice at least seven days prior to the premature redemption date. The value of premature redemption is equal to the original price for such share, plus dividends thereon at the projected yield less such share's allocation of any losses incurred by the series, less a premature redemption penalty, if any.

2. Receivables

As of December 31, 2017 the County's governmental activities and business-type activities, are as follows:

	Total Receivables	Expected Collections W/I 1 Year
Governmental Activities:		
Taxes	\$ 353,657	\$ 189,674
Special Assessments	817,058	163,412
Accounts	277,504	277,504
Interest	331,852	331,852
Due from Other Governments	6,995,926	6,995,926
Loans	144,546	6,872
Total Governmental Activities	<u>\$ 8,920,543</u>	<u>\$ 7,965,240</u>
Business-Type Activities:		
Special Assessments	\$ 1,709,130	\$ 62,350
Accounts	238,908	238,908
Due from Other Governments	113,025	113,025
Total Business-Type Activities	<u>\$ 2,061,063</u>	<u>\$ 414,283</u>

**RICE COUNTY
FARIBAULT, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

2. Receivables (Continued)

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

	Unavailable Delinquent and Unearned Taxes and Special Assessments	Taxes Received for Future Periods	Unavailable Grants	Loans Receivable	Unearned Payments
General Fund	\$ 655,432	\$ 992,155	\$ 73,212	\$ -	\$ 14,228
Road and Bridge Fund	-	-	4,570,592	-	-
Human Services Fund	-	-	213,729	-	-
Ditch Fund	436,722	-	-	-	-
HRA Fund	1,774	-	-	144,546	-
Total	<u>\$ 1,093,928</u>	<u>\$ 992,155</u>	<u>\$ 4,857,533</u>	<u>\$ 144,546</u>	<u>\$ 14,228</u>

3. Capital Assets

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

	Beginning Balance	Additions	Deletions	Ending Balance
GOVERNMENTAL ACTIVITIES				
Capital Assets, Not Being Depreciated				
Land	\$ 8,630,109	\$ 259,271	\$ -	\$ 8,889,380
Construction in Progress	709,324	873,550	625,857	957,017
Total Capital Assets, Not Being Depreciated:	9,339,433	1,132,821	625,857	9,846,397
Capital Assets, Being Depreciated				
Buildings	26,119,178	545,059	-	26,664,237
Improvements	3,216,577	-	-	3,216,577
Machinery, Furniture, and Equipment	12,978,681	1,524,271	639,539	13,863,413
Infrastructure	181,211,808	5,264,454	-	186,476,262
Total Capital Assets, Being Depreciated	223,526,244	7,333,784	639,539	230,220,489
Less Accumulated Depreciation for				
Buildings	13,003,574	879,824	-	13,883,398
Improvements	2,010,926	93,178	-	2,104,104
Machinery, Furniture, and Equipment	7,756,357	923,332	555,793	8,123,896
Infrastructure	58,293,183	3,632,179	-	61,925,362
Total Accumulated Depreciation	81,064,040	5,528,513	555,793	86,036,760
Total Capital Assets, Being Depreciated, Net	142,462,204	1,805,271	83,746	144,183,729
Governmental Activities Capital Assets, Net	<u>\$ 151,801,637</u>	<u>\$ 2,938,092</u>	<u>\$ 709,603</u>	<u>\$ 154,030,126</u>

**RICE COUNTY
FARIBAULT, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

3. Capital Assets (Continued)

	Beginning Balance	Additions	Deletions	Ending Balance
BUSINESS-TYPE ACTIVITIES				
Capital Assets, Not Being Depreciated				
Land	\$ 635,075	\$ -	\$ -	\$ 635,075
Capital Assets, Being Depreciated				
Buildings	1,407,910	66,672	-	1,474,582
Improvements	198,508	-	-	198,508
Machinery, Furniture, and Equipment	2,725,072	78,026	56,507	2,746,591
Infrastructure	5,154,645	219,259	-	5,373,904
Total Capital Assets, Being Depreciated	9,486,135	363,957	56,507	9,793,585
Less Accumulated Depreciation For				
Buildings	629,125	29,698	-	658,823
Improvements	72,699	13,234	-	85,933
Machinery, Furniture, and Equipment	1,654,920	311,928	55,735	1,911,113
Infrastructure	153,984	105,286	-	259,270
Total Accumulated Depreciation	2,510,728	460,146	55,735	2,915,139
Total Capital Assets, Being Depreciated, Net	6,975,407	(96,189)	772	6,878,446
Business-Type Activities Capital Assets, Net	<u>\$ 7,610,482</u>	<u>\$ (96,189)</u>	<u>\$ 772</u>	<u>\$ 7,513,521</u>

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

Governmental Activities	
General Government	\$ 666,861
Public Safety	21,079
Highways and Streets	113,889
Human Services	6,804
Health	16,127
Culture and Recreation	4,058,058
Conservation	645,695
Total Governmental Activities	<u>\$ 5,528,513</u>
Business-Type Activities	
Environmental Services	\$ 354,860
Roberds Lake	105,286
Total Business-Type Activities	<u>\$ 460,146</u>

**RICE COUNTY
FARIBAULT, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

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	Purpose
General	HRA	\$ 7,417	2017 Benefits
	Human Services	13,668	Cash Flow Purposes
Total From/To Other Funds		<u>\$ 21,085</u>	

2. Advances From/To Other Funds

The following are not expected to be repaid within one year:

Advance to Ditch Fund from the General Fund to Provide Cash Flow	<u>\$ 478,294</u>
--	-------------------

3. Interfund Transfers

Interfund transfers for the year ended December 31, 2017, consisted of the following:

Transfers Out	Transfers In		
	General Fund (a)	Debt Service (b)	Total
General	\$ -	\$ 164,434	\$ 164,434
Environmental Services	772	-	772
Total	<u>\$ 772</u>	<u>\$ 164,434</u>	<u>\$ 165,206</u>

- a. Money moved from Environmental Services Fund to General Fund for equipment transferred.
- b. Money moved from General Fund to Debt Service Fund for septic debt payments.

**RICE COUNTY
FARIBAULT, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities

1. Long-Term Debt

Types of Indebtedness	Final Maturity	Annual Installment Amounts	Interest Rates (%)	Original Issues Amount	Outstanding Balance December 31, 2017
General Obligation Bonds					
2009 G.O. Capital Improvement Bonds	2029	545,000-1,035,000	1.0% - 5.7%	\$ 15,000,000	\$ 10,400,000
2011A G.O. Capital Improvement Bonds	2022	365,000-400,000	1.0% - 2.4%	2,655,000	1,925,000
2013 G.O. Capital Improvement Bonds	2024	620,000-995,000	2.0% - 3.0%	9,550,000	6,495,000
2016A G.O. Capital Improvement Crossover Refunding Bonds	2029	820,000-965,000	2.0%	8,910,000	8,910,000
Total General Obligation Bonds				<u>\$ 36,115,000</u>	<u>\$ 27,730,000</u>
General Obligation Note					
2013 G.O. PFA Note	2043	73,000-103,000	1.224%	<u>\$ 2,573,222</u>	<u>\$ 1,693,511</u>

In 2013, the County agreed to terms on a project loan agreement made under the Clean Water Partnership Law with the State of Minnesota through the Minnesota Public Facilities Authority (PFA) to fund the construction of a wastewater collection system for an unincorporated area around Roberds Lake. The County is required to repay the funds.

In 1992, 2002, 2003, and 2005, the County entered into loan agreements with the Minnesota Department of Agriculture (MDA) for financing of failing septic systems. The loan is secured by special assessments placed on the individual parcels requesting repair of a failing septic system.

Types of Indebtedness	Final Maturity	Annual Installment Amounts	Interest Rates (%)	Original Issues Amount	Outstanding Balance December 31, 2017
Septic Loans					
MDA	2025	\$1,352 - 8,217	- %	\$ 970,862	\$ 474,085

**RICE COUNTY
FARIBAULT, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities (Continued)

2. Debt Service Requirements

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

Year Ending December 31,	General Obligation Bonds		Septic Loans	
	Principal	Interest	Principal	Interest
2018	\$ 1,950,000	\$ 872,521	\$ 67,608	\$ -
2019	2,005,000	808,470	62,748	-
2020	2,060,000	732,090	60,291	-
2021	2,940,000	647,635	60,398	-
2022	3,010,000	563,698	58,891	-
2023-2027	10,885,000	1,656,167	160,354	-
2028-2032	4,880,000	154,943	3,795	-
2033-2037	-	-	-	-
2038-2042	-	-	-	-
Total	<u>\$ 27,730,000</u>	<u>\$ 5,435,524</u>	<u>\$ 474,085</u>	<u>\$ -</u>

Year Ending December 31,	General Obligation PFA Note *	
	Principal	Interest
2018	\$ 68,000	\$ 20,616
2019	69,000	22,533
2020	70,000	21,689
2021	71,000	20,832
2022	72,000	19,963
2023-2027	367,000	96,255
2028-2032	385,000	73,538
2033-2037	396,000	49,865
2038-2042	195,512	18,252
Total	<u>\$ 1,693,512</u>	<u>\$ 343,543</u>

**RICE COUNTY
FARIBAULT, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities (Continued)

3. Changes in Long-Term Liabilities

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
GOVERNMENTAL ACTIVITIES					
Bonds Payable					
General Obligation Bonds	\$ 29,630,000	\$ -	\$ 1,900,000	\$ 27,730,000	\$ 1,950,000
Less Amortized Amounts:					
For Issuance Discounts	(120,318)	-	(13,460)	(106,858)	-
For Issuance Premiums	669,193	-	72,827	596,366	-
Total Bonds Payable	<u>30,178,875</u>	<u>-</u>	<u>1,959,367</u>	<u>28,219,508</u>	<u>1,950,000</u>
Loans Payable	552,334	86,185	164,434	474,085	67,608
Compensated Absences	<u>1,796,329</u>	<u>1,965,363</u>	<u>1,892,250</u>	<u>1,869,442</u>	<u>1,380,623</u>
Total Governmental Activities					
Long-Term Liabilities	<u>\$ 32,527,538</u>	<u>\$ 2,051,548</u>	<u>\$ 4,016,051</u>	<u>\$ 30,563,035</u>	<u>\$ 3,398,231</u>
BUSINESS-TYPE ACTIVITIES					
GO PFA Note	\$ 1,707,915	\$ 140,041	\$ 154,445	\$ 1,693,511	\$ 68,000
Estimated Liability for Landfill					
Closure/Postclosure	2,348,906	584,761	-	2,933,667	-
Compensated Absences	<u>128,595</u>	<u>135,389</u>	<u>132,467</u>	<u>131,517</u>	<u>97,228</u>
Total Business-Type Activities					
Long-Term Liabilities	<u>\$ 4,185,416</u>	<u>\$ 860,191</u>	<u>\$ 286,912</u>	<u>\$ 4,758,695</u>	<u>\$ 165,228</u>

For governmental activities, compensated absences are generally liquidated by the General Fund, Road and Bridge Fund, and Human Services Fund.

Postemployment benefits are generally liquidated in the General Fund.

4. Conduit Debt

In 2015, the County issued \$25 million of Educational Facility Revenue Bonds (Shattuck-St. Mary's School Project) to finance the acquisition, construction, equipping and improvement of certain educational facilities including the construction of a new student dormitory and the construction of certain classrooms, dining hall and dormitory renovations, and to refund the outstanding principal of various certain prior revenue notes issued on behalf of the borrower by the City of Faribault.

**RICE COUNTY
FARIBAULT, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities (Continued)

4. Conduit Debt (Continued)

The bonds are payable solely from revenues of the School. The County is not obligated in any manner for the repayment of the bonds. Accordingly, the bonds will not be reported as liabilities in the County's financial statements. The amount of bonds outstanding at June 30, 2017 was \$24,780,000 according to the continuing disclosure documents on the emma.msrb.org web site.

5. Refunding Bonds

During 2016, the County issued \$8,910,000 of General Obligation Capital Improvement Crossover Refunding Bonds, Series 2016A. These bonds were issued to crossover refund \$8,925,000 of Taxable General Obligation Capital Improvement Bonds (Build America Bonds), Series 2009. The refunding proceeds were placed in an escrow account and used to purchase U.S. Government Securities. The net present value savings to the County attributable to the refunding of this bond is \$780,956.

NOTE 4 PENSION PLANS

A. Public Employees Retirement Association

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

1. General Employees Retirement Fund (General Employees Plan (accounted for in the General Employees Fund))

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

**RICE COUNTY
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NOTE 4 PENSION PLANS (CONTINUED)

A. Public Employees Retirement Association (Continued)

2. Public Employees Police and Fire Fund (Police and Fire Plan (accounted for in the Police and Fire Fund))

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

3. Local Government Correction Plan (Correctional Plan (accounted for in the Correctional Fund))

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

B. Benefits Provided

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

Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Members in plans that are at least 90% funded for two consecutive years are given 2.5% increases. Members in plans that have not exceeded 90% funded, or have fallen below 80%, or 85% for two consecutive years, are given 1% increases.

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

**RICE COUNTY
FARIBAULT, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
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NOTE 4 PENSION PLANS (CONTINUED)

B. Benefits Provided (Continued)

1. General Employees Plan Benefits

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

2. Police and Fire Plan Benefits

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

**RICE COUNTY
FARIBAULT, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 4 PENSION PLANS (CONTINUED)

B. Benefits Provided (Continued)

3. Correctional Plan Benefits

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

C. Contributions

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

1. General Employees Plan Contributions

Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.50%, respectively, of their annual covered salary in calendar year 2017. The County was required to contribute 11.78% of pay for Basic Plan members and 7.50% for Coordinated Plan members in calendar year 2017. The County's contributions to the GERS for the year ended December 31, 2017, were \$1,307,922. The County's contributions were equal to the required contributions as set by state statute.

2. Police and Fire Fund Contributions

Plan members were required to contribute 10.8% of their annual covered salary in calendar year 2017. The County's was required to contribute 16.20% of pay for Police and Fire Fund members in calendar year 2017. The County's contributions to the Police and Fire Fund for the year ended December 31, 2017, were \$359,571. The County's contributions were equal to the required contributions as set by state statute.

3. Correctional Fund Contributions

In calendar year 2017, plan members were required to contribute 5.83% of their annual covered salary. The County was required to contribute 8.75% of pay for PECF members in calendar year 2017. The County's contributions to the PECF for the year ended December 31, 2017, were \$102,809. The County's contributions were equal to the required contributions as set by state statute.

**RICE COUNTY
FARIBAULT, MINNESOTA
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NOTE 4 PENSION PLANS (CONTINUED)

D. Pension Costs

1. General Employees Fund Pension Costs

At December 31, 2017, the County reported a liability of \$16,745,059 for its proportionate share of the General Employees Fund's Net Pension Liability. The County's Net Pension Liability reflected a reduction due to the State of Minnesota's contribution of \$6 million to the fund in 2017. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the Net Pension Liability associated with the County totaled \$210,579. 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 portion was 0.2623% which was an increase of .0077% from its proportion measured as of June 30, 2016.

For the year ended December 31, 2017 the County recognized pension expense of \$2,457,408 for its proportionate share of the General Employees Plan's pension expense. In addition, the County recognized an additional \$6,082 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$6 million to the General Employees Fund.

County's Proportionate Share of the Net Pension Liability	\$ 16,745,059
State's Proportionate Share of the Net Pension Liability	210,579
Total	<u>\$ 16,955,638</u>

**RICE COUNTY
FARIBAULT, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 4 PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

1. General Employees Fund Pension Costs (Continued)

At December 31, 2017, the County reported its proportionate share of General Employees Fund's deferred outflows of resources and deferred inflows of resources relating to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 551,866	\$ 1,077,251
Changes in Actuarial Assumptions	2,780,042	1,678,694
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	108,151	-
Changes in Proportion and Differences Between County Contributions and Proportionate Share of Contributions	326,182	181,214
County Contributions Subsequent to the Measurement Date	661,687	-
Total	<u>\$ 4,427,928</u>	<u>\$ 2,937,159</u>

\$661,687 is reported as deferred outflows of resources related to pensions resulting from the County's contributions to General Employees Fund subsequent to the measurement date and will be recognized as a reduction of the Net Pension Liability in the year ended December 31, 2018. Other amounts reported as deferred outflows and inflows of resources related to General Employees Fund pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expenses Amount
2018	\$ 684,154
2019	1,064,100
2020	(208,376)
2021	(710,796)

**RICE COUNTY
FARIBAULT, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
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NOTE 4 PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

2. Police and Fire Fund Pension Costs

At December 31, 2017, the County reported a liability of \$2,713,739 for its proportionate share of the Police and Fire Fund'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, 2016, the County's proportion was 0.201% which was an increase of .005% from its proportion measured as of June 30, 2016.

For the year ended December 31, 2017, the County recognized pension expense of \$670,764 for its proportionate share of the Police and Fire Fund's pension expense. The County also recognized \$18,090 for the year ended December 31, 2017, as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Fund. Legislation passed in 2013 required the State of Minnesota to begin contributing \$9 million to the Police and Fire Fund each year, starting in fiscal year 2014.

At December 31, 2017, the County reported its proportionate share of the Police and Fire Fund'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	\$ 62,464	\$ 725,488
Changes in Actuarial Assumptions	3,551,469	3,852,837
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	37,271	-
Changes in Proportion and Differences Between County Contributions and Proportionate Share of Contributions	68,854	53,618
County Contributions Subsequent to the Measurement Date	189,670	-
Total	<u>\$ 3,909,728</u>	<u>\$ 4,631,943</u>

\$189,670 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, 2018.

**RICE COUNTY
FARIBAULT, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
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NOTE 4 PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

2. Police and Fire Fund Pension Costs (Continued)

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 Expenses Amount
2018	\$ 46,261
2019	46,261
2020	(53,218)
2021	(206,886)
2022	(744,303)

3. Correctional Plan Pension Costs

At December 31, 2017, the County reported a liability of \$1,681,506 for its proportionate share of the 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 0.59% which was a decrease of .04% from the proportion measured as of June 30, 2016.

For the year ended December 31, 2017, the County recognized pension expense of \$635,950 for its proportionate share of the Correctional Plan's pension expense.

**RICE COUNTY
FARIBAULT, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
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NOTE 4 PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

3. Correctional Plan Pension Costs (Continued)

At December 31, 2017, the County reported its proportionate share of the Correctional Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 1,203	\$ 27,988
Changes in Actuarial Assumptions	977,546	292,700
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	1,628	-
Changes in Proportion and Differences Between County Contributions and Proportionate Share of Contributions	1,415	109,594
County Contributions Subsequent to the Measurement Date	54,367	-
Total	<u>\$ 1,036,159</u>	<u>\$ 430,282</u>

\$54,367 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, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30	Pension Expenses Amount
2018	\$ 361,562
2019	373,426
2020	(136,670)
2021	(46,808)

Total Pension Expense

The total pension expense for all plans recognized by the County for the year ended December 31, 2017 was \$3,770,204.

**RICE COUNTY
FARIBAULT, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 4 PENSION PLANS (CONTINUED)

E. Actuarial Assumptions

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

Inflation	2.50% per Year
Salary Increases	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 disability were based on RP 2014 tables for the General Employees Plan and RP-2000 tables for the Police and Fire Plan and Correctional Plan for males or females, as appropriate, with slight adjustments. Cost of living benefit increases for retirees are assumed to be: 1% per year for all future years for the General Employees Plan and Police and Fire Plan, and 2.5% for all years for the Correctional Plan.

Actuarial assumptions used in the June 30, 2017 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2016. Experience studies have not been prepared for the Correctional Plan, but assumptions are reviewed annually.

The following changes in actuarial assumptions occurred in 2017:

General Employees Fund

- The assumed post-retirement benefit increase rate was changed from .08% for active members and 60% for vested and non-vested 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 non-vested 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.

Police and Fire Fund

- The assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34% lower than the previous rates.
- The assumed rates of retirement were changed, resulting in fewer retirements.
- The Combined Service Annuity (CSA) load was 30% for vested and non-vested deferred members. The CSA has been changed to 33% for vested members and 2% for non-vested members.

**RICE COUNTY
FARIBAULT, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 4 PENSION PLANS (CONTINUED)

E. Actuarial Assumptions (Continued)

Police and Fire Fund (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. 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.

Correctional Fund

- 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 non-vested, deferred members. The CSA has been changed to 35% for vested members and 1% for non-vested members.
- The Single Discount Rate was changed from 5.31% per annum to 5.96% per annum.

**RICE COUNTY
FARIBAULT, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
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NOTE 4 PENSION PLANS (CONTINUED)

E. Actuarial Assumptions (Continued)

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	39 %	5.10 %
International Equity	19	5.30
Bonds	20	0.75
Alternative Assets	20	5.90
Cash	2	0.00
Totals	<u>100 %</u>	

F. Discount Rate

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

In 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, 2061. Beginning in fiscal years ended June 30, 2062, when projected benefit payments exceed the Plan's projected fiduciary net position, benefit payments were discounted at the municipal bond rate of 3.56% 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 5.96% for the Public Employees Correctional Plan was determined that produced approximately the same present value of projected benefits when applied to all years of projected benefits as the present value of projected benefits using 7.50% applied to all years of projected benefits through the point of asset depletion and 3.56% after.

**RICE COUNTY
FARIBAULT, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 4 PENSION PLANS (CONTINUED)

G. 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 (6.50%)	Current Discount Rate (7.50%)	1% Increase in Discount Rate (8.50%)
County's Proportionate Share of the General Employees Fund Net Pension Liability	\$ 25,972,831	\$ 16,745,059	\$ 9,190,452
Description	1% Decrease in Discount Rate (4.60%)	Current Discount Rate (7.50%)	1% Increase in Discount Rate (6.60%)
County's Proportionate Share of the Police and Fire Fund Net Pension Liability	\$ 5,110,763	\$ 2,713,739	\$ 734,864
Description	1% Decrease in Discount Rate (4.31%)	Current Discount Rate (5.96%)	1% Increase in Discount Rate (6.31%)
County's Proportionate Share of the Correctional Fund Net Pension Liability	\$ 2,770,911	\$ 1,681,506	\$ 831,210

H. Pension Plan Fiduciary Net Position

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

I. 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 plan is established and administered in accordance with Minnesota Statutes, Chapter 350, which may be amended by the state legislature. 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.

**RICE COUNTY
FARIBAULT, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
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NOTE 4 PENSION PLANS (CONTINUED)

I. Defined Contribution Plan (Continued)

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. For ambulance service personnel, employer contributions are determined by the employer, and for salaried employees, employer contributions must be a fixed percentage of salary. Employer contributions for volunteer personnel may be a unit value for each call or period of alert duty. 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.

The Employer's contributions for the years ending December 31, 2017, 2016, and 2015 were \$10,039, \$10,034, and \$9,555, respectively, equal to the contractually required contributions for each year as set by state statute.

NOTE 5 OTHER POSTEMPLOYMENT BENEFITS

A. OPEB Disclosure

In 2007, the County prospectively implemented the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The OPEB plan does not issue a publicly available financial report.

1. Elected Officials

The County Board has adopted a policy maintaining payment of single health insurance premiums for its retired elected officials. Elected officials who have eight or more years of service as an elected official are eligible for two years of paid coverage for every four years served, excluding any long-term disability used prior to retirement.

**RICE COUNTY
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NOTE 5 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

A. OPEB Disclosure (Continued)

2. Other Employees

The County provides health insurance benefits for certain retired employees under a single-employer fully-insured plan. The County provides benefits for retirees as required by Minnesota Statutes §471.61 subdivision 2b. Active employees who retire from the County when eligible to receive a retirement benefit from the Public Employees Retirement Association (PERA) of Minnesota (or similar plan) and do not participate in any other health benefits program providing coverage similar to that herein described, will be eligible to continue coverage with respect to both themselves and their eligible dependent(s) under the County's health benefits program. Retirees, are required to pay 100% of the total premium cost. Since the premium is a blended rate determined on the entire active and retiree population, the retirees are receiving an implicit rate subsidy. As of January 1, 2017, there were six retirees receiving health benefits from the County's health plan. The County pays for these benefits on a "pay-as-you-go" basis.

a. Annual OPEB Cost and Net OPEB Obligation

The County's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of fund that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the County's annual OPEB cost of 2017, the amount actually contributed to the plan, and changes in the County's net OPEB obligation:

Annual Required Contribution (ARC)	\$ 151,949
Interest on Net OPEB Obligation	50,656
Adjustment to ARC	<u>(43,945)</u>
Annual OPEB Cost	158,660
Contributions During the Year	<u>(72,753)</u>
Increase in Net OPEB Obligation	85,907
Net OPEB - Beginning of Year	<u>1,125,699</u>
Net OPEB - End of Year	<u><u>\$ 1,211,606</u></u>

**RICE COUNTY
FARIBAULT, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 5 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

A. OPEB Disclosure (Continued)

2. Other Employees (Continued)

a. Annual OPEB Cost and Net OPEB Obligation (Continued)

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2017 and the two preceding years were as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Employer Contribution</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation</u>
December 31, 2017	\$ 158,660	\$ 72,753	45.9 %	\$ 1,211,606
December 31, 2016	154,168	56,762	36.8	1,125,699
December 31, 2015	231,152	55,369	24.0	1,028,293

b. Funding Status

The County currently has no assets that have been irrevocably deposited in a trust for future health benefits. Therefore, the actuarial 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	-	1,349,089	1,349,089	-	19,070,000	7.1

c. Actuarial Methods and Assumptions

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of the 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 (ARC) 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 the financial statements, present multi-year trend information that shows whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**RICE COUNTY
FARIBAULT, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 5 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

A. OPEB Disclosure (Continued)

2. Other Employees (Continued)

c. Actuarial Methods and Assumptions (Continued)

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

In the January 1, 2016 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 4.50% discount rate, which is based on the estimated long-term investment yield on the general assets of the County using an underlying long-term inflation assumption of 3.5%. The unfunded actuarial accrued liability is being amortized as a level dollar amount over an open 30-year period.

NOTE 6 LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the Board 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 \$2,933,667 landfill closure and postclosure care liability at December 31, 2017, represents the cumulative amount reported to date based on the use of 73.0% of the estimated capacity of the landfill. The County will recognize the remaining estimated cost of closure and postclosure care of \$1,083,543 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2017. As of December 31, 2017, the estimated life of the landfill is 24.0 years. Actual cost may change due to inflation/deflation, changes in technology, or changes in regulations.

The County is required by state and federal Laws and regulations to restrict a portion of the cash and investment balance to finance closure and postclosure care. The Board is in compliance with these requirements and, at December 31, 2017, investments of \$2,593,516 are held for these purposes. These are reported as restricted assets on the Statement of Net Position. The County expects that the future inflation costs will be paid from investment income on these annual contributions. However, if investment income is inadequate or additional postclosure care requirements are determined (due to changes in technology or applicable laws and regulations, for example), these costs may need to be covered by charges to future landfill users or from future tax revenue.

**RICE COUNTY
FARIBAULT, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 7 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 Intergovernmental Trust (MCIT). The County is a member of both the MCIT Workers' Compensation and Property and Casualty Divisions. For other risks of loss, the County carries commercial insurance. There were no significant reductions in insurance from the prior year. The amount of settlements did not exceed insurance coverage for the past three fiscal years.

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at \$500,000 per claim in 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 8 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 County has entered into four agreements with the Minnesota Department of Agriculture to administer a loan program to individuals to implement projects that prevent or mitigate no point source water pollution. While the County is not liable for the repayment of the loans in any manner, it does have certain responsibilities under the agreement. The County has met those responsibilities for 2017.

The County may be involved in various claims. Although the outcome of any claims is not presently determinable, in the opinion of the attorney, the resolution of these matters will not have a material adverse effect on the financial condition of the government.

**RICE COUNTY
FARIBAULT, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 8 SUMMARY OF SIGNIFICANT CONTINGENCIES AND OTHER ITEMS (CONTINUED)

B. Committed Contracts

The County has the following remaining contracts at December 31, 2017:

Description	Remaining Balance	Original Contract Amount
Capital Projects Fund		
Wold Architects and Engineers	\$ 505,875	\$ 570,000

C. Joint Venture

Rice County is a participant with Steele County, the City of Faribault, the City of Northfield, and the City of Owatonna in a consolidated dispatch joint venture to provide enhanced 911 services to public safety entities in their service areas. The joint powers board is made up of two members from each County and one member from each City. Operating costs are split between the two counties based on the 2000 census population. Upon dissolution, net position will be distributed in proportion to the total contributions made by all the participants. Complete financial statements can be obtained from the Steele County Coordinator's Office at 630 Florence Avenue, Owatonna, Minnesota 55060. In 2017, Rice County made payments totaling \$1,350,055 to Steele County for the operation and equipment upgrades of the joint dispatch control.

D. Jointly-Governed Organizations

The County participates in various jointly governed organizations in which there is no financial interest or responsibility. The following is a list of these organizations, Rice County's participation to the total decision-making body, and payments made to them in 2017.

Workforce Development, Inc. (1 of 10)	\$ 292,609
Three Rivers Community Action Council (1 of 12)	21,455
Southeastern MN Water Resource Board (1 of 9)	5,000
Family Service Collaborative (3 of 7)	359,012
Minnesota Counties Computer Cooperative (1 of 8)	156,012
Mills Town Trail (2 of 7)	1,503
Cannon River Drug & Violent Offender Task Force (1 of 6)	4,500

E. Arbitrage Rebate Liability

The Tax Reform Act of 1986 requires governmental entities to pay to the federal government income earned on the proceeds from the issuance of debt in excess of interest costs, pending the expenditure of the borrowed funds. The rebate of interest income (known as arbitrage) applies to governmental debt issued after August 31, 1986.

Management does not expect to incur significant arbitrage rebate liability on any outstanding debt.

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

**RICE COUNTY
FARIBAULT, MINNESOTA
SCHEDULE OF THE COUNTY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST TEN YEARS**

	Measurement Date June 30, 2017	Measurement Date June 30, 2016	Measurement Date June 30, 2015
General Employees Fund			
County's Proportion of the Net Pension Liability	0.262%	0.255%	0.256%
County's Proportionate Share of the Net Pension Liability	\$ 16,745,059	\$ 20,672,257	\$ 13,256,884
State's Proportionate Share of the Net Pension Liability	210,579	270,066	-
County's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability	\$ 16,955,638	\$ 20,942,323	\$ 13,256,884
County's Covered Payroll	\$ 16,896,949	\$ 15,802,453	\$ 15,026,315
County's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	99.10%	130.82%	88.22%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.90%	68.90%	78.20%
Police and Fire Fund			
County's Proportion of the Net Pension Liability	0.201%	0.196%	0.201%
County's Proportionate Share of the Net Pension Liability	\$ 2,713,739	\$ 7,865,821	\$ 2,283,830
County's Covered Payroll	\$ 2,062,472	\$ 1,890,626	\$ 1,836,883
County's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	131.58%	416.04%	124.33%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	85.43%	63.90%	86.60%
Correctional Fund			
County's Proportion of the Net Pension Liability	0.590%	0.630%	0.610%
County's Proportionate Share of the Net Pension Liability	\$ 1,681,506	\$ 2,301,478	\$ 94,306
County's Covered Payroll	\$ 1,177,025	\$ 1,189,114	\$ 1,093,886
County's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	142.86%	193.55%	8.62%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	67.89%	58.20%	96.90%

NOTE: The information prior to the June 30, 2015 measurement date was not available.

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**RICE COUNTY
FARIBAULT, MINNESOTA
SCHEDULE OF THE COUNTY CONTRIBUTIONS
LAST TEN YEARS**

	2017	2016	2015	2014
General Employees Fund				
Contractually Required Contribution	\$ 1,307,922	\$ 1,226,714	\$ 1,157,077	\$ 1,044,704
Contributions in Relation to the Contractually Required Contribution	(1,307,922)	(1,226,714)	(1,157,077)	(1,044,704)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's Covered Payroll	\$ 17,438,610	\$ 16,353,141	\$ 15,437,626	\$ 14,409,710
Contributions as a Percentage of Covered Payroll	7.50%	7.50%	7.50%	7.25%
Police and Fire Fund				
Contractually Required Contribution	\$ 359,571	\$ 306,328	\$ 299,492	\$ 279,877
Contributions in Relation to the Contractually Required Contribution	(359,571)	(306,328)	(299,492)	(279,877)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's Covered Payroll	\$ 2,219,574	\$ 1,890,912	\$ 1,848,716	\$ 1,829,261
Contributions as a Percentage of Covered Payroll	16.20%	16.20%	16.20%	15.30%
Correctional Fund				
Contractually Required Contribution	\$ 102,809	\$ 101,429	\$ 103,401	\$ 88,953
Contributions in Relation to the Contractually Required Contribution	(102,809)	(101,429)	(103,401)	(88,953)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's Covered Payroll	\$ 1,174,960	\$ 1,159,185	\$ 1,181,730	\$ 1,016,606
Contributions as a Percentage of Covered Payroll	8.75%	8.75%	8.75%	8.75%

NOTE: This schedule is presented prospectively beginning with the fiscal year ended December 31, 2014.

**RICE COUNTY
FARIBAUT, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED DECEMBER 31, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Property Taxes	\$ 12,070,426	\$ 12,070,426	\$ 12,107,221	\$ 36,795
Mortgage and Deed Taxes	51,000	51,000	66,058	15,058
Gravel Taxes	10,000	10,000	13,104	3,104
Special Assessments	300,000	300,000	105,105	(194,895)
Licenses and Permits	23,160	23,160	24,240	1,080
Intergovernmental	7,099,875	7,099,875	7,236,549	136,674
Charges for Services	3,683,000	3,683,000	4,057,510	374,510
Fines and Forfeits	55,000	55,000	84,058	29,058
Gifts and Contributions	6,000	6,000	12,394	6,394
Investment Income	845,000	845,000	752,243	(92,757)
Miscellaneous	435,580	435,580	344,916	(90,664)
Total Revenues	24,579,041	24,579,041	24,803,398	224,357
EXPENDITURES				
CURRENT				
GENERAL GOVERNMENT				
Commissioners	384,766	384,766	369,540	15,226
Courts	249,675	249,675	597,072	(347,397)
Law Library	50,000	50,000	62,717	(12,717)
County Administration	336,961	336,961	362,830	(25,869)
County Auditor	1,051,775	1,051,775	888,498	163,277
County Assessor	1,149,678	1,149,678	1,192,681	(43,003)
Elections	43,950	43,950	53,775	(9,825)
Accounting and Auditing	63,250	63,250	61,905	1,345
Data Processing	2,315,125	2,315,125	1,820,152	494,973
Central Services	70,000	70,000	96,342	(26,342)
Personnel	577,559	577,559	494,764	82,795
Attorney	1,837,118	1,837,118	1,891,414	(54,296)
Recorder	576,730	576,730	525,229	51,501
Buildings and Plant	1,060,712	1,060,712	1,098,497	(37,785)
Veterans Service Officer	182,448	182,448	201,087	(18,639)
Other Contingencies	(326,155)	(326,155)	43,289	(369,444)
Total General Government	9,623,592	9,623,592	9,759,792	(136,200)
PUBLIC SAFETY				
Sheriff	3,398,137	3,398,137	3,782,421	(384,284)
Boat and Water Safety	44,300	44,300	47,813	(3,513)
Civil Defense	293,948	293,948	308,343	(14,395)
Coroner	63,345	63,345	90,122	(26,777)
Jail	2,166,444	2,166,444	2,166,490	(46)
Consolidated Dispatch	1,349,731	1,349,731	1,356,876	(7,145)
Community Corrections	2,247,932	2,247,932	2,130,184	117,748
Other Public Safety	2,500	2,500	10,381	(7,881)
Total Public Safety	9,566,337	9,566,337	9,892,630	(326,293)

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

**RICE COUNTY
FARIBAUT, 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				
Septic/Sewer Systems	\$ 300,000	\$ 300,000	\$ 71,185	\$ 228,815
HEALTH				
Nursing Service	3,724,659	3,724,659	3,890,991	(166,332)
CULTURE AND RECREATION				
Historical Society	39,286	39,286	39,983	(697)
Parks	211,992	211,992	133,025	78,967
Regional Library	427,089	427,089	427,088	1
Senior Citizens	11,695	11,695	11,695	-
Community Tourism	1,331	1,331	1,331	-
Total Culture and Recreation	691,393	691,393	613,122	78,271
CONSERVATION OF NATURAL RESOURCES				
Cooperative Extension	206,253	206,253	204,334	1,919
Soil and Water Conservation	211,907	211,907	211,907	-
Agricultural Society/County Fair	28,000	28,000	31,322	(3,322)
Total Conservation of Natural Resources	446,160	446,160	447,563	(1,403)
ECONOMIC DEVELOPMENT				
Economic Development Department	69,539	69,539	297,938	(228,399)
CAPITAL OUTLAY				
General Government	34,861	34,861	51,229	(16,368)
Public Safety	137,500	137,500	155,135	(17,635)
Culture and Recreation	10,000	10,000	136,077	(126,077)
Total Capital Outlay	182,361	182,361	342,441	(160,080)
Total Expenditures	24,604,041	24,604,041	25,315,662	(711,621)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(25,000)	(25,000)	(512,264)	(487,264)
OTHER FINANCING SOURCES (USES)				
Proceeds from Sale of Assets	25,000	25,000	20,270	(4,730)
Loan Proceeds	-	-	86,185	86,185
Transfers In	-	-	772	772
Transfers Out	-	-	(164,434)	(164,434)
Total Other Financing Sources (Uses)	25,000	25,000	(57,207)	(82,207)
NET CHANGE IN FUND BALANCE	\$ -	\$ -	(569,471)	\$ (569,471)
Fund Balance - Beginning of Year			17,996,719	
FUND BALANCE - END OF YEAR			<u>\$ 17,427,248</u>	

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

**RICE COUNTY
FARIBAULT, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE FUND
YEAR ENDED DECEMBER 31, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Property Taxes	\$ 3,150,571	\$ 3,150,571	\$ 3,150,571	\$ -
Wheelage Taxes	550,000	550,000	592,893	42,893
Sales Taxes	2,665,000	3,040,000	3,362,825	322,825
Gravel Taxes	25,000	25,000	27,485	2,485
Licenses and Permits	12,000	12,000	22,250	10,250
Intergovernmental	5,505,000	7,140,000	6,002,594	(1,137,406)
Charges for Services	130,000	130,000	98,173	(31,827)
Investment Income	-	-	1,163	1,163
Miscellaneous	135,000	155,000	181,856	26,856
Total Revenues	12,172,571	14,202,571	13,439,810	(762,761)
EXPENDITURES				
CURRENT				
HIGHWAY AND STREETS				
Administration	320,947	320,947	323,469	(2,522)
Maintenance	3,463,338	3,463,338	2,908,101	555,237
Construction	328,063	328,063	216,778	111,285
Equipment Maintenance and Shop	1,640,223	1,640,223	1,454,237	185,986
Total Highways and Streets	5,752,571	5,752,571	4,902,585	849,986
CAPITAL OUTLAY				
Highways and Streets	6,440,000	8,470,000	6,754,850	1,715,150
Total Expenditures	12,192,571	14,222,571	11,657,435	2,565,136
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(20,000)	(20,000)	1,782,375	1,802,375
OTHER FINANCING SOURCES (USES)				
Proceeds from Sale of Assets	20,000	20,000	70,000	50,000
NET CHANGE IN FUND BALANCE	\$ -	\$ -	1,852,375	\$ 1,852,375
Fund Balance - Beginning of Year			10,776,565	
FUND BALANCE - END OF YEAR			<u>\$ 12,628,940</u>	

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

**RICE COUNTY
FARIBAULT, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
HUMAN SERVICES FUND
YEAR ENDED DECEMBER 31, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Property Taxes	\$ 5,343,851	\$ 5,343,851	\$ 5,343,851	\$ -
Intergovernmental	7,866,037	7,866,037	8,940,943	1,074,906
Charges for Services	715,112	715,112	590,247	(124,865)
Miscellaneous	54,000	54,000	165,909	111,909
Total Revenues	<u>13,979,000</u>	<u>13,979,000</u>	<u>15,040,950</u>	<u>1,061,950</u>
EXPENDITURES				
CURRENT				
HUMAN SERVICES				
Administrative	1,248,790	1,248,790	1,233,522	15,268
Income Maintenance	3,077,194	3,077,194	3,527,853	(450,659)
Social Services	9,853,016	9,853,016	10,982,066	(1,129,050)
Total Human Services	<u>14,179,000</u>	<u>14,179,000</u>	<u>15,743,441</u>	<u>(1,564,441)</u>
Total Expenditures	<u>14,179,000</u>	<u>14,179,000</u>	<u>15,743,441</u>	<u>(1,564,441)</u>
NET CHANGE IN FUND BALANCE	<u>\$ (200,000)</u>	<u>\$ (200,000)</u>	<u>(702,491)</u>	<u>\$ (502,491)</u>
Fund Balance - Beginning of Year			<u>4,540,279</u>	
FUND BALANCE - END OF YEAR			<u>\$ 3,837,788</u>	

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

**RICE COUNTY
FARIBAULT, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
DITCH FUND
YEAR ENDED DECEMBER 31, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Special Assessments	\$ 300,000	\$ 300,000	\$ 884,854	\$ 584,854
Investment Income	-	-	9,776	9,776
Miscellaneous	-	-	1,884	1,884
Total Revenues	<u>300,000</u>	<u>300,000</u>	<u>896,514</u>	<u>596,514</u>
EXPENDITURES				
CURRENT				
CONSERVATION	<u>300,000</u>	<u>300,000</u>	<u>597,895</u>	<u>(297,895)</u>
Total Conservation	<u>300,000</u>	<u>300,000</u>	<u>597,895</u>	<u>(297,895)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>298,619</u>	<u>\$ 298,619</u>
Fund Balance - Beginning of Year			<u>(669,184)</u>	
FUND BALANCE - END OF YEAR			<u>\$ (370,565)</u>	

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

**RICE COUNTY
FARIBAULT, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
HOUSING AND REDEVELOPMENT AUTHORITY FUND
YEAR ENDED DECEMBER 31, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Property Taxes	\$ 63,331	\$ 63,331	\$ 63,126	\$ (205)
Intergovernmental	1,957,173	1,957,173	1,829,929	(127,244)
Charges for Services	1,500	1,500	1,500	-
Investment Income	30,400	30,400	37,298	6,898
Miscellaneous	15,962	15,962	31,290	15,328
Total Revenues	<u>2,068,366</u>	<u>2,068,366</u>	<u>1,963,143</u>	<u>(105,223)</u>
EXPENDITURES				
CURRENT				
ECONOMIC DEVELOPMENT	<u>2,068,366</u>	<u>2,068,366</u>	<u>2,053,745</u>	<u>14,621</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>(90,602)</u>	<u>\$ (90,602)</u>
Fund Balance - Beginning of Year			<u>1,410,395</u>	
FUND BALANCE - END OF YEAR			<u><u>\$ 1,319,793</u></u>	

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

**RICE COUNTY
FARIBAULT, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2017**

I. BUDGETARY INFORMATION

The County Board adopts an annual budget for the following major funds: The General Fund, Road and Bridge Special Revenue Fund, Human Services Special Revenue Fund, Ditch Special Revenue Fund, and Housing and Redevelopment Authority Special Revenue Fund. These budgets are prepared on the modified accrual basis of accounting. Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all government funds except the Capital Projects Fund, which adopt a project-length budget.

Based on a process established by the County Board, all departments of the County submit requests for appropriations to the County Administrator each year. After review, analysis and discussions with the departments, the Administrator's proposed budget is presented to the County Board for review. The County Board holds public hearings and a final budget must be prepared and adopted no later than December 31.

The overall budget is prepared by fund, function, and department. The legal level of budgetary control – the level at which expenditures may not legally exceed appropriations – is the fund level. Budgets may be amended during the year with proper approval.

II. EXCESS OF EXPENDITURES OVER BUDGET

The following funds had expenditures in excess of budget at the fund level for the year ended December 31, 2017:

	Actual Expenditures	Final Budget	Expenditures in Excess of Budget
General Fund	\$ 25,315,662	\$ 24,604,041	\$ 711,621
Human Services Fund	15,743,441	14,179,000	1,564,441
Ditch Fund	597,895	300,000	297,895
Debt Service Fund	2,993,313	2,803,162	190,151

These over-expenditures were funded by greater than anticipated revenues as well as existing fund balance, as applicable.

**RICE COUNTY
FARIBAULT, MINNESOTA
SCHEDULE OF FUNDING PROGRESS
OTHER POSTEMPLOYMENT BENEFITS PLAN
CURRENT AND TWO PRECEDING VALUATIONS**

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)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/2016	-	1,349,089	1,349,089	-	19,070,000	7.1
1/1/2014	-	1,781,554	1,781,554	-	16,476,135	10.8
1/1/2012	-	1,556,051	1,556,051	-	14,832,627	10.5

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SUPPLEMENTARY INFORMATION

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COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

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**RICE COUNTY
FARIBAULT, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
YEAR ENDED DECEMBER 31, 2017**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
REVENUES				
Property Taxes	\$ 2,803,162	\$ 2,803,162	\$ 2,803,162	\$ -
Investment Income	-	-	62,436	62,436
Total Revenues	<u>2,803,162</u>	<u>2,803,162</u>	<u>2,865,598</u>	<u>62,436</u>
EXPENDITURES				
DEBT SERVICE				
Principal Retirement	1,900,000	1,900,000	2,064,434	(164,434)
Interest	903,162	903,162	928,879	(25,717)
Total Debt Service	<u>2,803,162</u>	<u>2,803,162</u>	<u>2,993,313</u>	<u>(190,151)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	-	(127,715)	(127,715)
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	164,434	164,434
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>164,434</u>	<u>164,434</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	36,719	<u>\$ 36,719</u>
Fund Balance - Beginning of Year			<u>11,907,670</u>	
FUND BALANCE - END OF YEAR			<u>\$ 11,944,389</u>	

**RICE COUNTY
FARIBAUT, MINNESOTA
DITCH SPECIAL REVENUE FUND
BALANCE SHEET - BY DRAINAGE SYSTEM – FULL ACCRUAL BASIS
YEAR ENDED DECEMBER 31, 2017**

Ditch	Assets						Total Assets
	Cash	Special Assessments Receivable		Accounts Receivable	Due From Other Governments		
		Delinquent	Deferred				
Joint Drainage Systems:							
#5	\$ 995	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 995
#6, with improvements							
#1 and #2	8,053	10	28,319	-	1,434		37,816
#38 Proposed	(60)	-	-	-	-		(60)
County Drainage Systems:							
#2	1,026	-	-	-	-		1,026
#4	974	-	9,109	-	-		10,083
#6	5,500	-	11,735	-	-		17,235
#7	16,180	-	20,654	-	-		36,834
#9	1,000	79	97,207	-	-		98,286
#11A	2,120	-	4,167	-	-		6,287
#12	5,987	-	8,931	-	-		14,918
#13A	3,125	-	2,330	-	-		5,455
#14	1,699	-	38,311	-	-		40,010
#15	2,384	-	-	-	-		2,384
#16	1,000	-	-	-	-		1,000
#17	10,153	-	13,359	-	-		23,512
#19	6,355	-	-	-	-		6,355
#20	17,288	-	3,797	-	-		21,085
#22	10,358	-	11,146	-	-		21,504
#23	992	-	53,054	-	-		54,046
#25 with improvements	2,708	63	21,182	-	-		23,953
#25 Lateral 1 Spur 2	5,744	-	-	-	-		5,744
#26	12,510	-	-	-	-		12,510
#27	1,749	-	1,735	-	-		3,484
#29	2,201	-	-	-	-		2,201
#30	953	-	19,139	-	-		20,092
#31	4,243	-	33,569	-	-		37,812
#31 Lateral 1	981	-	-	-	-		981
#32A	712	-	47,648	-	-		48,360
#33	1,269	10	11,168	-	-		12,447
Total	\$ 128,199	\$ 162	\$ 436,560	\$ -	\$ 1,434	\$ -	\$ 566,355

Liabilities						Total Liabilities and Fund Balance
Accounts Payable	Due To Other Governments	Advances From Other Funds	Total Liabilities	Fund Balance		
\$ 3	\$ -	\$ 1,203	\$ 1,206	\$ (211)		\$ 995
7,687	2,445	2,477	12,609	25,207		37,816
-	-	-	-	(60)		(60)
-	-	1,000	1,000	26		1,026
20	-	10,351	10,371	(288)		10,083
2	-	-	2	17,233		17,235
32	-	-	32	36,802		36,834
(118)	-	56,072	55,954	42,332		98,286
2	-	-	2	6,285		6,287
30	-	-	30	14,888		14,918
1	-	-	1	5,454		5,455
701	-	35,145	35,846	4,164		40,010
-	-	-	-	2,384		2,384
-	-	1,000	1,000	-		1,000
9,278	-	13,106	22,384	1,128		23,512
2	-	-	2	6,353		6,355
12	-	-	12	21,073		21,085
7	-	-	7	21,497		21,504
6	-	35,300	35,306	18,740		54,046
1,769	-	268,946	270,715	(246,762)		23,953
-	-	-	-	5,744		5,744
2	-	-	2	12,508		12,510
1	-	-	1	3,483		3,484
1	-	-	1	2,200		2,201
4	-	2,040	2,044	18,048		20,092
2	-	15,292	15,294	22,518		37,812
-	-	1,584	1,584	(603)		981
9	-	32,223	32,232	16,128		48,360
6	-	2,555	2,561	9,886		12,447
<u>\$ 19,459</u>	<u>\$ 2,445</u>	<u>\$ 478,294</u>	<u>\$ 500,198</u>	<u>\$ 66,157</u>		<u>\$ 566,355</u>

Reconciliation to Governmental Funds Balance Sheet:

Fund Balance (Deficit) per Above	\$ 66,157
Less: Unavailable Revenue - Special Assessments	(436,722)
Fund Balance (Deficit) per Governmental Fund Balance Sheet	<u>\$ (370,565)</u>

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**RICE COUNTY
FARIBAULT, MINNESOTA
AGENCY FUNDS**

Agency Funds account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. During the year, Rice County had the following Agency Funds:

The Due to Others Fund is used to account for the collection and distribution of monies to various agencies not otherwise accounted for in a particular agency fund.

The Forfeited Tax Fund is used to account for all funds collected per statute from the sales of property forfeited for unpaid taxes.

The Family Service Collaborative Fund is used to account for an interagency agreement between the County and school districts for the purpose of planning and coordination of family services within the County.

The Bike Trails Fund is used to account for funds of the Mills Town Trail and Cannon River Trail Planning Authority.

The Select Account/Flex & HRA Fund is used to account for payroll withholding for flexible benefit plans, which are withdrawn by third-parties as claims are paid.

The Taxes and Penalties Fund is used to account for the collection of taxes and penalties and their distribution to the various County funds and governmental units.

The Social Services Fund is used to account for the receipts and disbursements of the County's social welfare account.

The Sheriff's Accounts are used to account for the non-county receipts and disbursements of the County's departmental accounts including the canteen, civil process, gun permits, evidence, and the drug task force.

**RICE COUNTY
FARIBAULT, MINNESOTA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
YEAR ENDED DECEMBER 31, 2017**

	Balance January 1	Additions	Deductions	Balance December 31
DUE TO OTHERS				
ASSETS				
Cash and Pooled Investments	\$ 191,468	\$ 2,820,628	\$ 2,788,943	\$ 223,153
LIABILITIES				
Due to Other Governments	\$ 191,468	\$ 2,820,628	\$ 2,788,943	\$ 223,153
FORFEITED TAX				
ASSETS				
Cash and Pooled Investments	\$ 309,174	\$ 211,988	\$ 21,635	\$ 499,527
LIABILITIES				
Due to Other Governments	\$ 309,174	\$ 211,988	\$ 21,635	\$ 499,527
FAMILY SERVICE COLLABORATIVE				
ASSETS				
Cash and Pooled Investments	\$ 362,196	\$ 404,141	\$ 400,419	\$ 365,918
LIABILITIES				
Due to Other Governments	\$ 362,196	\$ 404,141	\$ 400,419	\$ 365,918
BIKE TRAILS				
ASSETS				
Cash and Pooled Investments	\$ 15,914	\$ 2,348	\$ 1,503	\$ 16,759
LIABILITIES				
Funds Held in Trust	\$ 15,914	\$ 2,348	\$ 1,503	\$ 16,759

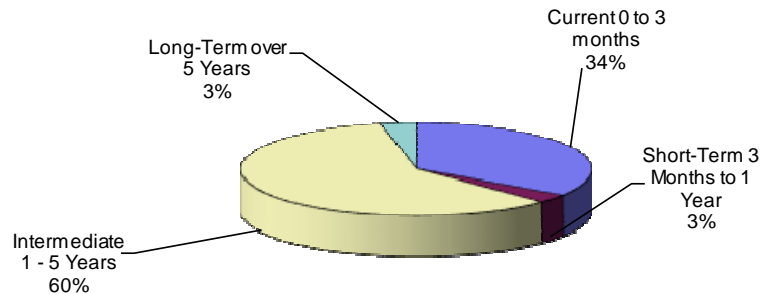
**RICE COUNTY
FARIBAULT, MINNESOTA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS (CONTINUED)
YEAR ENDED DECEMBER 31, 2017**

SELECT ACCOUNT / FLEX & HRA	Balance January 1	Additions	Deductions	Balance December 31
ASSETS				
Cash and Pooled Investments	\$ 36,868	\$ 128,514	\$ 134,181	\$ 31,201
LIABILITIES				
Funds Held in Trust	\$ 36,868	\$ 128,514	\$ 134,181	\$ 31,201
TAXES AND PENALTIES				
ASSETS				
Cash and Pooled Investments	\$ 681,814	\$ 85,622,173	\$ 84,024,761	\$ 2,279,226
LIABILITIES				
Due to Other Governments	\$ 681,814	\$ 85,622,173	\$ 84,024,761	\$ 2,279,226
SOCIAL SERVICES				
ASSETS				
Cash and Pooled Investments	\$ 71,101	\$ -	\$ 24,807	\$ 46,294
LIABILITIES				
Funds Held in Trust	\$ 71,101	\$ -	\$ 24,807	\$ 46,294
SHERIFF'S ACCOUNTS				
ASSETS				
Cash and Pooled Investments	\$ 163,727	\$ 210,752	\$ 152,257	\$ 222,222
LIABILITIES				
Funds Held in Trust	\$ 163,727	\$ 210,752	\$ 152,257	\$ 222,222
TOTAL ALL AGENCY FUNDS				
ASSETS				
Cash and Pooled Investments	\$ 1,832,262	\$ 89,400,544	\$ 87,548,506	\$ 3,684,300
LIABILITIES				
Funds Held in Trust	\$ 287,610	\$ 341,614	\$ 312,748	\$ 316,476
Due to Other Governments	1,544,652	89,058,930	87,235,758	3,367,824
Total Liabilities	\$ 1,832,262	\$ 89,400,544	\$ 87,548,506	\$ 3,684,300

**RICE COUNTY
FARIBAUT, MINNESOTA
SCHEDULE OF DEPOSITS AND INVESTMENTS
YEAR ENDED DECEMBER 31, 2017**

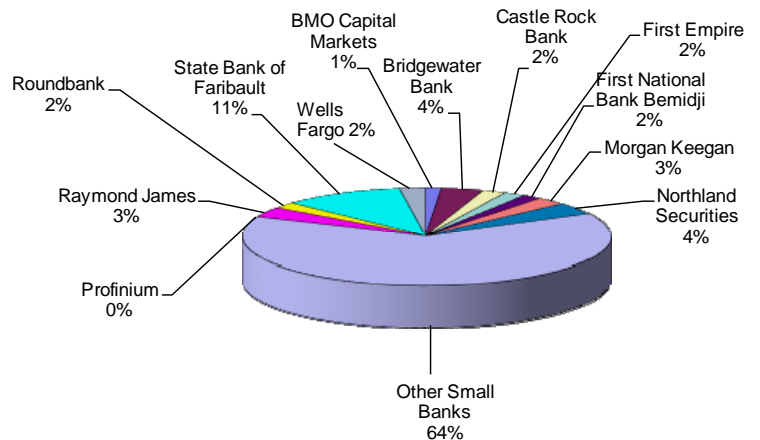
Projected Maturity Composition

Current 0 to 3 months	\$ 20,668,737
Short-Term 3 Months to 1 Year	1,788,352
Intermediate 1 - 5 Years	35,594,245
Long-Term over 5 Years	1,951,571
Total	<u><u>\$ 60,002,905</u></u>



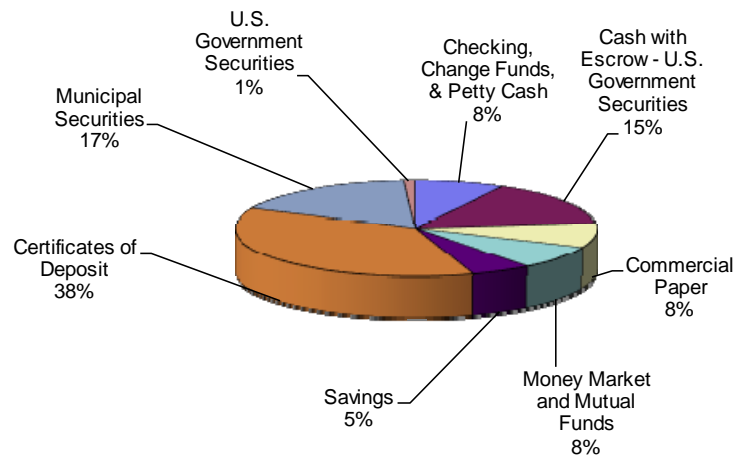
Institutions

BMO Capital Markets	\$ 849,305
Bridgewater Bank	2,240,000
Castle Rock Bank	1,240,000
First Empire	1,138,915
First National Bank Bemidji	1,000,000
Morgan Keegan	1,581,519
Northland Securities	2,430,000
Other Small Banks	38,387,274
Profinium	6,604
Raymond James	2,068,844
Roundbank	1,240,000
State Bank of Faribault	6,450,874
Wells Fargo	1,369,570
Total	<u><u>\$ 60,002,905</u></u>



Investment Types

Checking, Change Funds, & Petty Cash	\$ 4,842,624
Cash with Escrow - U.S. Government Securities	9,086,677
Commercial Paper	4,982,633
Money Market and Mutual Funds	4,814,494
Savings	3,247,821
Certificates of Deposit	22,181,313
Municipal Securities	10,260,195
U.S. Government Securities	587,148
Total	<u><u>\$ 60,002,905</u></u>



**RICE COUNTY
FARIBAUT, MINNESOTA
SCHEDULE OF INTERGOVERNMENTAL REVENUE
YEAR ENDED DECEMBER 31, 2017**

	Total Governmental Funds	Total Enterprise Funds	Total Primary Government
Shared Revenue			
State			
Highway Users Tax	\$ 5,780,167	\$ -	\$ 5,780,167
County Program Aid	3,366,618	-	3,366,618
Market Value Credit	338,950	-	338,950
PERA Rate Reimbursement	107,831	2,728	110,559
Disparity Reduction Aid	31,469	-	31,469
Aquatic Invasive Species	-	92,426	92,426
Local Performance Aid	9,185	-	9,185
Police Aid	196,401	-	196,401
Total Shared Revenue	9,830,621	95,154	9,925,775
Reimbursement for Services			
MN Department of Human Services	1,965,560	-	1,965,560
Payments			
Local			
Local Contributions	16,106	-	16,106
Grants			
Minnesota Department of (State)			
Corrections	1,012,945	-	1,012,945
Environmental Assistance	-	2,212	2,212
Health	579,749	-	579,749
Housing Finance Agency	46,716	-	46,716
Human Services	3,501,731	-	3,501,731
Natural Resources	64,423	46,977	111,400
Peace Officers (POST)	8,266	-	8,266
Public Safety	57,858	-	57,858
Pollution Control Agency	-	296,591	296,591
Supreme Court	25,332	-	25,332
Veteran's Affairs	12,500	-	12,500
Total State	5,309,520	345,780	5,655,300
Federal			
Agriculture	690,705	-	690,705
Housing and Urban Development	1,783,213	-	1,783,213
Internal Revenue Service	261,153	-	261,153
Justice	65,381	-	65,381
Transportation	107,672	-	107,672
Education	1,933	-	1,933
Health and Human Services	3,731,729	-	3,731,729
Homeland Security	130,109	-	130,109
Total Federal	6,771,895	-	6,771,895
Total State and Federal Grants	12,081,415	345,780	12,427,195
Payment in Lieu of Taxes	116,313	-	116,313
 Total Intergovernmental Revenue	 \$ 24,010,015	 \$ 440,934	 \$ 24,450,949

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**OTHER INFORMATION
(UNAUDITED)**

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**RICE COUNTY
FARIBAULT, MINNESOTA
TAX CAPACITY, TAX RATES, AND LEVIES
PRIOR, CURRENT, AND SUBSEQUENT YEAR**

	2016		2017		2018	
	Amount	Net Tax Capacity Rate (%)	Amount	Net Tax Capacity Rate (%)	Amount	Net Tax Capacity Rate (%)
Tax Capacity:						
Real Property	\$ 54,531,620		\$ 57,148,007		\$ 59,744,768	
Personal Property	1,977,656		2,073,420		2,175,513	
Tax Increment	(1,075,046)		(908,336)		(593,507)	
Net Tax Capacity	<u>\$ 55,434,230</u>		<u>\$ 58,313,091</u>		<u>\$ 61,326,774</u>	
Taxes Levied for County Purposes:						
General	\$ 14,561,373	20.79 %	\$ 15,214,624	20.42 %	\$ 16,580,320	21.25 %
Road and Bridge	2,911,009	5.34	3,150,571	5.43	2,789,081	4.57
Welfare	5,131,819	9.41	5,343,851	9.21	5,981,823	9.80
Debt Service	2,822,705	5.09	2,803,162	4.81	2,803,162	4.57
Capital Projects	190,750	0.35	100,000	0.17	100,000	0.16
County Library*	418,822	1.55	427,089	1.53	427,088	1.46
Total Levy for County Purposes	<u>26,036,478</u>	<u>42.53</u>	<u>27,039,297</u>	<u>41.57</u>	<u>28,681,474</u>	<u>41.81</u>
Less Credits Payable by State	<u>(3,219,438)</u>		<u>(3,366,618)</u>		<u>(3,366,618)</u>	
Net Levy for County Purposes	<u>\$ 22,817,040</u>		<u>\$ 23,672,679</u>		<u>\$ 25,314,856</u>	
Tax Capacity Light and Power:						
Transmission @ 4.6%	\$ 43,434		\$ 46,042		\$ 50,232	
Distribution @ 4.6%	14,032		14,874		16,228	
Total Tax Capacity - Light and Power	<u>\$ 57,466</u>		<u>\$ 60,916</u>		<u>\$ 66,460</u>	
Light and Power Tax Levies (Distributed) in Accordance with M.S. 273.42, as Amended):						
Transmission	\$ 73,721	107.45	\$ 75,495	106.02	\$ 81,662	104.58
Distribution	23,817	107.45	24,389	106.02	26,382	104.58
Total Light and Power Tax Levies	<u>\$ 97,538</u>		<u>\$ 99,884</u>		<u>\$ 108,044</u>	
Special Assessments:						
Ditch Liens	<u>\$ 66,401</u>		<u>\$ 45,819</u>		<u>\$ 136,335</u>	
Percentage of Tax Collections for All Purposes						

* Not applicable to all areas of the County.

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STATISTICAL SECTION (UNAUDITED)

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STATISTICAL SECTION (UNAUDITED)

This part of Rice County, Minnesota's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about Rice County, Minnesota's overall financial health.

Contents

Financial Trends

These schedules contain trend information to help the reader understand how the County's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the County's most significant local revenue source, the property tax.

Debt Capacity

These schedules present information to help the reader assess the affordability of the County's current levels of outstanding debt and the County's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the County's financial activities take place.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the County's financial report relates to the services the County provides and the activities it performs.

**RICE COUNTY
FARIBAULT, MINNESOTA
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(UNAUDITED)**

	2008	2009	2010	2011
Governmental Activities				
Net Investment in Capital Assets	\$ 100,696,783	\$ 102,619,816	\$ 106,873,320	\$ 107,054,300
Restricted	6,004,601	6,201,197	3,864,378	4,703,768
Unrestricted	16,978,106	19,589,023	24,503,930	27,396,027
Total Governmental Activities	<u>\$ 123,679,490</u>	<u>\$ 128,410,036</u>	<u>\$ 135,241,628</u>	<u>\$ 139,154,095</u>
Business-Type Activities				
Net Investment in Capital Assets	\$ 2,483,646	\$ 2,442,103	\$ 2,818,787	\$ 2,808,153
Restricted	-	-	-	-
Unrestricted	5,684,109	5,885,673	5,951,063	6,239,402
Total Business-Type Activities	<u>\$ 8,167,755</u>	<u>\$ 8,327,776</u>	<u>\$ 8,769,850</u>	<u>\$ 9,047,555</u>
Primary Government				
Net Investment in Capital Assets	\$ 103,180,429	\$ 105,061,919	\$ 109,692,107	\$ 109,862,453
Restricted	6,004,601	6,201,197	3,864,378	4,703,768
Unrestricted	22,662,215	25,474,696	30,454,993	33,635,429
Total Primary Government	<u>\$ 131,847,245</u>	<u>\$ 136,737,812</u>	<u>\$ 144,011,478</u>	<u>\$ 148,201,650</u>

Source: Rice County Finance

2012	2013	2014	2015	2016	2017
\$ 110,831,043	\$ 111,278,147	\$ 118,477,776	\$ 123,869,307	\$ 130,972,477	\$ 135,159,084
7,892,665	10,928,601	7,775,650	11,862,821	20,320,275	11,964,425
25,892,854	24,655,544	25,547,978	10,396,831	1,212,080	8,967,654
<u>\$ 144,616,562</u>	<u>\$ 146,862,292</u>	<u>\$ 151,801,404</u>	<u>\$ 146,128,959</u>	<u>\$ 152,504,832</u>	<u>\$ 156,091,163</u>
\$ 2,907,956	\$ 5,018,399	\$ 5,255,476	\$ 6,062,467	\$ 5,831,908	\$ 5,820,010
248,471	279,996	49,516	168,159	180,304	16,914
6,024,452	4,087,742	5,598,223	6,238,986	6,926,413	6,833,161
<u>\$ 9,180,879</u>	<u>\$ 9,386,137</u>	<u>\$ 10,903,215</u>	<u>\$ 12,469,612</u>	<u>\$ 12,938,625</u>	<u>\$ 12,670,085</u>
\$ 113,738,999	\$ 116,296,546	\$ 123,733,252	\$ 129,931,774	\$ 136,804,385	\$ 140,979,094
8,141,136	11,208,597	7,825,166	12,030,980	20,500,579	11,981,339
31,917,306	28,743,286	31,146,201	16,635,817	8,138,493	15,800,815
<u>\$ 153,797,441</u>	<u>\$ 156,248,429</u>	<u>\$ 162,704,619</u>	<u>\$ 158,598,571</u>	<u>\$ 165,443,457</u>	<u>\$ 168,761,248</u>

**RICE COUNTY
FARIBAULT, MINNESOTA
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(UNAUDITED)**

	2008	2009	2010	2011
Expenses				
Governmental Activities				
General Government	\$ 8,174,024	\$ 8,327,852	\$ 10,454,817	\$ 14,459,771
Public Safety	9,053,777	8,396,799	7,395,418	5,096,274
Highways and Streets	8,110,681	6,605,653	6,684,769	1,918,668
Sanitation	124,228	33,845	113,091	113,527
Human Services	10,019,657	10,656,998	10,397,191	9,955,473
Health	3,248,799	3,241,316	3,407,168	3,330,309
Culture and Recreation	717,083	495,527	417,659	373,922
Conservation and Natural Resources	463,653	526,421	784,408	2,798,227
Economic Development	209,506	2,109,489	2,117,229	2,114,019
Interest on Long-Term Debt	488,262	540,954	1,065,625	1,008,641
Total Governmental Activities Expenses	<u>40,609,670</u>	<u>40,934,854</u>	<u>42,837,375</u>	<u>41,168,831</u>
Business-Type Activities				
Environmental Services	4,414,238	3,328,757	2,923,822	3,965,129
Roberds Lake	-	-	-	-
Total Governmental Activities Expenses	<u>4,414,238</u>	<u>3,328,757</u>	<u>2,923,822</u>	<u>3,965,129</u>
Total Primary Government Expenses	<u>\$ 45,023,908</u>	<u>\$ 44,263,611</u>	<u>\$ 45,761,197</u>	<u>\$ 45,133,960</u>
Program Revenues				
Governmental Activities				
Charges for Services				
General Government	\$ 2,080,350	\$ 1,966,322	\$ 2,100,321	\$ 1,716,974
Public Safety	657,773	529,475	398,834	614,913
Highways and Streets	682,695	334,611	672,340	416,366
Sanitation	6,199	-	-	-
Human Services	951,389	821,979	1,058,520	1,099,254
Health	2,135,957	2,004,589	2,037,052	1,892,735
Culture and Recreation	16,771	23,124	9,260	2,833
Conservation and Natural Resources	10,718	1,699	33,399	19,854
Economic Development	-	144,652	182,984	188,298
Operating Grants and Contributions				
General Government	355,358	39,305	385,408	319,737
Public Safety	1,378,935	1,109,377	1,574,392	921,297
Highways and Streets	1,119,265	1,509,604	1,644,075	1,794,158
Human Services	5,834,288	6,200,998	6,155,945	5,520,410
Health	959,304	958,874	1,276,425	1,210,154
Culture and Recreation	49,906	65,085	123,691	104,555
Conservation and Natural Resources	-	240	216	33,651
Economic Development	-	1,818,747	1,905,576	1,775,597
Interest	-	19,017	-	-
Capital Grants and Contributions				
General Government	-	-	-	28,374
Public Safety	-	-	-	-
Highways and Streets	3,032,596	4,280,479	5,615,294	3,005,105
Culture and Recreation	-	-	-	-
Total Governmental Activities Program Revenues	<u>19,271,504</u>	<u>21,828,177</u>	<u>25,173,732</u>	<u>20,664,265</u>
Business-Type Activities				
Environmental Services	3,576,322	3,869,977	3,761,123	4,327,640
Roberds Lake	-	-	-	-
Total Business-Type Activities Program Revenues	<u>3,576,322</u>	<u>3,869,977</u>	<u>3,761,123</u>	<u>4,327,640</u>
Total Primary Government Program Revenues	<u>\$ 22,847,826</u>	<u>\$ 25,698,154</u>	<u>\$ 28,934,855</u>	<u>\$ 24,991,905</u>

2012	2013	2014	2015	2016	2017
\$ 12,433,116	\$ 8,992,723	\$ 9,395,777	\$ 10,626,707	\$ 10,782,472	\$ 10,170,517
4,942,728	7,549,004	8,511,584	9,137,320	11,181,329	11,415,384
7,570,384	9,127,581	8,713,679	8,911,253	8,874,944	9,220,707
190,719	137,899	43,020	64,862	155,000	71,185
11,076,149	11,837,352	12,146,434	13,226,810	16,011,035	16,268,131
3,062,173	3,296,545	3,311,086	3,460,349	3,866,395	3,885,407
478,402	617,165	546,394	55,329	603,211	655,041
762,233	561,687	618,738	955,612	650,783	1,069,776
2,095,175	2,262,399	2,123,452	2,110,005	2,229,399	2,322,819
997,219	1,137,363	886,515	811,318	889,185	949,541
<u>43,608,298</u>	<u>45,519,718</u>	<u>46,296,679</u>	<u>49,359,565</u>	<u>55,243,753</u>	<u>56,028,508</u>
4,035,939	3,914,158	5,166,189	4,281,077	4,379,477	5,572,261
-	219	30,523	114,673	161,099	196,479
<u>4,035,939</u>	<u>3,914,377</u>	<u>5,196,712</u>	<u>4,395,750</u>	<u>4,540,576</u>	<u>5,768,740</u>
<u>\$ 47,644,237</u>	<u>\$ 49,434,095</u>	<u>\$ 51,493,391</u>	<u>\$ 53,755,315</u>	<u>\$ 59,784,329</u>	<u>\$ 61,797,248</u>
\$ 1,868,095	\$ 1,890,982	\$ 1,700,593	\$ 1,839,948	\$ 1,735,463	\$ 2,141,613
805,734	377,445	445,270	382,914	475,948	483,583
331,367	434,604	327,831	695,180	384,660	302,279
-	-	-	-	-	-
1,327,984	1,253,877	927,566	992,743	1,284,222	760,943
1,854,740	1,729,248	1,877,130	2,013,160	2,202,056	1,442,719
5,287	14,286	18,586	24,753	38,964	55,152
1,559	9,590	20,067	228	46,791	20,815
223,076	183,217	261,267	303,226	335,915	259,198
390,455	421,598	452,291	500,063	493,416	587,656
1,194,417	929,221	854,228	1,029,299	1,129,406	1,139,135
1,939,756	2,708,446	1,364,214	3,870,712	4,529,980	2,746,038
5,375,617	6,075,924	6,760,973	8,010,675	8,497,538	9,090,854
1,054,335	1,172,274	1,026,871	1,178,836	1,121,261	1,181,863
79,755	92,499	49,875	64,501	51,780	41,144
802	106,686	14,764	-	2,676	55,946
1,644,769	1,763,115	1,682,767	1,747,846	1,785,540	1,829,929
-	-	-	-	-	-
5,908	-	-	-	-	-
981,456	-	-	-	-	-
5,569,906	4,056,680	4,745,717	4,505,009	5,648,396	3,540,011
400,000	-	-	470,000	-	-
<u>25,055,018</u>	<u>23,219,692</u>	<u>22,530,010</u>	<u>27,629,093</u>	<u>29,764,012</u>	<u>25,678,878</u>
4,165,782	4,032,572	4,252,087	4,722,283	4,924,280	5,235,132
-	321,568	2,658,230	2,262,061	104,151	241,750
<u>4,165,782</u>	<u>4,354,140</u>	<u>6,910,317</u>	<u>6,984,344</u>	<u>5,028,431</u>	<u>5,476,882</u>
<u>\$ 29,220,800</u>	<u>\$ 27,573,832</u>	<u>\$ 29,440,327</u>	<u>\$ 34,613,437</u>	<u>\$ 34,792,443</u>	<u>\$ 31,155,760</u>

**RICE COUNTY
FARIBAULT, MINNESOTA
CHANGE IN NET POSITION (CONTINUED)
LAST TEN FISCAL YEARS
(UNAUDITED)**

	2008	2009	2010	2011
Net (Expense) Revenue				
Governmental Activities				
General Government	\$ (5,738,316)	\$ (6,322,225)	\$ (7,969,088)	\$ (12,394,686)
Public Safety	(7,017,069)	(6,757,947)	(5,422,192)	(3,560,064)
Highways and Streets	(3,276,125)	(480,959)	1,246,940	3,296,961
Sanitation	(118,029)	(33,845)	(113,091)	(113,527)
Human Services	(3,233,980)	(3,634,021)	(3,182,726)	(3,335,809)
Health	(153,538)	(277,853)	(93,691)	(227,420)
Culture and Recreation	(650,406)	(407,318)	(284,708)	(266,534)
Conservation and Natural Resources	(452,935)	(524,482)	(750,793)	(2,744,722)
Economic Development	(209,506)	(146,090)	(28,669)	(150,124)
Interest on Long-Term Debt	(488,262)	(521,937)	(1,065,625)	(1,008,641)
Total Governmental Activities Net (Expense) Revenue	<u>(21,338,166)</u>	<u>(19,106,677)</u>	<u>(17,663,643)</u>	<u>(20,504,566)</u>
Business-Type Activities				
Environmental Services	(837,916)	541,220	837,301	362,511
Environmental Services	-	-	-	-
Total Business-Type Activities Net (Expense) Revenue	<u>(837,916)</u>	<u>541,220</u>	<u>837,301</u>	<u>362,511</u>
General Revenues and Other Changes in Net Position				
Governmental Activities				
Taxes	16,228,596	17,208,722	18,174,466	17,982,291
Payment in Lieu of Taxes	2,060	90,571	89,188	103,934
Unrestricted Grants and Contributions	3,555,095	4,164,586	3,900,879	4,251,500
Investment Earnings	1,680,962	1,815,094	1,763,546	1,969,958
Miscellaneous	-	-	-	-
Gain on Sale of Capital Assets	19,443	-	7,161	21,363
Transfers	400,000	400,000	439,535	87,987
Total Governmental Activities	<u>21,886,156</u>	<u>23,678,973</u>	<u>24,374,775</u>	<u>24,417,033</u>
Business-Type Activities				
Investment Earnings	1,814	2,014	2,269	3,181
Miscellaneous	-	-	-	-
Unrestricted Grants and Contributions	-	-	-	-
Gain on Sale of Capital Assets	-	16,787	42,039	-
Transfers	(400,000)	(400,000)	(439,535)	(87,987)
Total Business-Type Activities	<u>(398,186)</u>	<u>(381,199)</u>	<u>(395,227)</u>	<u>(84,806)</u>
Change in Net Position				
Governmental Activities	547,990	4,572,296	6,711,132	3,912,467
Business-Type Activities	(1,236,102)	160,021	442,074	277,705
Total Primary Government	<u>\$ (688,112)</u>	<u>\$ 4,732,317</u>	<u>\$ 7,153,206</u>	<u>\$ 4,190,172</u>

Note: Net revenue (expense) is the difference between the expenses and program revenue of a function or program. It indicates the degree to which a function or program is supported with its own fees and program specific grants versus its reliance upon funding from taxes and other government revenues.

Source: Rice County Finance

2012	2013	2014	2015	2016	2017
\$ (10,168,658)	\$ (6,680,143)	\$ (7,242,893)	\$ (8,286,696)	\$ (8,553,593)	\$ (7,441,248)
(1,961,121)	(6,242,338)	(7,212,086)	(7,725,107)	(9,575,975)	(9,792,666)
270,645	(1,927,851)	(2,275,917)	159,648	1,688,092	(2,632,379)
(190,719)	(137,899)	(43,020)	(64,862)	(155,000)	(71,185)
(4,372,548)	(4,507,551)	(4,457,895)	(4,223,392)	(6,229,275)	(6,416,334)
(153,098)	(395,023)	(407,085)	(268,353)	(543,078)	(1,260,825)
6,640	(510,380)	(477,933)	503,925	(512,467)	(558,745)
(759,872)	(445,411)	(583,907)	(955,384)	(601,316)	(993,015)
(227,330)	(316,067)	(179,418)	(58,933)	(107,944)	(233,692)
(997,219)	(1,137,363)	(886,515)	(811,318)	(889,185)	(949,541)
<u>(18,553,280)</u>	<u>(22,300,026)</u>	<u>(23,766,669)</u>	<u>(21,730,472)</u>	<u>(25,479,741)</u>	<u>(30,349,630)</u>
129,843	118,414	(914,102)	441,206	544,803	(337,129)
-	321,349	2,627,707	2,147,388	(56,948)	45,271
<u>129,843</u>	<u>439,763</u>	<u>1,713,605</u>	<u>2,588,594</u>	<u>487,855</u>	<u>(291,858)</u>
19,373,236	20,484,448	23,529,197	24,953,398	26,595,538	27,990,035
94,178	102,157	96,394	133,873	125,245	116,313
3,348,477	3,260,507	3,738,667	3,265,065	4,111,672	4,965,740
1,177,956	461,867	1,144,523	786,988	961,007	862,916
300	1,814	-	-	-	185
21,600	-	-	4,740	7,989	-
-	234,973	197,000	150,000	54,163	772
<u>24,015,747</u>	<u>24,545,766</u>	<u>28,705,781</u>	<u>29,294,064</u>	<u>31,855,614</u>	<u>33,935,961</u>
2,506	468	440	27,642	23,910	21,362
-	-	33	-	-	-
-	-	-	-	5,411	2,728
975	-	-	-	6,000	-
-	(234,973)	(197,000)	(150,000)	(54,163)	(772)
<u>3,481</u>	<u>(234,505)</u>	<u>(196,527)</u>	<u>(122,358)</u>	<u>(18,842)</u>	<u>23,318</u>
5,462,467	2,245,740	4,939,112	7,563,592	6,375,873	3,586,331
133,324	205,258	1,517,078	2,466,236	469,013	(268,540)
<u>\$ 5,595,791</u>	<u>\$ 2,450,998</u>	<u>\$ 6,456,190</u>	<u>\$ 10,029,828</u>	<u>\$ 6,844,886</u>	<u>\$ 3,317,791</u>

**RICE COUNTY
FARIBAULT, MINNESOTA
FUND BALANCES – GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(UNAUDITED)**

	2008	2009	2010	2011
General Fund				
Nondisposable	\$ -	\$ -	\$ -	\$ 263,182
Restricted (Reserved 2004-2010)	773,968	774,426	862,985	968,123
Committed	-	-	-	2,186,254
Assigned (Designated 2004-2010)	8,786,310	11,003,122	8,538,524	2,135,692
Unassigned (Undesignated 2004-2010)	724,779	1,167,580	4,733,133	11,233,731
Total General Fund	<u>\$ 10,285,057</u>	<u>\$ 12,945,128</u>	<u>\$ 14,134,642</u>	<u>\$ 16,786,982</u>
All Other Governmental Funds				
Nondisposable	\$ -	\$ -	\$ -	\$ 317,298
Restricted (Reserved 2004-2010)	3,971,559	3,634,135	1,397,807	13,378,870
Committed	-	-	-	10,392,704
Assigned (Designated 2004-2010)				
Special Revenue Funds	8,377,365	6,603,683	9,449,358	331,519
Debt Service Fund	-	-	1,200,019	-
Capital Projects Fund	1,347,208	15,231,372	785,619	-
Unassigned (Undesignated 2004-2010)				
Special Revenue Funds	437,589	2,690,869	786,539	-
Capital Projects Fund	-	-	16,094	-
Total All Other Governmental Funds	<u>\$ 14,133,721</u>	<u>\$ 28,160,059</u>	<u>\$ 13,635,436</u>	<u>\$ 24,420,391</u>
All Governmental Funds				
Nondisposable	\$ -	\$ -	\$ -	\$ 580,480
Restricted (Reserved 2002-2010)	4,745,527	4,408,561	2,260,792	14,346,993
Committed	-	-	-	12,578,958
Assigned (Designated 2002-2010)	18,510,883	32,838,177	19,973,520	2,467,211
Unassigned (Undesignated 2002-2010)	1,162,368	3,858,449	5,535,766	11,233,731
Total All Governmental Funds	<u>\$ 24,418,778</u>	<u>\$ 41,105,187</u>	<u>\$ 27,770,078</u>	<u>\$ 41,207,373</u>

Note: The County implemented GASB 54 in fiscal year 2011, resulting in significant reclassification of the components of fund balance. Years prior to 2011 have not been restated.

Source: Rice County Finance

2012	2013	2014	2015	2016	2017
\$ 1,810,653	\$ 4,311,445	\$ 480,941	\$ 638,588	\$ 816,984	\$ 511,020
1,131,010	1,306,166	1,271,039	1,347,943	1,591,501	1,579,684
2,656,051	1,825,059	1,781,554	2,087,668	1,449,089	1,686,971
568,769	485,292	558,406	602,207	518,848	740,074
10,891,446	9,399,996	12,411,027	12,232,022	13,620,297	12,909,499
<u>\$ 17,057,929</u>	<u>\$ 17,327,958</u>	<u>\$ 16,502,967</u>	<u>\$ 16,908,428</u>	<u>\$ 17,996,719</u>	<u>\$ 17,427,248</u>
\$ 267,585	\$ 238,470	\$ 246,264	\$ 254,400	\$ 263,531	\$ 275,164
2,601,443	5,804,545	7,715,187	7,154,378	14,975,564	15,565,880
10,574,418	10,776,303	10,633,788	11,607,404	12,307,015	12,695,039
838,038	1,080,660	1,301,177	1,316,128	1,284,608	1,294,446
-	-	-	-	-	-
-	-	-	-	-	-
(279,914)	(91,559)	(117,798)	(563,274)	(669,184)	(370,565)
(363,241)	-	-	-	-	-
<u>\$ 13,638,329</u>	<u>\$ 17,808,419</u>	<u>\$ 19,778,618</u>	<u>\$ 19,769,036</u>	<u>\$ 28,161,534</u>	<u>\$ 29,459,964</u>
\$ 2,078,238	\$ 4,549,915	\$ 727,205	\$ 892,988	\$ 1,080,515	\$ 786,184
3,732,453	7,110,711	8,986,226	8,502,321	16,567,065	17,145,564
13,230,469	12,601,362	12,415,342	13,695,072	13,756,104	14,382,010
1,406,807	1,565,952	1,859,583	1,918,335	1,803,456	2,034,520
10,248,291	9,308,437	12,293,229	11,668,748	12,951,113	12,538,934
<u>\$ 30,696,258</u>	<u>\$ 35,136,377</u>	<u>\$ 36,281,585</u>	<u>\$ 36,677,464</u>	<u>\$ 46,158,253</u>	<u>\$ 46,887,212</u>

**RICE COUNTY
FARIBAUT, MINNESOTA
CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(UNAUDITED)**

	2008	2009	2010	2011
Revenues				
Taxes	\$ 16,185,954	\$ 17,130,575	\$ 17,992,255	\$ 18,048,462
Special Assessments	114,650	146,096	101,783	325,632
Licenses and Permits	353,016	278,910	264,522	30,920
Intergovernmental	15,997,260	19,826,056	23,324,388	18,474,813
Charges for Services	4,886,929	4,738,996	4,955,610	4,434,947
Fines and Forfeits	54,377	63,183	62,943	51,378
Gifts and Contributions	10,369	36,852	16,466	27,369
Investment Income	1,680,962	1,815,094	1,763,546	1,969,958
Miscellaneous	1,181,609	749,927	1,210,264	1,263,305
Total Revenues	40,465,126	44,785,689	49,691,777	44,626,784
Expenditures				
Current				
General Government	7,349,611	7,296,497	7,470,907	6,882,115
Public Safety	8,676,949	8,221,372	8,599,171	7,682,535
Highways and Streets	5,320,461	8,562,353	4,262,784	4,406,527
Sanitation	124,228	33,845	113,091	113,527
Human Services	10,079,397	10,632,539	10,363,921	9,853,868
Health	3,233,214	3,212,900	3,388,443	3,278,201
Culture and Recreation	671,291	677,060	741,939	696,650
Conservation of Natural Resources	445,898	488,813	491,884	601,781
Economic Development	209,447	2,104,966	2,115,032	2,111,112
Capital Outlay	2,851,819	800,223	13,127,536	6,203,078
Debt Service				
Principal Retirement	1,199,402	1,139,402	2,734,402	1,610,359
Interest	458,029	489,064	836,686	970,804
Bond Issuance Costs	9,600	37,484	-	35,913
Total Expenditures	40,629,346	43,696,518	54,245,796	44,446,470
Revenues Over (Under) Expenditures	(164,220)	1,089,171	(4,554,019)	180,314
Other Financing Sources (Uses)				
Transfers In	2,182,698	1,743,681	4,902,522	2,077,614
Transfers Out	(1,782,698)	(1,343,681)	(4,462,987)	(1,989,627)
Bonds and Notes Issued	2,000,000	1,500,000	-	3,730,000
Proceeds from Sale of Assets	59,543	6,920	56,239	24,050
Loans Issued	-	-	36,960	113,527
Insurance Recovery	-	6,525	3,780	7,740
Discount on Bond Issuance	(18,006)	(142,611)	-	(23,927)
Premium on Bond Issuance	-	-	-	-
Total Other Financing Sources (Uses)	2,441,537	1,770,834	536,514	3,939,377
Net Change in Fund Balance	\$ 2,277,317	\$ 2,860,005	\$ (4,017,505)	\$ 4,119,691
 Capitalized Capital Outlay Expenditures *	 \$ 2,851,819	 \$ 5,845,155	 \$ 13,127,536	 \$ 6,236,405
 Debt Service as a Percentage of Noncapital Expenditures	 4.39%	 4.30%	 8.68%	 6.76%

* Debt service as a percentage of noncapital expenditures is calculated using the capital asset adjustments amount from the Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities - Governmental Activities. See page 30.

Source: Rice County Finance

2012	2013	2014	2015	2016	2017
\$ 19,475,382	\$ 20,252,445	\$ 23,673,255	\$ 25,062,267	\$ 26,778,851	\$ 27,630,296
149,369	744,475	212,861	177,126	160,200	989,959
28,881	27,653	28,873	40,077	48,287	46,490
19,459,154	20,457,193	24,445,491	22,452,977	25,485,555	24,010,015
4,844,821	4,817,850	4,838,199	4,956,952	5,507,267	4,747,430
47,808	44,414	31,895	91,510	77,503	84,058
18,033	74,668	96,075	34,567	12,710	12,394
1,177,956	461,867	1,144,523	786,988	961,007	862,916
907,107	772,195	697,900	1,290,153	755,111	725,855
46,108,511	47,652,760	55,169,072	54,892,617	59,786,491	59,109,413
7,260,806	7,508,743	7,822,221	8,719,232	9,186,361	9,759,792
8,863,038	8,201,641	8,394,744	8,710,178	9,117,621	9,892,630
4,816,838	5,222,181	5,811,504	5,418,035	4,859,276	4,902,585
190,719	137,899	43,020	64,862	155,000	71,185
10,968,200	11,753,535	12,052,813	12,920,815	15,355,454	15,743,441
3,014,426	3,269,254	3,292,217	3,391,363	3,617,102	3,890,991
735,755	680,618	601,917	629,792	637,550	613,122
740,025	541,594	600,193	932,771	634,732	1,045,458
2,099,397	2,263,639	2,125,300	2,106,037	2,215,689	2,351,683
15,400,641	6,618,382	10,714,150	8,063,632	11,239,266	7,293,481
1,760,503	6,493,195	1,823,141	2,918,987	1,952,088	2,064,434
972,615	890,027	957,684	872,822	894,230	928,879
-	86,102	-	-	-	-
56,822,963	53,666,810	54,238,904	54,748,526	59,864,369	58,557,681
(10,714,452)	(6,014,050)	930,168	144,091	(77,878)	551,732
6,760,327	6,923,103	3,157,670	425,211	131,251	165,206
(6,760,327)	(6,688,130)	(2,960,670)	(275,211)	(77,088)	(164,434)
-	9,550,000	-	-	8,910,000	-
65,494	27,520	39,620	36,926	76,073	90,270
116,243	113,749	43,020	64,862	140,000	86,185
21,600	13,860	-	-	-	-
-	-	-	-	-	-
-	449,467	-	-	378,431	-
203,337	10,389,569	279,640	251,788	9,558,667	177,227
\$ (10,511,115)	\$ 4,375,519	\$ 1,209,808	\$ 395,879	\$ 9,480,789	\$ 728,959
\$ 15,969,152	\$ 6,304,106	\$ 6,004,932	\$ 3,548,500	\$ 5,841,729	\$ 2,228,489
6.69%	15.59%	5.77%	7.41%	5.27%	5.31%

**RICE COUNTY
FARIBAULT, MINNESOTA
PROPERTY TAX AND SPECIAL ASSESSMENT LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
(UNAUDITED)**

Year	Net Tax Levy (1)	Current Real & Personal Property Tax Collections	Percent of Levy Collected	Real & Personal Delinquent Property Tax Collections (2)	Total Real & Personal Property Tax Collections
2008	\$ 15,289,154	\$ 15,000,546	98.1 %	\$ 238,068	\$ 15,238,614
2009	16,559,564	15,956,473	96.4	243,590	16,200,063
2010	17,821,858	17,362,684	97.4	537,379	17,900,063
2011	17,647,979	17,271,706	97.9	436,356	17,708,062
2012	19,112,675	18,824,415	98.5	376,254	19,200,669
2013	19,940,681	19,698,761	98.8	294,093	19,992,854
2014	20,093,854	19,877,448	98.9	211,189	20,088,638
2015	21,248,224	21,044,704	99.0	182,758	21,227,462
2016	22,759,225	22,589,404	99.3	221,838	22,811,242
2017	23,553,933	23,378,197	99.3	130,425	23,508,623

Note:

- (1) Net tax levy after credits and charge adjustments
- (2) Does not include interest, penalty or fees
- (3) Includes collection of current year taxes and delinquent tax collections
- (4) Special Assessments include Real & Personal and Manufactured Home

Source: Rice County Property Tax & Elections

Total Real & Personal Property Tax Collections as a Percent of Current Levy (3)	Manufactured Home Property Taxes Due	Current Manufactured Home Property Tax Collections	Percent Collected	Manufactured Home Delinquent Property Tax Collections (2)
99.7 %	\$ 23,606	\$ 14,310	60.6 %	\$ 6,678
97.8	23,945	13,723	57.3	6,324
100.4	25,130	12,710	50.6	6,544
100.3	26,799	13,982	52.2	8,427
100.5	29,853	17,358	58.1	8,218
100.3	32,539	19,597	60.2	11,770
100.0	30,882	18,014	58.3	12,259
99.9	30,367	17,691	58.3	10,604
100.2	31,947	19,940	62.4	22,404
99.8	31,096	19,834	63.8	12,569

**RICE COUNTY
FARIBAULT, MINNESOTA
ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY (1)
LAST TEN FISCAL YEARS
(UNAUDITED)**

Assessment Year	Payable Year	Real Property		Personal Property		Total		Ratio of Assessed Value to Estimated Value	County Weighted Average Direct Debt
		Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value		
2008	2009	\$ 64,884,231	\$ 6,644,714,200	\$ 1,498,972	\$ 75,801,100	\$ 66,383,203	\$ 6,720,515,300	1.0 %	28.4 %
2009	2010	64,669,969	6,384,653,000	1,565,502	79,290,900	66,235,471	6,463,943,900	1.0	29.1
2010	2011	60,274,714	5,854,925,800	1,693,607	85,618,600	61,968,321	5,940,544,400	1.0	30.9
2011	2012	54,026,851	5,495,288,800	1,702,812	86,136,000	55,729,663	5,581,424,800	1.0	32.9
2012	2013	50,723,600	5,282,017,000	1,762,870	89,142,000	52,486,470	5,371,159,000	1.0	37.4
2013	2014	50,896,382	5,322,274,100	1,788,947	90,579,900	52,685,329	5,412,854,000	1.0	44.5
2014	2015	53,612,544	5,624,008,000	1,833,338	92,821,600	55,445,882	5,716,829,600	1.0	42.5
2015	2016	54,531,620	5,710,772,300	1,977,656	100,095,400	56,509,276	5,810,867,700	1.0	40.8
2016	2017	57,148,007	5,932,819,800	2,073,420	104,976,900	59,221,427	6,037,796,700	1.0	42.8
2017	2018	59,744,768	6,146,481,100	2,175,513	110,119,700	61,920,281	6,256,600,800	1.0	41.9

Note: (1) Does not include reductions for tax increment financing districts.

Source: Rice County Property Tax & Elections

**RICE COUNTY
FARIBAULT, MINNESOTA
PRINCIPAL PROPERTY TAXPAYERS
CURRENT AND NINE YEARS AGO
(UNAUDITED)**

Taxpayer	Type of Business	Payable Year 2017			Payable Year 2008		
		Net Tax	Rank*	Percentage of Total County Net Tax Capacity	Net Tax	Rank*	Percentage of Total County Net Tax Capacity
		Capacity		Capacity	Capacity		Capacity
Northern States Power Co	Utilities	\$ 1,144,013	1	2.0 %	\$ 1,176,632	1	2.2 %
Northern Natural Gas Co	Utilities	969,479	2	1.7	373,320	4	0.7 %
ALDI Inc.	Grocery	437,082	3	0.7	181,180	8	0.3 %
MOM Brands Company	Food Production	368,274	4	0.6	809,534	2	1.5 %
Walmart	Retail	257,976	5	0.4	374,822	3	0.7 %
Faribault Foods, Inc.	Food Production/Distribution	209,735	6	0.4			
Allina Health System	Medical	195,386	7	0.3	323,116	6	0.6 %
McLane Company, Inc.	Food Distributor	183,454	8	0.3	338,574	5	0.6 %
James & Linda Sawyer	Commercial	162,772	9	0.3			
Menard, Inc.	Home Improvement	148,250	10	0.3			
Mendota Homes	Commercial				240,614	7	0.5 %
Hidden Valley Apts	Residential				133,924	9	0.3 %
Mortgage Electronic	Residential				91,243	10	0.2 %
All Others		54,236,670		93.0	48,408,141		92.4 %
		<u>\$ 58,313,091</u>		<u>100.0 %</u>	<u>\$ 52,451,100</u>		<u>100.0 %</u>

*Note: Rank based on net tax; excludes special assessments.

Source: Rice County Property Tax & Elections

**RICE COUNTY
FARIBAUT, MINNESOTA
PROPERTY TAX RATES - ALL DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN ASSESSMENT YEARS
(UNAUDITED)**

Unit of Government	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Rice County										
General	15.1629	15.5109	15.8918	16.4102	18.7420	18.3420	17.8760	18.985	20.420	21.245
Road and Bridges	3.9572	3.7413	3.6675	3.9913	4.5050	6.1030	6.0340	5.670	5.430	4.570
Human Services	5.2218	5.5588	5.4341	5.8083	6.7270	8.5210	8.8780	8.705	9.210	9.801
Debt Services	2.1712	2.4020	3.5166	4.2132	4.2660	5.3060	5.6210	5.604	4.807	4.571
Capital Projects	-	-	-	-	0.2350	0.1000	0.0980	-	0.172	0.164
Library	1.1950	1.1620	1.1530	1.2820	1.6140	1.6490	1.6720	1.582	1.527	1.461
HRA	-	-	0.4860	0.4710	0.5260	0.5680	0.6010	0.223	0.109	0.124
Hospital District	0.7260	0.7120	0.7070	0.7400	0.8270	0.8820	1.7130	-	-	-
Total Rice County	28.4340	29.0870	30.8560	32.9160	37.4410	44.4710	42.4930	40.769	41.675	41.936
Townships										
Bridgewater	8.5230	8.0140	7.6650	9.2000	11.2970	11.2630	11.0630	10.546	11.213	11.486
Cannon City	8.3380	7.9120	7.7290	8.9790	10.3670	10.1930	10.0160	9.513	8.953	8.558
Erin FD1	7.6710	7.1450	7.4500	11.2270	17.4470	17.2680	17.2220	16.952	21.408	21.659
Erin FD2	6.4710	6.0170	6.1070	10.0050	14.5850	14.9470	15.0800	15.784	18.806	19.404
Forest FD1	16.0200	13.1530	10.6760	11.8840	13.0240	13.7450	14.4100	13.480	13.155	12.713
Forest FD2	15.0690	12.3480	9.9140	11.1460	12.1750	12.1970	12.8460	12.021	11.675	11.233
Morristown	16.0110	15.0950	14.4050	14.9020	16.8620	13.8590	14.0650	13.164	12.716	12.284
Northfield	10.2430	10.6080	9.5900	10.6030	11.4750	11.0920	10.8670	10.673	11.253	11.377
Richland	10.0630	9.3260	9.0170	9.3490	10.2480	10.3790	9.4520	8.981	9.655	9.398
Sheildsville FD1	8.2330	7.7310	7.4890	8.0190	9.5570	10.1110	12.8350	12.545	12.341	11.938
Sheildsville FD2	8.2800	7.8180	7.6210	8.1800	9.7140	10.3170	11.2970	11.063	10.878	10.493
Walcott	10.8680	10.2850	8.9620	9.4840	10.2520	9.4890	9.3930	8.903	8.782	8.566
Warsaw	4.6270	4.7500	6.5940	6.9040	7.8900	8.2560	7.8770	7.665	7.120	6.920
Webster FD1	10.9870	10.9860	10.8420	13.0430	14.2330	14.2350	14.7490	14.318	16.152	16.648
Webster FD2	10.1110	10.1970	10.0520	12.2940	13.3460	13.2700	13.6290	13.238	15.102	15.698
Wells	5.7110	5.1210	4.9000	5.3600	5.9140	6.6400	6.3850	6.233	5.513	5.719
Wheatland FD1	12.2040	12.7470	11.9400	13.8240	16.0060	15.9580	17.1680	15.175	14.034	14.163
Wheatland FD2	11.3590	11.7470	11.0970	12.8910	14.3320	14.7570	16.4310	14.335	13.689	13.912
Wheeling	15.2610	15.3990	16.2520	17.3840	19.3940	17.8210	16.9280	15.969	17.224	15.187
Cities										
Dennison	22.3470	48.3610	48.0580	53.1750	55.3530	59.1590	59.9870	67.321	68.429	68.035
Dundas (U)	53.1340	57.6330	60.5950	60.9480	60.9620	74.1570	72.4970	68.117	64.065	53.461
Dundas (R)	12.7830	12.0210	11.4980	13.8000	16.9460	16.8940	16.5940	15.819	16.821	17.229
Faribault	33.1340	34.8430	37.6970	38.5660	45.7270	53.3910	53.8140	53.168	55.696	57.182
Faribault-HRA	1.1910	1.2530	1.4160	1.4610	1.6430	1.7510	1.5890	1.526	1.446	1.440
Faribault-EDA	1.4990	1.5690	1.6020	1.6280	1.7240	1.7160	1.5580	1.511	1.417	1.411
Lonsdale	44.8200	42.3330	45.0700	51.7960	66.4550	75.7790	73.4090	73.857	70.976	58.362
Morristown	50.1980	51.6650	53.7930	54.0370	76.7220	86.3530	86.3320	77.261	89.130	90.421
Nerstrand	16.7040	14.8580	15.4520	20.8760	27.8750	36.2620	40.7110	40.662	48.400	52.170
Northfield (U)	36.6480	38.4050	40.3690	43.8900	50.9470	61.9010	59.7850	56.750	55.667	57.164
Northfield (R)	13.7920	14.6200	N/A	N/A	N/A	N/A	N/A	-	-	-
Northfield-HRA	1.2680	1.2470	1.4310	1.5280	1.8440	1.8380	1.7510	1.732	1.670	1.655
Northfield-EDA	1.5600	1.5340	1.6510	1.7610	1.7280	1.8010	1.7160	1.697	1.638	1.624
Northfield-MV (DR)	0.0153	0.0145	0.0151	0.0175	0.0193	0.0211	0.0210	0.01983	-	-

**RICE COUNTY
FARIBAUT, MINNESOTA
PROPERTY TAX RATES - ALL DIRECT AND OVERLAPPING GOVERNMENTS (CONTINUED)
LAST TEN ASSESSMENT YEARS
(UNAUDITED)**

Unit of Government	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
School Districts										
394 Montg-Lons	18.648	31.340	38.277	-	-	-	-	-	-	-
394 Lonsdale	18.648	31.089	38.006	-	-	-	-	-	-	-
394 MV Rate	0.09386	0.09894	0.10408	-	-	-	-	-	-	-
656 Faribault	20.252	20.786	24.147	26.396	29.940	29.969	19.493	20.267	22.064	15.812
656 Faribault (U)	-	20.666	24.023	26.259	29.786	29.813	19.340	20.119	21.923	15.679
656 Nerstrand	-	-	-	26.341	29.849	29.881	19.408	20.182	21.982	15.732
656 MV Rate	0.10286	0.10659	0.11293	0.10475	0.11289	0.20240	0.19105	0.20013	0.17130	0.16962
659 Northfield	28.498	31.151	33.713	34.164	38.434	36.410	34.064	32.897	30.937	33.150
659 Northfield (U)	28.379	31.028	33.583	34.019	38.272	36.252	33.917	32.753	30.803	33.023
659 MV Rate	0.27034	0.26179	0.26902	0.35406	0.36476	0.37078	0.36518	0.36073	0.34276	0.44173
721 New Prague	28.449	31.301	30.137	32.275	34.443	33.724	31.031	38.450	37.153	38.474
721 Lonsdale	28.437	31.288	30.123	32.258	34.424	33.705	31.014	38.433	37.138	38.461
721 MV Rate	0.17780	0.19152	0.20050	0.18912	0.22465	0.17768	0.16885	0.15253	0.18668	0.20793
763 Medford	33.118	33.000	33.120	35.541	32.030	29.726	29.449	27.433	27.004	27.037
763 MV Rate	0.03638	0.03968	0.03878	0.03913	0.04095	0.08627	0.20228	0.23940	0.21699	0.20981
829 Waseca	23.157	19.573	19.250	21.448	20.943	18.077	16.882	30.731	28.779	33.089
829 MV Rate	0.14922	0.02025	0.02059	0.17269	0.17181	0.14384	0.15264	0.14554	0.14488	0.14669
2143 Wat/Ely/Mor	5.308	6.565	4.960	4.801	6.049	4.502	4.571	5.778	5.328	6.193
2143 City of Morristown	-	6.388	4.783	4.549	5.766	4.219	4.317	5.532	5.097	5.978
2143 MV Rate	0.11478	0.25007	0.28717	0.27335	0.29398	0.27763	0.24726	0.33630	0.30338	0.28593
2172 Ken/Wan	20.462	19.506	22.414	21.140	19.407	16.360	20.116	20.039	21.538	22.747
2172 MV Rate	0.15744	0.15883	0.17299	0.22444	0.23158	0.20044	0.18954	0.18025	0.17622	0.17879
2905 Tri-City United	-	-	-	42.767	44.967	50.249	45.457	43.118	37.304	36.678
2905 Tri-City United Lonsdale	-	-	-	42.434	44.586	49.886	45.137	42.809	37.026	36.418
2905 MV Rate	-	-	-	0.10731	0.12511	0.08718	0.11485	0.11757	0.12030	0.11330

Note: (U)-urban, (R)-rural, MV-market value, (IL)-includes library, (EL)-excludes library, FD-fire district.

Note: In 2012, School District 394 became part of Consolidated School District 2905.

Source: Rice County Property Tax & Elections

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**RICE COUNTY
FARIBAUT, MINNESOTA
TAX CAPACITY BY CLASSIFICATION
LAST TEN YEARS
(UNAUDITED)**

<u>Payable Year</u> <u>% of Total</u>	<u>Agriculture</u>	<u>Residential</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Utilities</u>	<u>Personal Property</u>	<u>Tax Increment</u>	<u>Net Tax Capacity</u>
2008 % of Total	\$ 10,788,318 18%	\$ 40,393,123 66%	\$ 9,820,313 16%	\$ 1,181,968 2%	\$ 603,680 1%	\$ 1,201,904 2%	\$ (2,865,484) -5%	\$ 61,123,822
2009 % of Total	11,317,572 18%	41,317,138 64%	10,313,104 16%	1,187,985 2%	746,518 1%	1,498,972 2%	(1,987,182) -3%	64,394,107
2010 % of Total	11,486,779 18%	40,684,637 64%	10,544,683 16%	1,200,249 2%	753,621 1%	1,565,502 2%	(1,878,541) -3%	64,356,930
2011 % of Total	10,677,892 18%	37,142,660 62%	10,559,747 17%	1,308,181 2%	586,234 1%	1,693,607 3%	(1,590,714) -3%	60,377,607
2012 % of Total	9,595,992 18%	32,155,223 60%	10,398,160 19%	1,316,971 2%	610,588 1%	1,702,812 3%	(1,567,304) -3%	54,212,442
2013 % of Total	10,571,690 21%	28,678,082 57%	9,637,650 19%	1,239,593 2%	596,585 1%	1,762,870 3%	(1,440,009) -3%	51,046,461
2014 % of Total	10,978,456 22%	28,616,194 56%	9,497,192 18%	1,206,802 2%	597,738 1%	1,788,947 3%	(1,031,844) -2%	51,653,485
2015 % of Total	11,658,781 21%	31,253,890 57%	8,947,005 16%	1,155,275 2%	597,593 1%	1,833,338 3%	(1,003,593) -2%	54,442,289
2016 % of Total	11,532,322 20%	31,985,887 59%	9,195,184 16%	1,197,965 2%	620,262 1%	1,977,656 4%	(1,075,046) -2%	55,434,230
2017 % of Total	11,614,641 20%	34,042,426 58%	9,469,826 16%	1,349,943 2%	671,171 1%	2,073,420 4%	(908,336) -2%	58,313,091

Source: Rice County Property Tax & Elections

**RICE COUNTY
FARIBAULT, MINNESOTA
COMPUTATION OF LEGAL DEBT MARGIN
LAST TEN FISCAL YEARS
(UNAUDITED)**

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Market Valuation of Taxable Property (1)	\$ 6,720,327,100	\$ 6,463,943,900	\$ 5,940,544,400	\$ 5,581,395,500
Legal Debt Percentage Allowed (2)	<u>3.00%</u>	<u>3.00%</u>	<u>3.00%</u>	<u>3.00%</u>
Legal Debt Limit	201,609,813	193,918,317	178,216,332	167,441,865
Amount of Debt Applicable to Debt Limit				
General Obligation Debt	12,359,826	26,110,437	23,421,204	25,564,003
Less: Amount Available in				
Debt Service Restrictions	<u>3,604,745</u>	<u>3,044,168</u>	<u>1,880,670</u>	<u>2,108,945</u>
Total Debt Applicable to Limit	<u>8,755,081</u>	<u>23,066,269</u>	<u>21,540,534</u>	<u>23,455,058</u>
Unused Margin of Indebtedness	<u>\$ 192,854,732</u>	<u>\$ 170,852,048</u>	<u>\$ 156,675,798</u>	<u>\$ 143,986,807</u>
Percent of Legal Debt Incurred	6.13%	13.46%	13.14%	15.27%

(1) Source: Rice County Finance

(2) Minnesota Statute Section 475.53, subd. 1 LIMIT ON NET DEBT except as otherwise provided in sections 475.51 to 475.74, no municipality except a school district or a city of the first class, shall incur or be subject to a net debt in excess of two percent of the market value of taxable property therein prior to 2008. In 2008, this percentage became three percent of the market value of taxable property therein.

<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
\$ 5,371,159,000	\$ 5,412,954,000	\$ 5,716,929,600	\$ 5,810,867,700	\$ 6,037,796,700	\$ 6,256,600,800
<u>3.00%</u>	<u>3.00%</u>	<u>3.00%</u>	<u>3.00%</u>	<u>3.00%</u>	<u>3.00%</u>
161,134,770	162,388,620	171,507,888	174,326,031	181,133,901	187,698,024
23,857,475	27,495,091	27,617,219	24,668,511	31,886,792	29,913,021
<u>2,076,483</u>	<u>2,627,280</u>	<u>2,938,286</u>	<u>2,215,088</u>	<u>11,532,419</u>	<u>11,571,193</u>
<u>21,780,992</u>	<u>24,867,811</u>	<u>24,678,933</u>	<u>22,453,423</u>	<u>20,354,373</u>	<u>18,341,828</u>
<u>\$ 139,353,778</u>	<u>\$ 137,520,809</u>	<u>\$ 146,828,955</u>	<u>\$ 151,872,608</u>	<u>\$ 160,779,528</u>	<u>\$ 169,356,196</u>
14.81%	16.93%	16.10%	14.15%	17.60%	15.94%

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**RICE COUNTY
FARIBAULT, MINNESOTA
RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR
GENERAL BONDED DEBT TO TOTAL GENERAL EXPENDITURES
LAST TEN FISCAL YEARS
(UNAUDITED)**

Fiscal Year	Debt Principal	Interest	Total Debt Service	Total General Expenditures	Ratio of Debt Service to General Expenditures
2008	\$ 1,199,402	\$ 458,029	\$ 1,657,431	\$ 40,629,346	4.1 %
2009	1,139,402	489,064	1,628,466	43,696,518	3.7
2010	2,734,402	836,686	3,571,088	54,245,796	6.6
2011	1,610,359	970,804	2,581,163	44,446,070	5.8
2012	1,760,503	972,615	2,733,118	56,822,963	4.8
2013	6,493,196	890,027	7,383,223	53,666,810	13.8
2014	1,823,141	957,684	2,780,825	54,238,904	5.1
2015	2,918,987	872,822	3,791,809	54,748,526	6.9
2016	1,952,088	894,230	2,846,318	59,776,498	4.8
2017	2,064,434	928,879	2,993,313	58,557,681	5.1

Source: Rice County Finance

**RICE COUNTY
FARIBAULT, MINNESOTA
RATIO OF NET BONDED DEBT TO ASSESSED VALUE
AND NET BONDED DEBT PER CAPITA
LAST TEN FISCAL YEARS
(UNAUDITED)**

<u>Fiscal Year</u>	<u>Population</u>	<u>Personal Income Rice County</u>	<u>Estimated Actual Value</u>	<u>Assessed Value</u>	<u>(1) Gross Bonded Debt</u>	<u>Less Debt Service Restrictions</u>	<u>Net Bonded Debt</u>
2008	62,898	\$ 1,988,668,000	\$ 6,720,327,100	\$ 66,388,401	\$ 12,359,826	\$ 3,604,745	\$ 8,755,081
2009	63,405	2,003,226,000	6,456,943,900	66,235,471	26,110,437	3,044,168	23,066,269
2010	64,142	2,024,596,000	5,940,544,400	61,968,321	23,421,204	1,880,670	21,540,534
2011	64,717	2,101,746,000	5,581,395,500	55,804,606	25,564,003	2,108,945	23,455,058
2012	64,740	2,261,892,000	5,371,159,000	53,926,034	23,857,475	2,076,483	21,780,992
2013	64,656	2,245,742,000	5,412,854,000	52,685,329	27,495,091	2,627,280	24,867,811
2014	65,180	2,431,411,000	5,716,829,600	55,445,882	25,692,060	2,946,024	22,746,036
2015	65,420	2,585,391,000	5,810,867,700	56,509,276	22,803,305	2,223,330	20,579,975
2016	65,593	2,635,830,000	6,037,796,700	58,313,091	31,886,792	11,532,419	20,354,373
2017	65,960	n/a	6,256,600,800	61,326,774	29,913,021	11,571,193	18,341,828

Source: Rice County Finance except for Population, which is from the State Demographer prior to and after 2010, the U.S. Census Bureau for 2010, and Personal Income, which is from the Bureau of Economic Analysis.

(1) Includes all General Obligation bonded debt of the County including refunded bonds.
n/a = not available.

Loans Payable	Total Gross Debt Outstanding	Debt Per Capita		Debt to Actual Valuation		Debt to Assessed Valuation		Debt to Personal Income	
		Total	Net	Total %	Net %	Total %	Net %	Total %	Net %
\$ 271,050	\$ 12,630,876	\$ 196.51	\$ 139.19	0.2 %	0.1 %	18.6 %	13.2 %	0.6 %	0.4 %
251,648	26,362,085	411.80	363.79	0.4	0.4	39.4	34.8	1.3	1.2
264,206	23,685,410	365.15	335.83	0.4	0.4	37.8	34.8	1.2	1.1
352,374	25,916,377	395.01	362.42	0.5	0.4	45.8	42.0	1.2	1.1
438,114	24,295,589	368.51	336.44	0.4	0.4	44.2	40.4	1.1	1.0
488,668	27,983,759	425.25	384.62	0.5	0.5	52.2	47.2	1.2	1.1
483,547	26,175,607	394.17	348.97	0.4	0.4	46.3	41.0	1.1	0.9
489,422	23,292,727	348.57	314.58	0.4	0.4	40.4	36.4	0.9	0.8
552,334	32,439,126	486.13	310.31	0.5	0.3	54.7	34.9	n/a	n/a
474,085	30,387,106	453.50	278.08	0.5	0.3	48.8	29.9	n/a	n/a

**RICE COUNTY
FARIBAULT, MINNESOTA
COMPUTATION OF UNDERLYING, OVERLAPPING, AND DIRECT DEBT
DECEMBER 31, 2017
(UNAUDITED)**

	Net G.O. Debt Outstanding	Applicable to Rice County	
		Percent (1)	Amount
Underlying Debt			
Towns			
Town of Erin	\$ 50,000	100.0 %	\$ 50,000
Cities			
City of Dundas	4,220,000	100.0	4,220,000
City of Faribault	15,736,265	100.0	15,736,265
City of Lonsdale	6,665,000	100.0	6,665,000
City of Morristown	1,450,000	100.0	1,450,000
City of Nerstrand	774,397	100.0	774,397
Independent School Districts			
No. 656	21,771,778	100.0	21,769,601
	Underlying Debt Subtotal		50,665,263
Overlapping Debt			
Cities			
City of Denison	394,370	11.1	43,775
City of Northfield	13,909,931	91.4	12,713,677
Independent School Districts			
No. 2905	24,284,706	27.0	6,556,871
No. 659	31,599,858	80.8	25,532,684
No. 721	92,030,764	12.4	11,411,815
No. 763	12,125,700	16.4	1,988,615
No. 829	35,520,000	0.4	127,872
No. 2172	10,972,151	7.3	800,967
	Overlapping Debt Subtotal		59,176,276
Direct Debt			
Rice County	18,341,828	100.0	18,341,828
	Direct and Overlapping Debt Subtotal		77,518,104
Totals		Total	\$ 128,183,367

Source: Rice County Finance

Note: (1) Determined by the portion of property subject to taxation by Rice County.

**RICE COUNTY
FARIBAULT, MINNESOTA
NEW CONSTRUCTION AND BANK DEPOSITS
LAST TEN FISCAL YEARS
(UNAUDITED)**

Fiscal Year	(1) Farm	(1) Residential	(1) Commercial Industrial	(1) Total	(2) Bank Deposits
2008	\$ 1,623,600	\$ 33,679,300	\$ 20,326,600	\$ 55,629,500	\$ 845,904,000
2009	1,406,000	24,451,500	6,651,000	32,508,500	868,340,000
2010	835,100	21,717,200	5,362,200	27,914,500	877,204,000
2011	1,899,100	18,824,700	12,828,600	33,552,400	901,673,000
2012	1,378,500	14,578,500	8,230,400	24,187,400	924,260,000
2013	2,314,300	24,326,600	3,504,600	30,145,500	948,513,000
2014	2,009,000	25,279,600	4,208,600	31,497,200	959,412,000
2015	1,844,000	32,535,900	8,811,300	43,191,200	1,005,621,000
2016	2,079,000	38,977,700	17,404,300	58,461,000	1,068,327,000
2017	2,643,200	45,779,300	39,643,900	88,066,400	1,128,279,000

(1) Source: County Assessor

(2) Source: FDIC Summary of Deposits for Rice County

**RICE COUNTY
FARIBAULT, MINNESOTA
COUNTY EMPLOYEES BY DEPARTMENT
LAST TEN FISCAL YEARS
(UNAUDITED)**

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Fund										
Commissioners	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Auditor/Treasurer	11.00	11.00	11.00	11.00	11.00	11.00	11.00	11.00	11.00	10.00
Assessor	11.00	11.00	11.00	11.00	12.00	11.00	12.00	12.00	13.00	13.00
Administration	3.57	3.57	3.30	3.30	3.30	3.30	3.00	3.17	3.64	3.56
Economic Development	1.00	3.00	3.00	3.00	3.00	3.00	4.00	4.00	4.00	3.30
Information Systems	6.00	6.00	7.00	7.00	7.00	7.00	7.00	8.00	7.00	7.00
Personnel	1.00	1.00	1.70	1.70	1.70	1.70	2.00	3.00	3.00	4.00
Attorney	17.00	17.00	17.00	17.00	17.00	17.00	17.00	17.00	17.00	17.00
Recorder	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Maintenance	4.00	4.00	4.00	4.00	5.00	4.00	5.00	5.00	5.00	5.50
Planning and Zoning (2)	12.00	9.80	9.80	-	-	-	-	-	-	-
Veterans Service	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Sheriff	49.67	49.67	50.67	49.67	50.67	49.67	51.67	51.00	51.00	51.00
Community Corrections	24.20	21.40	20.25	18.00	19.00	20.00	20.00	21.00	20.00	20.25
Community Health	47.55	46.50	42.95	41.65	42.40	43.20	43.10	41.70	43.90	43.63
Parks	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Extension	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Total General Fund	201.99	197.94	195.67	181.32	186.07	184.87	189.77	190.87	192.54	192.24
Road and Bridge Fund										
Road and Bridge	24.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00	26.00
Social Services Fund										
Social Services	88.59	87.59	89.59	89.06	91.06	89.06	99.53	100.53	105.53	111.03
Environmental Services Fund										
Waste Management	15.00	13.00	12.00	21.80	20.80	21.80	21.80	22.00	22.00	22.00
Total Employees	<u>329.58</u>	<u>323.53</u>	<u>322.26</u>	<u>317.18</u>	<u>322.93</u>	<u>320.73</u>	<u>336.10</u>	<u>338.40</u>	<u>345.07</u>	<u>351.27</u>

The numbers above represent full time employee equivalents.

(2) Planning and Zoning was combined with Waste Management beginning in 2011.
Source: Rice County Finance

**RICE COUNTY
FARIBAULT, MINNESOTA
LABOR AGREEMENTS
(UNAUDITED)**

Union	Number of Employees (1) (2)	Contract Term
International Union of Operating Engineers and Municipal Employees AFL-CIO Local Union #49 Highway and Waste Management Unit	20	1-1-2017 to 12-31-2018
Minnesota Teamster Public and Law Enforcement Employee Union Local Union #320 Social Service Unit	110	1-1-2017 to 12-31-2018
Minnesota Teamster Public and Law Enforcement Employee Union Local Union #320 Patrol	16	1-1-2017 to 12-31-2018
Minnesota Teamster Public and Law Enforcement Employee Union Local Union #320 Sergeants	7	1-1-2017 to 12-31-2018
Minnesota Teamster Public and Law Enforcement Employee Union Local Union #320 Community Corrections	16	1-1-2017 to 12-31-2018
Minnesota Teamster Public Law Enforcement Employee Union Local Law Enforcement Labor Services, Inc. Union #367 Correctional Officers	19	1-1-2017 to 12-31-2018
Minnesota Teamster Public Employee Union and Nurses Association Local Union #320 General Unit	72	1-1-2017 to 12-31-2018
Minnesota Nurses Association	17	1-1-2017 to 12-31-2018
Nonunion	87	

(1) As of 4-26-18 and includes part-time and full-time employees.

(2) Does not include temporary employees.

Source: Rice County Administration

**RICE COUNTY
FARIBAULT, MINNESOTA
TWENTY LARGEST EMPLOYERS
CURRENT AND NINE YEARS AGO
(UNAUDITED)**

Employer	Business/Service	2017			2008		
		Number of Employees	Rank	Percent of Total Employees	Number of Employees	Rank	Percent of Total Employees
St. Olaf College	Education	860	1	3.5 %	830	2	3.6 %
Post/MOM Brands	Breakfast Cereal	750	2	3.0	861	1	3.7
Carleton College	Education	700	3	2.8	690	3	3.0
The Turkey Store	Poultry Processing	700	4	2.8	500	6	2.2
School District #659	Education	600	5	2.4	500	7	2.2
Minnesota Correctional Fac	Correctional Center	556	6	2.2	466	8	2.0
McLane Minnesota	Wholesale Grocery	480	7	1.9	450	9	1.9
Daikin Industries, Ltd International	Air Conditioning/Refrigeration	450	8	1.8	410	11	1.8
Rice County	Local Government	389	9	1.6	364	12	1.6
District One Hospital	Medical Services	350	10	1.4	348	13	1.5
School District #656	Education	350	11	1.4	560	4	2.4
Network Trading, Inc	Food Products	301	12	1.2			
Hy-Vee	Food Retailer	300	13	1.2	267	14	1.2
Innovative Food Processors	Food Products	270	14	1.1			
Three Links Care Center	Skilled Nursing Care Facility	250	15	1.0			
Faribault Foods, Inc.	Vegetable Processor	250	16	1.0	245	16	1.1
Alcoholism & Drug Detox Help	Treatment Center	247	17	1.0			
Crown Cork & Seal Co.	Aerosol Spray Cans	200	18	0.8	235	17	1.0
Northfield Hospital	Medical Services				542	5	2.3
Multek Flexible Circuitry	Semiconductor Manufacturer				430	10	1.9
Met-Con Companies, Inc.	General Contractor				250	15	1.1
MN State Academies	Education				230	18	1.0
Wal-Mart	Retail				214	19	0.9
Viratec	Retail Merchandise				180	20	0.8
All Other Employees		16,828		67.9	14,607		62.8
Total Employees		24,831		100.0 %	23,179		100.0 %

Note: Most current information available

Source: Infosource

Minnesota Department of Employment and Economic Development

**RICE COUNTY
FARIBAULT, MINNESOTA
POPULATION GROWTH COMPARISONS
LAST TEN FISCAL YEARS
(UNAUDITED)**

Year	Rice County				State of Minnesota	
	Population	Percent Increase (Decrease)	Households	Percent Increase (Decrease)	Population	Percent Increase (Decrease)
2008	62,898	(0.2)%	21,831	1.6 %	5,263,493	0.6 %
2009	63,408	0.8	21,914	0.4	5,287,976	0.5
2010	64,142	1.2	22,315	1.8	5,303,925	0.3
2011	64,717	0.9	23,190	3.8	5,332,246	0.5
2012	64,740	0.0	22,423	(3.4)	5,368,972	0.7
2013	64,656	(0.1)	22,507	0.4	5,417,838	0.9
2014	65,180	0.8	22,590	0.4	5,453,218	0.7
2015	65,420	0.4	22,764	0.8	5,485,238	0.6
2016	65,593	0.3	22,902	0.6	5,528,630	0.8
2017	65,960	0.6	23,033	0.6	n/a	n/a

Source: State Demographer
2010 U.S. Census Bureau
N/A - This information is not yet available.

**RICE COUNTY
FARIBAULT, MINNESOTA
PERCENTAGE OF REGISTERED VOTERS VOTING
LAST TEN ELECTIONS
(UNAUDITED)**

Primary Elections				General Election			
Date	Total Registered Voters	Number Voting	Percentage Voting	Date	Total Registered Voters	Number Voting	Percentage Voting
Sept. 12, 2000	32,945	8,832	26.8 %	Nov. 7, 2000	38,040	26,244	69.0 %
Sept. 10, 2002	33,206	3,551	10.7	Nov. 5, 2002	38,537	25,161	65.3
Sept. 14, 2004	33,907	4,316	12.7	Nov. 2, 2004	43,605	31,004	71.1
Sept. 12, 2006	34,953	4,022	11.5	Nov. 7, 2006	39,467	24,579	62.3
Sept. 09, 2008	35,818	6,877	19.2	Nov. 4, 2008	42,484	31,913	75.1
Aug. 10, 2010	35,337	5,892	16.7	Nov. 2, 2010	38,178	23,479	61.5
Aug. 14, 2012	34,924	4,004	11.5	Nov. 6, 2012	42,259	32,415	76.7
Aug. 12, 2014	35,275	4,367	12.4	Nov. 4, 2014	37,502	21,583	57.6
Aug. 9, 2016	34,603	3,866	11.2	Nov. 8, 2016	40,821	32,691	80.1

Source: Rice County Property Tax & Elections

**RICE COUNTY
FARIBAULT, MINNESOTA
UNEMPLOYMENT, INCOME, AND ECONOMIC VITALITY
LAST TEN FISCAL YEARS
(UNAUDITED)**

Year	Unemployment Percentages (1)			Personal Income (2)	Per Capital Personal Income (2)		
	Rice County	State of Minnesota	United States	Rice County	Rice County	State of Minnesota	United States
2008	5.9 %	5.4 %	5.8 %	\$ 1,988,668,000	\$ 31,776	\$ 42,953	\$ 40,166
2009	8.8	8.0	9.3	2,003,226,000	31,938	41,854	39,635
2010	7.9	7.3	9.6	2,024,596,000	31,509	42,798	39,937
2011	7.1	6.4	8.9	2,101,746,000	32,631	44,560	41,560
2012	6.4	5.6	8.1	2,261,892,000	34,877	46,925	43,735
2013	5.5	5.1	7.4	2,245,742,000	34,524	47,500	44,765
2014	4.0	4.1	6.2	2,431,411,000	37,320	48,998	46,049
2015	3.6	3.7	5.3	2,585,391,000	39,532	50,541	47,669
2016	3.5	3.9	4.9	2,635,830,000	40,167	52,117	49,571
2017	3.2	3.5	4.4	N/A	N/A	52,038	50,392

(1) Minnesota Department of Economic Security

(2) Per Bureau of Economic Analysis

N/A - This information is not yet available.

**RICE COUNTY
FARIBAUT, MINNESOTA
OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS
(UNAUDITED)**

Function/Program	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Government										
New Hires (Regular Employees)	24	20	31	24	24	44	51	49	51	58
New Hires (Temporary/Seasonal)	16	15	34	23	36	21	23	21	21	19
Total Employees Supported	422	406	414	414	417	382	386	385	390	406
Number of Parcels in County	29,177	29,382	29,456	29,549	30,530	29,680	29,730	29,807	29,801	29,872
Number of Permits in County	1,896	1,333	1,374	1,286	1,277	1,490	1,358	1,292	1,665	1,673
Adult Felony	439	517	505	491	489	472	321	390	412	348
Juvenile Felony	52	51	57	43	32	17	27	35	25	36
Adult GM	170	151	201	178	176	222	134	140	212	267
Juvenile GM	13	17	12	10	18	11	6	11	16	14
Adult Misdemeanor	338	348	335	433	237*	160	153	136	206	277
Juvenile Misdemeanor	321	360	347	†287	404	178	164	329	270	184
Chips	51	46	47	69	69	66	70	129	123	177
Number of Technology Requests Completed	5,701	5,163	3,356	3,791	2,568	2,000	2,204	2,382	2,672	3,285
Number of GIS External Services Provided	858	2,206	516	595	373	176	433	482	262	227
Office Visits - Veterans Services	927	1,896	2,129	1,837	1,737	1,582	1,665	1,690	1,740	1,801
Transported Veterans to VA Medical Center	833	1,042	920	938	943	870	833	757	923	941
Deceased Veterans	115	91	81	104	109	98	80	106	114	109
New Veterans	148	156	218	180	224	135	171	170	220	206
Public Safety										
Adults on Supervision at End of Year	1,077	1,085	1,464	1,348	1,194	861	815	1,120	995	975
Juveniles on Supervision at End of Year	274	195	174	93	83	88	85	53	47	32
Community Service Hours Done by Offenders	10,930	20,607	13,547	23,202	17,190	4,489	4,131	3,225	942	2,131
Investigations (Pre-Sentence, Pre-Trial, Pre-Release)	1,029	783	773	501	595	503	449	520	625	601
Human Services										
Minnesota Healthcare Cases	3,192	3,619	3,705	3,876	4,075	4,122	6,669	6,610	6,395	6,412
Health										
Number of Children Enrolled in Infant Follow-Along Program	865	788	777	647	634	521	462	413	447	343
Health Alerts from MDH redistributed to partners	N/A	N/A	N/A	N/A	N/A	N/A	19	13	20	11
Number of MDH supplied VFC and UUAV vaccinations given	934	811	1,079	1,085	1,119	1,409	1,480	1,384	1,616	1,559
Number of Youth Participated in Public Health Sponsored										
Conservation Of Natural Resources										
Extension Services Volunteers	150	127	115	173	185	218	186	221	200	248
Extension Services 4-H Enrollment	320	310	337	337	252	315	455	315	314	334
Extension Services 4-H Participants	2,010	2,328	2,128	1,681	1,743	1,848	2,110	2,261	1,937	1,882
Extension Services Nutrition Direct Participants	445	355	699	406	443	387	87#	74	81	143
Extension Services Nutrition Direct Contacts	N/A	N/A	1,517	1,353	1,181	1,683	182#	256	207	269
Environmental Services										
Landfill Tons	42,330	40,927	40,199	41,727	40,811	40,006	39,127	38,222	42,425	47,291
Demolition	5,381	3,999	3,873	4,425	5,544	6,642	3,995	4,133	4,862	5,096
Recycling Tons	7,372	9,991	9,755	6,285	6,362	7,170	7,136	7,183	7,043	7,193

* There were fewer adult misdemeanor cases opened in 2012 due to changes in how "failures to appear" are now processed by Court Administration, as well as new point of contact diversion processing.

†On July 1, 2011, many juvenile misdemeanor and traffic offenses became payable through the court. This significantly reduced the number of physical files we open, although we are still required to review and process the citations.

Nutrition position open 1.2014 to 6.2014.

N/A = Not Available

Source: Various County Departments

**RICE COUNTY
FARIBAULT, MINNESOTA
CAPITAL ASSETS STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS
(UNAUDITED)**

Function/Program	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Government Buildings	3	3	3	3	3	3	3	3	3	3
Public Safety Buildings	1	1	1	1	2	2	2	2	2	2
Highways:										
Miles	432	431	431	431	431	431	431	431	431	428
Buildings	10	10	10	10	10	10	10	10	10	10
Culture and Recreation:										
Parks Acreage	1,100	1,100	1,100	1,100	1,100	1,100	1,101	1,175	1,175	1,175
County Parks	10	10	10	10	10	10	10	11	11	11
Environmental Services:										
Buildings	3	3	3	3	3	3	4	4	4	4

Source: Various County Departments

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APPENDIX B

Form of Legal Opinion

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Rice County
Faribault, Minnesota

Northland Securities Inc.
Minneapolis, Minnesota

Re: \$ 4,570,000 General Obligation Capital Improvement Plan Bonds, Series 2019A
Rice County, Minnesota

Ladies and Gentlemen:

As Bond Counsel in connection with the authorization, issuance and sale by Rice County, Minnesota (the “County”), of the obligations described above, dated, as originally issued, as of January 8, 2019 (the “Bonds”), we have examined certified copies of certain proceedings taken, and certain affidavits and certificates furnished, by the County in the authorization, sale and issuance of the Bonds, including the form of the Bonds. As to questions of fact material to our opinion, we have assumed the authenticity of and relied upon the proceedings, affidavits and certificates furnished to us without undertaking to verify the same by independent investigation. From our examination of such proceedings, affidavits and certificates and on the basis of existing law, it is our opinion that:

1. The Bonds are valid and binding general obligations of the County, enforceable in accordance with their terms.
2. The principal of and interest on the Bonds are payable from ad valorem taxes heretofore duly levied or to be levied on all taxable property within the County, which have been pledged and appropriated for this purpose, but if necessary for the payment thereof, additional ad valorem taxes are required by law to be levied on all taxable property in the County, which additional taxes are not subject to any limitation of rate or amount.
3. Interest on the Bonds (a) is excludable from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the “Code”) and (b) is not an item of tax preference for purposes of the federal alternative minimum tax imposed by Section 55 of the Code.
4. Interest on the Bonds (a) is excludable from taxable net income of individuals, estates, and trusts for Minnesota income tax purposes and (b) is not an item of tax preference for purposes of the Minnesota alternative minimum tax imposed on individuals, trusts, and estates.
5. The County has designated the Bonds as “qualified tax-exempt obligations” within the meaning of Section 265(b)(3) of the Code, and financial institutions described in Section 265(b)(5) of the Code may treat the Bonds for purposes of Sections 265(b)(2) and 291(e)(1)(B) of the Code as if they were acquired on August 7, 1986.

The opinions expressed in paragraphs 1 and 2 above are subject, as to enforceability, to the effect of any state or federal laws relating to bankruptcy, insolvency, reorganization, moratorium or creditors’ rights and the application of equitable principles, whether considered at law or in equity.

The opinions expressed in paragraphs 3, 4, and 5 above are subject to the condition of the County’s compliance with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon may be, and continue to be, excluded from gross income for federal income tax purposes, and the Bonds be and continue to be qualified tax-exempt obligations. The County has covenanted to comply with these continuing requirements. Its failure to do so could result in the inclusion of interest on the Bonds in federal gross income and in Minnesota taxable net income, retroactive to the date of issuance of the Bonds. Except as stated herein, we express no

opinion regarding federal, state, or other tax consequences to the owner of the Bonds. We note, however, that notwithstanding the opinion expressed in paragraph 4 above, interest on the Bonds is included in net income of corporations and financial institutions for purposes of the Minnesota franchise tax.

We have not been asked, and have not undertaken, to review the accuracy, completeness or sufficiency of any offering materials relating to the Bonds, and, accordingly, we express no opinion with respect thereto. This opinion is given as of the date hereof and we assume no obligation to update, revise, or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Dated this ____ day of January, 2019.

Very truly yours,

APPENDIX C

Form of Continuing Disclosure Undertaking

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FORM OF CONTINUING DISCLOSURE

Continuing Disclosure. (a) **Purpose and Beneficiaries.** To provide for the public availability of certain information relating to the Bonds and the security therefor and to permit the Purchaser and other participating underwriters in the primary offering of the Bonds to comply with amendments to Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934 (17 C.F.R. § 240.15c2-12), relating to continuing disclosure (as in effect and interpreted from time to time, the Rule), which will enhance the marketability of the Bonds, the County hereby makes the following covenants and agreements for the benefit of the Owners (as hereinafter defined) from time to time of the outstanding Bonds. The County is the only obligated person in respect of the Bonds within the meaning of the Rule for purposes of identifying the entities in respect of which continuing disclosure must be made. If the County fails to comply with any provisions of this section, any person aggrieved thereby, including the Owners of any outstanding Bonds, may take whatever action at law or in equity may appear necessary or appropriate to enforce performance and observance of any agreement or covenant contained in this section, including an action for a writ of mandamus or specific performance. Direct, indirect, consequential and punitive damages shall not be recoverable for any default hereunder to the extent permitted by law. Notwithstanding anything to the contrary contained herein, in no event shall a default under this section constitute a default under the Bonds or under any other provision of this resolution. As used in this section, Owner or Bondowner means, in respect of a Bond, the registered owner or owners thereof appearing in the bond register maintained by the Registrar or any Beneficial Owner (as hereinafter defined) thereof, if such Beneficial Owner provides to the Registrar evidence of such beneficial ownership in form and substance reasonably satisfactory to the Registrar. As used herein, Beneficial Owner means, in respect of a Bond, any person or entity which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, such Bond (including persons or entities holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of the Bond for federal income tax purposes.

(b) **Information To Be Disclosed.** The County will provide, in the manner set forth in subsection (c) hereof, either directly or indirectly through an agent designated by the County, the following information at the following times:

- (1) on or before twelve (12) months after the end of each fiscal year of the County, commencing with the fiscal year ending December 31, 2018, the following financial information and operating data in respect of the County (the Disclosure Information):
 - (A) the audited financial statements of the County for such fiscal year, prepared in accordance with the governmental accounting standards promulgated by the Governmental Accounting Standards Board or as otherwise provided under Minnesota law, as in effect from time to time, or, if and to the extent such financial statements have not been prepared in accordance with such generally accepted accounting principles for reasons beyond the reasonable control of the County, noting the discrepancies therefrom and the effect thereof, and certified as to accuracy and completeness in all material respects by the fiscal officer of the County; and
 - (B) to the extent not included in the financial statements referred to in paragraph (A) hereof, the information for such fiscal year or for the period most recently available of the type contained in the Official Statement under the headings: "Property Valuations and Taxes – Property Values," "– Property Tax Levies and Collections" and "– Tax Rates," and "Indebtedness," which information may be unaudited.

Notwithstanding the foregoing paragraph, if the audited financial statements are not available by the date specified, the County shall provide on or before such date unaudited financial statements and, within 10 days after the receipt thereof, the County shall provide the audited financial statements. Any or all of the Disclosure Information may be incorporated by reference, if it is updated as required hereby, from other documents, including official statements, which have been submitted to the Municipal Securities Rulemaking Board (the MSRB) through its Electronic Municipal Market Access System (EMMA) or the SEC. The County shall clearly identify in the Disclosure Information each document so incorporated by reference. If any part of the Disclosure Information can no longer be generated because the operations

of the County have materially changed or been discontinued, such Disclosure Information need no longer be provided if the County includes in the Disclosure Information a statement to such effect; provided, however, if such operations have been replaced by other County operations in respect of which data is not included in the Disclosure Information and the County determines that certain specified data regarding such replacement operations would be a Material Fact (as defined in paragraph (2) hereof), then, from and after such determination, the Disclosure Information shall include such additional specified data regarding the replacement operations. If the Disclosure Information is changed or this section is amended as permitted by this paragraph (b)(1) or subsection (d), then the County shall include in the next Disclosure Information to be delivered hereunder, to the extent necessary, an explanation of the reasons for the amendment and the effect of any change in the type of financial information or operating data provided.

- (2) In a timely manner, not in excess of 10 business days after the occurrence of the event, to the MSRB through EMMA, notice of the occurrence of any of the following events (each a “Material Fact,” as hereinafter defined):
- (A) principal and interest payment delinquencies;
 - (B) non-payment related defaults, if material;
 - (C) unscheduled draws on debt service reserves reflecting financial difficulties;
 - (D) unscheduled draws on credit enhancements reflecting financial difficulties;
 - (E) substitution of credit or liquidity providers, or their failure to perform;
 - (F) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;
 - (G) modifications to rights of Bond holders, if material;
 - (H) Bond calls, if material and tender offers;
 - (I) defeasances;
 - (J) release, substitution, or sale of property securing repayment of the Bonds if material;
 - (K) rating changes;
 - (L) bankruptcy, insolvency, receivership, or similar event of the obligated person;
 - (M) the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
 - (N) appointment of a successor or additional trustee or the change of name of a trustee, if material.

As used herein, for those events that must be reported if material, an event is material if a substantial likelihood exists that a reasonably prudent investor would attach importance thereto in deciding to buy, hold or sell a Bond or, if not disclosed, would significantly alter the total information otherwise available to an investor from the Official Statement, information disclosed hereunder or information generally available to the public. Notwithstanding the foregoing sentence, an event is also material if it would be deemed material for purposes of the purchase, holding or sale of a Bond within the meaning of applicable federal securities laws, as interpreted at the time of discovery of the occurrence of the event.

For the purposes of the event identified in (L) hereinabove, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

- (3) In a timely manner, to the MSRB through EMMA, notice of the occurrence of any of the following events or conditions:
- (A) the failure of the County to provide the Disclosure Information required under paragraph (b)(1) at the time specified thereunder;
 - (B) the amendment or supplementing of this section pursuant to subsection (d), together with a copy of such amendment or supplement and any explanation provided by the County under subsection (d)(2);
 - (C) the termination of the obligations of the County under this section pursuant to subsection (d);
 - (D) any change in the accounting principles pursuant to which the financial statements constituting a portion of the Disclosure Information are prepared; and
 - (E) any change in the fiscal year of the County.

(c) Manner of Disclosure.

- (1) The County agrees to make available to the MSRB through EMMA, in an electronic format as prescribed by the MSRB, the information described in subsection (b).
- (2) All documents provided to the MSRB pursuant to this subsection (c) shall be accompanied by identifying information as prescribed by the MSRB from time to time.

(d) Term; Amendments; Interpretation.

- (1) The covenants of the County in this section shall remain in effect so long as any Bonds are outstanding. Notwithstanding the preceding sentence, however, the obligations of the County under this section shall terminate and be without further effect as of any date on which the County delivers to the Registrar an opinion of Bond Counsel to the effect that, because of legislative action or final judicial or administrative actions or proceedings, the failure of the County to comply with the requirements of this section will not cause participating underwriters in the primary offering of the Bonds to be in violation of the Rule or other applicable requirements of the Securities Exchange Act of 1934, as amended, or any statutes or laws successory thereto or amendatory thereof.
- (2) This section (and the form and requirements of the Disclosure Information) may be amended or supplemented by the County from time to time, without notice to (except as provided in paragraph (c)(2) hereof) or the consent of the Owners of any Bonds, by a resolution of this Board filed in the office of the recording officer of the County accompanied by an opinion of Bond Counsel, who may rely on certificates of the County and others and the opinion may be subject to customary qualifications, to the effect that: (i) such amendment or supplement (a) is made in connection with a change in circumstances that arises from a change in law or regulation or a change in the identity, nature or status of the County or the type of operations conducted by the County, or (b) is required by, or better complies with, the provisions of paragraph (b)(5) of the Rule; (ii) this section as so amended or supplemented would have complied with the requirements of paragraph (b)(5) of the Rule at the time of the primary offering of the Bonds, giving effect to any change in circumstances applicable under clause (i)(a) and assuming that the Rule as in effect and interpreted at the time of the amendment or supplement was in effect at the time of the primary offering; and (iii) such amendment or supplement does not materially impair the interests of the Bondowners under the Rule.

If the Disclosure Information is so amended, the County agrees to provide, contemporaneously with the effectiveness of such amendment, an explanation of the reasons for the amendment and the effect, if any, of the change in the type of financial information or operating data being provided hereunder.

- (3) This section is entered into to comply with the continuing disclosure provisions of the Rule and should be construed so as to satisfy the requirements of paragraph (b)(5) of the Rule.

