

MID-MINNESOTA DEVELOPMENT COMMISSION

FINANCIAL STATEMENTS

JUNE 30, 2018

CONWAY, DEUTH & SCHMIESING, PLLP
CPAS & ADVISORS
WILLMAR, MINNESOTA

MID-MINNESOTA DEVELOPMENT COMMISSION

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MID-MINNESOTA DEVELOPMENT COMMISSION

BOARD OF COMMISSIONERS
JUNE 30, 2018

Officers

Kevin Crowley
DuWayne Underthun
Robert Moller
Mike Housman

Title

Chairperson
Vice-Chairperson
Secretary
Treasurer

Board Members

Robert Anderson
* Cathy Baumgartner
Bob Becker
Jeff Benson
Frank Eder
Doug Erickson
Rick Fagerlie
Sue Hilgert
Doug Krueger
John Lofdahl
** Maureen Melgaard-Schneider
* Shawn Mueske
Rollie Nissen
Lorallen Schmeling
* Francis Schweiss

Staff

Donn Winckler

Title

Executive Director

* These Commission Members do not serve on the Board of Directors.

** Commission Member serves as ex-officio member



INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Mid-Minnesota Development Commission
Willmar, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Mid-Minnesota Development Commission as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 entity'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.

Willmar Office

331 Third St SW, Ste 2
PO Box 570
Willmar, MN 56201
(320) 235-3311
(888) 388-1040

Benson Office

1209 Pacific Ave, Ste 3
Benson, MN 56215
(320) 843-2302

Morris Office

401 Atlantic Ave
Morris, MN 56267
(320) 589-2602

Litchfield Office

820 Sibley Ave N
Litchfield, MN 55355
(320) 693-7975

Sartell Office

Ste 110
2351 Connecticut Ave
Sartell, MN 56377
(320) 252-7565
(800) 862-1337

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Mid-Minnesota Development Commission, as of June 30, 2018, and the respective changes in financial position and the respective budgetary comparison for the General Fund and the Revolving Loan Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Partial Comparative Information

We have previously audited the Commission's 2017 financial statements, and we expressed unmodified audit opinions on those audited financial statements in our report dated December 6, 2017. In our opinion, the partial comparative information presented herein as of and for the year ended June 30, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedules of Proportionate Share of the Net Pension Liability and Employer Contributions 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 and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Mid-Minnesota Development Commission's basic financial statements. The schedules listed in the table of contents as supplementary information and the Board of Commissioners page are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is also not a required part of the basic financial statements.

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

The Board of Commissioners listing 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 the information presented.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated January 23, 2019, on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 the Commission's internal control over financial reporting and compliance.

Conway, Deuth & Schmiesing, PLLP

CONWAY, DEUTH & SCHMIESING, PLLP
CPAS & ADVISORS
WILLMAR, MINNESOTA

January 23, 2019



MID-MINNESOTA DEVELOPMENT COMMISSION

Serving the People of Region Six East

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Mid-Minnesota Development Commission (Commission), we offer readers of these financial statements this narrative overview and analysis of the financial activities of the Commission for the fiscal year ended June 30, 2018. This section of the Commission's annual financial report represents management's discussion and analysis of the Commission's financial performance during the fiscal year that ended June 30, 2018. Please read it in conjunction with the Commission's audited financial statements.

FINANCEIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the Commission exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$1,179,716 (net position), of which \$768,598 is restricted in use.
- The General Fund fund balance decreased by \$12,463.
- There was a \$73,913 decrease in restricted fund balance in the Revolving Loan Special Revenue Fund.
- The Commission's Capital Assets (net of accumulated depreciation) is \$33,711 as of June 30, 2018.
- The Commission received \$327,064 in tax levy revenue for the year, which is used for local match to programs.
- As of the close of the current fiscal year, the General Fund reported an ending fund balance of \$835,929, a decrease of \$12,463 in comparison with the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Commission's basic financial statements. The financial statements consist of three parts: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

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

The Statement of Net Position presents information on all of the Commission's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position serve as a useful indicator of whether the financial position of the Commission is improving or deteriorating.

The Statement of Activities presents information showing how the government's net position changed during the most recent fiscal year.

The Commission has no component units.

MID-MINNESOTA DEVELOPMENT COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS

Fund financial statements - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Commission, like other similar governmental entities, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

General Fund - The General Fund is used to account for the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year.

Revolving Loan Special Revenue Fund – The Revolving Loan Special Revenue Fund accounts for funding from a number of grants, the majority of which came from the Economic Development Administration with some assistance from the State of Minnesota, the Southwest Minnesota Initiative Fund, and the four counties of the Mid-Minnesota Development Commission. In addition, the Commission contributed some of its own reserves to help fund the program. All loans are now from revolving funds.

Agency Fund – The Agency Fund is used to account for funds for which the Commission acts as Fiscal Agent for the Highway 23 Coalition.

The Commission adopts an annual budget for its General Fund. Budgetary comparison statements have been provided for its General Fund to demonstrate compliance with the budget.

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Commission, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$1,179,716 at June 30, 2018, as compared to \$1,227,494 at June 30, 2017. Approximately 2.86 percent of the Commission's net position reflects its investments in capital assets (computers, copiers, furniture, fixtures and vehicles). The Commission uses these capital assets to operate and to provide services; consequently, these assets are not available for future spending.

MID-MINNESOTA DEVELOPMENT COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS

The following table reflects the condensed Statement of Net Position:

MID-MINNESOTA DEVELOPMENT COMMISSION			
Statement of Net Position			
	<u>2018</u>	<u>2017</u>	<u>Change</u>
Current and Other Assets	\$ 1,968,894	\$ 2,049,660	\$ (80,766)
Capital Assets (Net of Accumulated Depreciation of \$61,600 and \$56,446 respectively)	<u>33,711</u>	<u>9,874</u>	<u>23,837</u>
Total Assets	2,002,605	2,059,534	(56,929)
Deferred Outflows of Resources			
Related to Pensions	<u>98,868</u>	<u>177,247</u>	<u>(78,379)</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 2,101,473</u>	<u>\$ 2,236,781</u>	<u>\$ (135,308)</u>
Current Liabilities	\$ 24,597	\$ 28,690	\$ (4,093)
Long-Term Liabilities	<u>438,342</u>	<u>533,519</u>	<u>(95,177)</u>
Total Liabilities	462,939	562,209	(99,270)
Deferred Inflows of Resources			
Property Tax Levied for Subsequent Years	336,758	327,002	9,756
Related to Pensions	<u>122,060</u>	<u>120,076</u>	<u>1,984</u>
Total Deferred Inflows	458,818	447,078	11,740
Net Position			
Net Investment in Capital Assets	33,711	9,874	23,837
Restricted for Revolving Loan Fund	768,598	842,511	(73,913)
Unrestricted	<u>377,407</u>	<u>375,109</u>	<u>2,298</u>
Total Net Position	<u>1,179,716</u>	<u>1,227,494</u>	<u>(47,778)</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 2,101,473</u>	<u>\$ 2,236,781</u>	<u>\$ (135,308)</u>

The unrestricted net position dollars may be used to meet the Commission's ongoing obligations.

Governmental Activities – Governmental activities decreased the Commission's net position by \$47,778. Key elements of this decrease were as follows:

MID-MINNESOTA DEVELOPMENT COMMISSION

Changes in Net Position

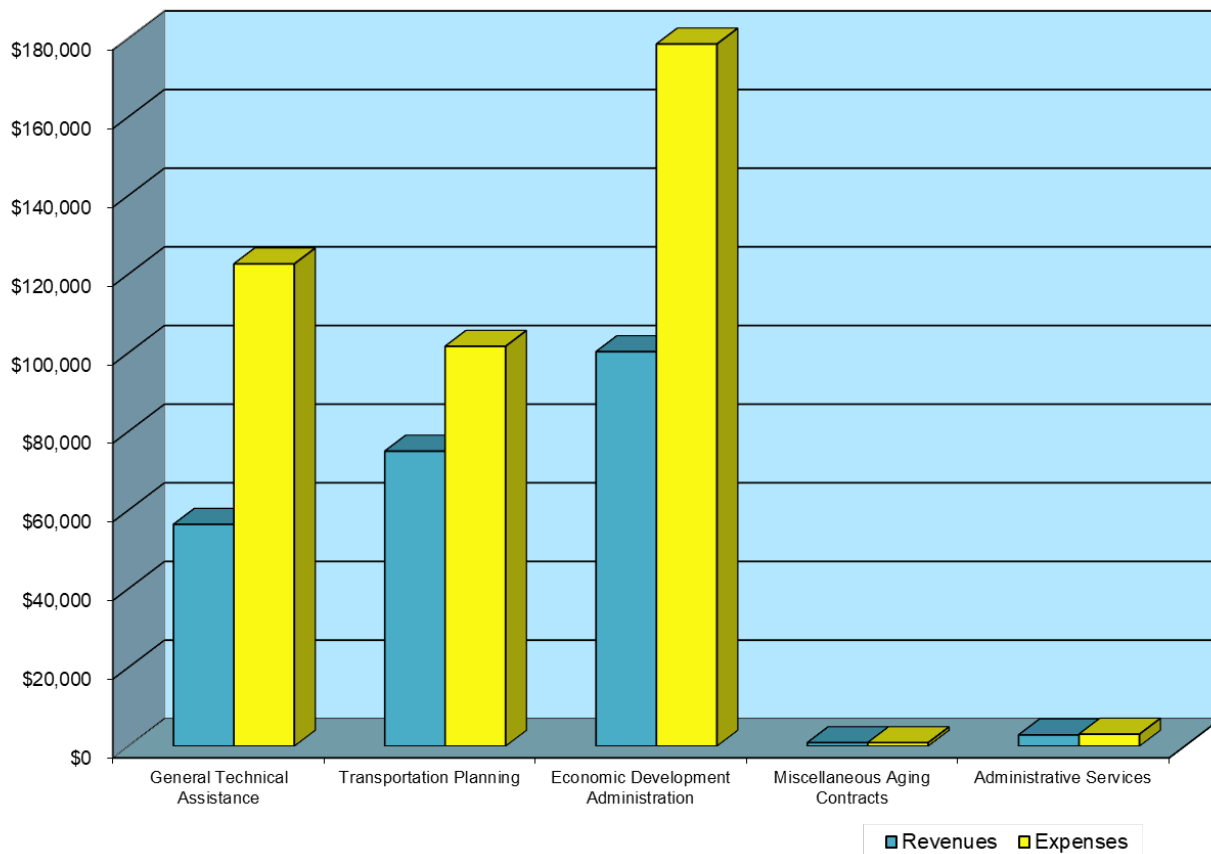
	<u>2018</u>	<u>2017</u>	<u>Change</u>
Revenues			
Program Revenues			
Charges for Services	\$ 90,592	\$ 97,016	\$ (6,424)
Operating Grants and Contributions	175,900	201,867	(25,967)
General Revenues			
Taxes	327,011	317,739	9,272
Investment Earnings	7,507	10,085	(2,578)
Other General Revenues	<u>412</u>	<u>140</u>	<u>272</u>
Total Revenues	<u>\$ 601,422</u>	<u>\$ 626,847</u>	<u>\$ (25,425)</u>
Expenses			
Administration	\$ 150,358	\$ 133,707	\$ 16,651
Technical Assistance	118,823	141,601	(22,778)
Transportation Planning	98,487	94,416	4,071
Economic Development Administration	172,916	166,118	6,798
Revolving Loan Fund Administration	104,788	26,361	78,427
Miscellaneous Aging Services	878	1,496	(618)
MBA Dementia Grant	0	36,291	(36,291)
Administrative Services	<u>2,950</u>	<u>4,105</u>	<u>(1,155)</u>
Total Expenses	<u>649,200</u>	<u>604,095</u>	<u>45,105</u>
Change in Net Position	(47,778)	22,752	(70,530)
Net Position, Beginning of Year	<u>1,227,494</u>	<u>1,204,742</u>	<u>22,752</u>
Net Position, End of Year	<u>\$ 1,179,716</u>	<u>\$ 1,227,494</u>	<u>\$ (47,778)</u>

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

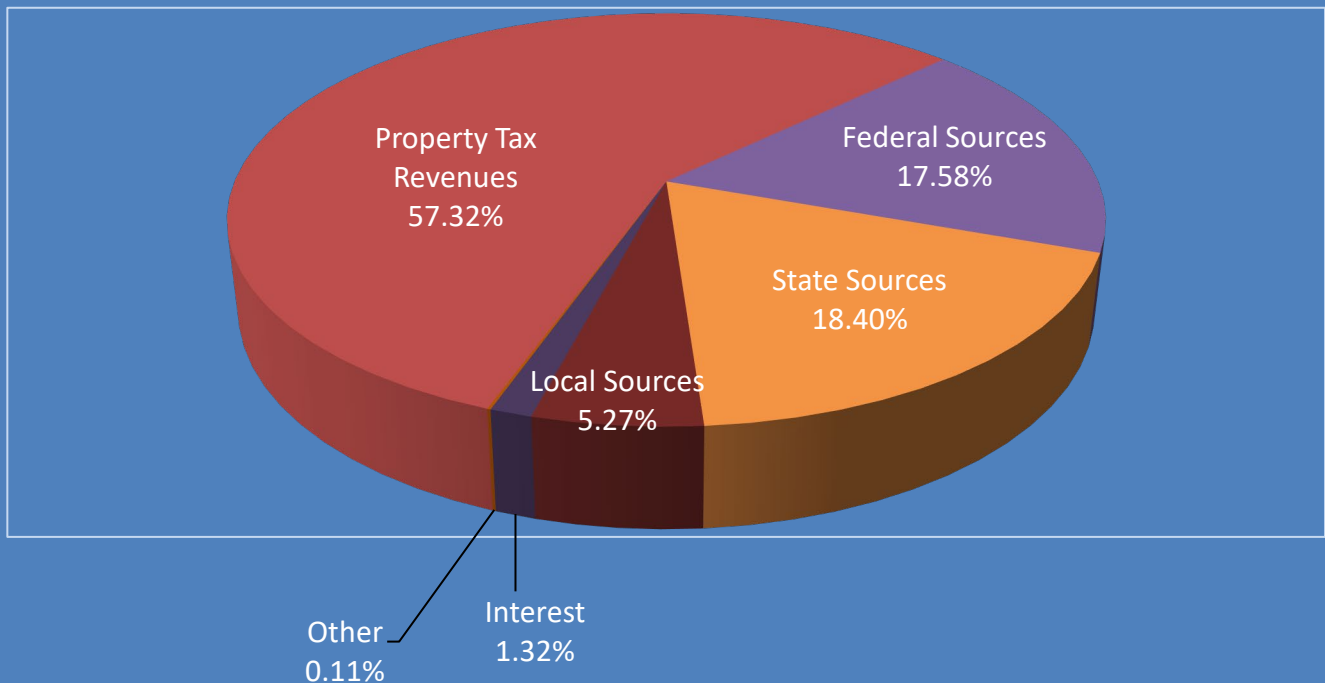
As noted earlier, the Commission uses fund accounting to ensure and demonstrate compliance with financial related legal requirements.

General Fund - As of the end of the current fiscal year, the Commission's General Fund reported an ending fund balance of \$835,929, a decrease of \$12,463, in comparison with \$848,392 the prior year. Approximately 42 percent of this total amount, \$353,183, constitutes unassigned fund balance, which is available for spending at the Commission's discretion. Nonspendable items make up just under one (.48) percent of the total for items including postage and prepaid expenses at \$4,035. Committed funds for Unemployment are \$30,000, committed funds for Employee Health are \$25,000, committed funds for Operating Capital is \$240,000, committed funds for Building is \$70,000, committed funds for Regional Planning is \$50,000, and committed funds for Local Services Assistance has a balance of \$63,711.

**FY 2018
 Grant and Contract Revenues and Expenses - General Fund**



FY 2018 Revenues by Activity - General Fund



Special Revenue Fund - As of the end of the current fiscal year, the Commission's special revenue fund reported an ending fund balance of \$768,598, a decrease of \$73,913, in comparison with \$842,511 the prior year. Revolving loan program assets are not available to pay for current period expenditures.

BUDGETARY HIGHLIGHTS

The following is a review of significant differences between budget and actual.

The actual expenditures for the general fund were over budget by \$24,629. The actual revenue received was \$11,129 over budget. The actual revenue over expenditures was \$13,500 under budget.

CAPITAL ASSET ADMINISTRATION

Capital Assets - The Commission's investment in capital assets for its activities as of June 30, 2018 was \$33,711 (net of accumulated depreciation). This investment in capital assets includes: equipment, furniture, fixtures and vehicles.

Additional information on the Commission's capital assets can be found in Note 5.

LONG-TERM LIABILITIES

The following is a review of the Commission's long-term debt.

The Vacation, Sick Leave, and Comp Time Payable portion of MMDC's long-term debt consisting of unused time at June 30, 2018 increased by \$2,015 during the fiscal year through an increase in balances of unused leave.

The Pension Benefit Payable portion of MMDC's long-term debt decreased by \$97,192 over the prior year. This represents GASB 68, Accounting and Financial Reporting for Pensions, which records the Commission's proportionate share of collective net pension liability, deferred inflows of resources, deferred outflows of resources, and pension expense on the Commission's government-wide financial statements.

Additional information on the Commission's long-term liabilities can be found in Note 7.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Pursuant to the Regional Development Act of Minnesota, M.S. 462.396 Subdivision 2, the Commission's budget includes an ad volorem tax levy. This levy is stable and set by the Commission at its annual meeting.

Although the Commission is currently in a healthy financial position, staff and commissioners continue to explore new opportunities to serve the needs within Region 6E. By looking for opportunities to provide needed dynamic service within the Region, the Commission will continue to be financially secure in the future. One such opportunity currently being studied is the creation of a Mid-Minnesota Regional Transportation Coordination Council. If approved, it would begin in fiscal year 2020.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Commission's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or request for additional information should be addressed to the Financial Director, Mid-Minnesota Development Commission, 333 Sixth Street SW, Suite 2, Willmar MN 56201-5615 or by telephone at 320-235-8504, ext. 223.

Sincerely,

Donn Winckler

Donn Winckler,
Executive Director

Sue Gimse

Sue Gimse,
Financial Director

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MID-MINNESOTA DEVELOPMENT COMMISSION

STATEMENT OF NET POSITION

JUNE 30, 2018

WITH PARTIAL COMPARATIVE AMOUNTS AS OF JUNE 30, 2017

	Governmental Activities	
	2018	2017
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Assets		
Cash	\$ 902,749	\$ 1,160,188
Investments	303,433	2,277
Taxes Receivable		
Current	146,623	146,519
Delinquent	3,012	3,065
Accrued Interest Receivable	475	626
Due from Other Governments	27,537	52,910
Loans Receivable, Net of Reserve for Loan Losses	581,030	676,176
Prepaid Items	4,035	7,899
Capital Assets, Net of Accumulated Depreciation	33,711	9,874
Total Assets	<u>2,002,605</u>	<u>2,059,534</u>
Deferred Outflows of Resources		
Related to Pensions	98,868	177,247
Total Assets and Deferred Outflows of Resources	<u>\$ 2,101,473</u>	<u>\$ 2,236,781</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
Liabilities		
Accounts Payable	\$ 3,639	\$ 7,782
Due to Other Governments		50
Unearned Revenue		
Local Sources	20,958	20,858
Long-Term Liabilities		
Due in More Than One Year	438,342	533,519
Total Liabilities	<u>462,939</u>	<u>562,209</u>
Deferred Inflows of Resources		
Property Taxes Levied for Subsequent Year	336,758	327,002
Related to Pensions	122,060	120,076
Total Deferred Inflows of Resources	<u>458,818</u>	<u>447,078</u>
Net Position		
Net Investment in Capital Assets	33,711	9,874
Restricted for		
Revolving Loan Fund	768,598	842,511
Unrestricted	377,407	375,109
Total Net Position	<u>1,179,716</u>	<u>1,227,494</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 2,101,473</u>	<u>\$ 2,236,781</u>

See Accompanying Notes to the Financial Statements

MID-MINNESOTA DEVELOPMENT COMMISSION

BALANCE SHEET
 GOVERNMENTAL FUNDS
 JUNE 30, 2018
 WITH PARTIAL COMPARATIVE AMOUNTS AS OF JUNE 30, 2017

	General	Revolving Loan Special Revenue	Total Governmental Funds	
			2018	2017
ASSETS				
Cash	\$ 684,878	\$ 217,871	\$ 902,749	\$ 1,160,188
Investments	303,433		303,433	2,277
Taxes Receivable				
Current	146,623		146,623	146,519
Delinquent	3,012		3,012	3,065
Accrued Interest Receivable	475		475	626
Due from Other Funds	30,303		30,303	27,587
Due from Other Governments	27,537		27,537	52,910
Loans Receivable, Net of Reserve for Loan Losses		581,030	581,030	676,176
Prepaid Items	4,035		4,035	7,899
Total Assets	\$ 1,200,296	\$ 798,901	\$ 1,999,197	\$ 2,077,247
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE				
Liabilities				
Accounts Payable	\$ 3,639	\$	\$ 3,639	\$ 7,782
Due to Other Funds		30,303	30,303	27,587
Due to Other Governments				50
Unearned Revenue				
Local Sources	20,958		20,958	20,858
Total Liabilities	24,597	30,303	54,900	56,277
Deferred Inflows of Resources				
Unavailable Revenue - Delinquent Taxes	3,012		3,012	3,065
Property Taxes Levied for Subsequent Year	336,758		336,758	327,002
Total Deferred Inflows of Resources	339,770	0	339,770	330,067
Fund Balance				
Nonspendable	4,035		4,035	7,899
Restricted				
Revolving Loan Fund		768,598	768,598	842,511
Committed				
Employee Health	25,000		25,000	25,000
Unemployment	30,000		30,000	30,000
Operating Capital	240,000		240,000	240,000
Building	70,000		70,000	70,000
Local Services Assistance	63,711		63,711	63,711
Regional Planning	50,000		50,000	50,000
Unassigned	353,183		353,183	361,782
Total Fund Balance	835,929	768,598	1,604,527	1,690,903
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 1,200,296	\$ 798,901	\$ 1,999,197	\$ 2,077,247

See Accompanying Notes to the Financial Statements

MID-MINNESOTA DEVELOPMENT COMMISSION

RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2018
WITH PARTIAL COMPARATIVE AMOUNTS AS OF JUNE 30, 2017

	<u>2018</u>	<u>2017</u>
Total Fund Balances - Governmental Funds	\$ 1,604,527	\$ 1,690,903
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.		
Governmental Capital Assets	95,311	66,320
Less: Accumulated Depreciation	(61,600)	(56,446)
Some of the Commission's property taxes and loans receivable will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as deferred inflows of resources in the funds.		
	3,012	3,065
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.		
Deferred Outflows of Resources Related to Pensions	98,868	177,247
Deferred Inflows of Resources Related to Pensions	(122,060)	(120,076)
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.		
Pension Benefit Payable	(357,500)	(454,692)
Compensated Absences	(80,842)	(78,827)
Total Net Position - Governmental Activities	<u>\$ 1,179,716</u>	<u>\$ 1,227,494</u>

MID-MINNESOTA DEVELOPMENT COMMISSION

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2018
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED 2017

	General	Revolving Loan Special Revenue	Total Governmental Funds	
			2018	2017
REVENUES				
Property Tax Levies	\$ 327,064	\$	\$ 327,064	\$ 318,066
Federal Sources	100,303		100,303	116,662
State Sources	105,021		105,021	111,294
Local Sources	30,101		30,101	26,912
Interest	7,507	30,875	38,382	39,731
Other	604		604	14,510
Total Revenues	<u>570,600</u>	<u>30,875</u>	<u>601,475</u>	<u>627,175</u>
EXPENDITURES				
Current				
Administration	147,340		147,340	124,581
Technical Assistance	122,616		122,616	144,518
Transportation Planning	101,669		101,669	96,322
Economic Development Administration	178,521		178,521	168,265
Revolving Loan Fund Administration		104,788	104,788	27,587
Miscellaneous Aging Services	878		878	1,496
MBA Dementia Grant				36,294
Administrative Services	3,048		3,048	4,191
Total Current	<u>554,072</u>	<u>104,788</u>	<u>658,860</u>	<u>603,254</u>
Capital Outlay	28,991		28,991	4,665
Total Expenditures	<u>583,063</u>	<u>104,788</u>	<u>687,851</u>	<u>607,919</u>
Net Change in Fund Balances	(12,463)	(73,913)	(86,376)	19,256
FUND BALANCE, BEGINNING OF YEAR	<u>848,392</u>	<u>842,511</u>	<u>1,690,903</u>	<u>1,671,647</u>
FUND BALANCE, END OF YEAR	<u>\$ 835,929</u>	<u>\$ 768,598</u>	<u>\$ 1,604,527</u>	<u>\$ 1,690,903</u>

See Accompanying Notes to the Financial Statements

MID-MINNESOTA DEVELOPMENT COMMISSION

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018
WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED 2017

	<u>2018</u>	<u>2017</u>
Total Net Change in Fund Balances - Governmental Funds	\$ (86,376)	\$ 19,256
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p> <p>Capital outlay is reported in governmental funds as expenditures. However in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.</p>		
Capital Outlays	28,991	4,665
Depreciation Expense	(5,154)	(1,604)
Disposal of Capital Assets		(11,000)
Accumulated Depreciation on Disposed Capital Assets		6,333
<p>Delinquent property taxes receivable and loans receivable will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.</p>		
	(53)	(327)
<p>Some expenses reported in the Statement of Activities do not require the use of current resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Pension Expense	16,829	10,502
Compensated Absences	<u>(2,015)</u>	<u>(5,073)</u>
Change in Net Position - Governmental Activities	<u>\$ (47,778)</u>	<u>\$ 22,752</u>

MID-MINNESOTA DEVELOPMENT COMMISSION

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 GENERAL FUND
 YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual	Over (Under) Final Budget
	Original	Final		
REVENUES				
Local Property Tax Levies	\$ 317,000	\$ 325,000	\$ 327,064	\$ 2,064
Federal Sources	98,222	100,127	100,303	176
State Sources	75,000	75,000	105,021	30,021
Local Sources	44,412	49,800	30,101	(19,699)
Interest and Dividends	9,100	7,443	7,507	64
Other	2,101	2,101	604	(1,497)
Total Revenues	545,835	559,471	570,600	11,129
EXPENDITURES				
Current				
Administration	131,942	142,391	147,340	4,949
Technical Assistance	170,187	119,438	122,616	3,178
Transportation Planning	87,732	107,949	101,669	(6,280)
Economic Development Administration	170,261	181,829	178,521	(3,308)
Miscellaneous Aging Services	486	878	878	
Administrative Services	930	2,757	3,048	291
Total Current	561,538	555,242	554,072	(1,170)
Capital Outlay	2,500	3,192	28,991	25,799
Total Expenditures	564,038	558,434	583,063	24,629
Net Change in Fund Balances	\$ (18,203)	\$ 1,037	(12,463)	\$ (13,500)
FUND BALANCE, BEGINNING OF YEAR			848,392	
FUND BALANCE, END OF YEAR			<u>\$ 835,929</u>	

See Accompanying Notes to the Financial Statements

MID-MINNESOTA DEVELOPMENT COMMISSION

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 REVOLVING LOAN SPECIAL REVENUE FUND
 YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual	Over (Under) Final Budget
	Original	Final		
REVENUES				
Interest and Fees	\$	\$	\$ 30,875	\$ 30,875
EXPENDITURES				
Current				
Revolving Loan Fund Administration				
Administration			30,303	30,303
Bad Debts			74,485	74,485
	<u>0</u>	<u>0</u>	<u>104,788</u>	<u>104,788</u>
Net Change in Fund Balances	<u>\$ 0</u>	<u>\$ 0</u>	(73,913)	<u>\$ (73,913)</u>
FUND BALANCE, BEGINNING OF YEAR			<u>842,511</u>	
FUND BALANCE, END OF YEAR			<u>\$ 768,598</u>	

See Accompanying Notes to the Financial Statements

MID-MINNESOTA DEVELOPMENT COMMISSION

STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUND
JUNE 30, 2018

ASSETS

Cash

\$ 38,221

LIABILITIES

Due to Other Agencies

\$ 38,221

MID-MINNESOTA DEVELOPMENT COMMISSION

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Mid-Minnesota Development Commission are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The GASB pronouncements are recognized as accounting principles generally accepted in the United States of America. The more significant of the government's accounting policies are described below.

A. REPORTING ENTITY

The Mid-Minnesota Development Commission provides services in the counties of Kandiyohi, McLeod, Meeker, and Renville.

The Commission was established pursuant to Minn. Stat. §462.381 through §462.398. The purpose of the Commission is to facilitate intergovernmental cooperation and ensure orderly and harmonious coordination of state, federal and local comprehensive planning and development programs for the solution of economic, social, physical, and intergovernmental problems of the state and its citizens.

The financial statements present the Commission and its component units. The Commission includes all funds, organizations, institutions, agencies, departments and offices that are not legally separate from such. Component units are legally separate organizations for which the elected officials of the Commission are financially accountable, or for which the exclusion of the component unit would render the financial statements of the Commission misleading.

The criteria used to determine if the Commission is financially accountable for a component unit includes whether or not 1) the Commission appoints the voting majority of the potential component unit's governing body and is able to impose its will on the potential component unit or is in a relationship of financial benefit or burden with the potential component unit, or 2) the potential component unit is fiscally dependent on and there is a potential for the potential component unit to provide specific financial benefits to, or impose specific financial burdens on, the Commission.

As a result of applying the component unit definition criteria above, it has been determined the Commission has no component units.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) display information about the reporting government as a whole. These statements include all the financial activities of the Commission except for the fiduciary fund. The fiduciary fund is only reported at the fund financial statement level.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Indirect costs are an allocation of administrative costs based on an approved allocation plan. Program revenues include 1) charges to customers including fees charged for registrations, applications and closing costs, interest received on loan repayments, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

MID-MINNESOTA DEVELOPMENT COMMISSION

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Cont'd)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Elimination of all charges would distort the direct costs and program revenue reported for the various functions concerned.

Separate financial statements are provided for governmental and fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. Fiduciary funds are presented in the fiduciary fund financial statements by type. Since by definition, fiduciary fund assets are being held for the benefit of a third party and cannot be used for activities or obligations of the Commission, these funds are excluded from the government-wide financial statements.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

The governmental fund financial statements are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting, in which revenues are recognized when they become measurable and available. Revenues are considered to be measurable when the amount of the transaction can be determined and available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period.

Property tax revenue is generally considered as available if collected within 60 days after year-end. State revenue is recognized in the year to which it applies according to Minnesota Statutes and accounting principles generally accepted in the United States of America. Minnesota Statutes include state aid funding formulas for specific fiscal years. Federal revenue is recorded in the year in which the related expenditure is made. Other miscellaneous revenues (except interest earnings) are recorded as revenues when received because they are generally not measurable until then. Interest earnings are recorded when earned because they are measurable and available. A six-month availability period is generally used for other fund revenue.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and claims and judgments are recorded only when payment is due. The Commission does not use encumbrances for either budgeting or financial reporting purposes.

It is generally the Commission's policy to use restricted resources first, then unrestricted resources as they are needed when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

MID-MINNESOTA DEVELOPMENT COMMISSION

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (Cont'd)

Description of Funds

The accounts of the Commission are organized on the basis of funds, each of which is considered a separate accounting entity. A description of the funds included in this report is as follows:

Major Governmental Funds:

The General Fund is used to account for all financial resources except those required to be accounted for in another fund. It includes the general operations of the Commission, as well as the capital related activities such as maintenance of equipment and facilities and equipment purchases. It consists of the following cost centers:

1. Administration - This cost center receives financial support from sources not legally restricted to expenditures for specific purposes. Revenue sources are property taxes and miscellaneous revenue. This cost center finances many programs, such as general technical assistance and administration. It provides the financial support in meeting the matching requirements.
2. Technical Assistance - This cost center accounts for assistance to local units of government, public and semi-public agencies, and private enterprise for the purpose of stimulating community and economic development.
3. Transportation Planning - This cost center accounts for a grant received from the Minnesota Department of Transportation for work in planning and implementing a balanced transportation system.
4. Economic Development Administration - This cost center accounts for a grant received from the U.S. Department of Commerce, Economic Development Administration, for work in the region's economic development activities and for the administration oversight of the EDA Revolving Loan Fund for the economic development district of Kandiyohi, Meeker, McLeod, and Renville counties.
6. Miscellaneous Aging Services: Falls Prevention - PrimeWest - This cost center accounts for a grant received through PrimeWest Health Care to provide an organized approach to designing a falls intervention program in McLeod, Meeker, and Renville Counties.
7. MBA Dementia Grant - This cost center accounts for a grant received through the Minnesota Board on Aging to increase the public's awareness of Alzheimer's disease and other dementias and to connect informal caregivers of persons with dementia to services, education and resources.

MID-MINNESOTA DEVELOPMENT COMMISSION

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (Cont'd)

Description of Funds (Cont'd)

Major Governmental Funds: (Cont'd)

8. Administrative Services - This includes the following cost centers:
 - a. Falls Prevention - This cost center accounts for the administrative services provided to the PrimeWest grant independent of the program services provided. Dollars to fund this are provided by the Falls Prevention grant, charged on an hourly basis.
 - b. Highway 23 Coalition - This cost center accounts for a contract to provide administrative services for the Highway 23 Coalition. Services are charged to the Highway 23 Coalition on an hourly basis.
 - c. MBA Dementia Grant - This cost center accounts for administrative services to administer the MBA Dementia Grant. Services are charged to the West Central Dementia Awareness Network on an hourly basis.

The Revolving Loan Special Revenue Fund accounts for funding from a number of grants, the majority of which comes from the Economic Development Administration with some assistance from the State of Minnesota, the Southwest Minnesota Initiative Fund, and the four counties of the Mid-Minnesota Development Commission. In addition, the Commission contributed some of its own reserves to help fund the program. All loans are now from revolving funds.

Fiduciary Fund:

The Agency Fund is used to account for funds for which the Commission acts as Fiscal Agent for the Highway 23 Coalition.

MID-MINNESOTA DEVELOPMENT COMMISSION

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

D. BUDGETS AND BUDGETARY ACCOUNTING

Budgets presented in this report for comparison to actual amounts are in accordance with accounting principles generally accepted in the United States of America. Reported budget amounts represent the originally adopted and final budgets. Revisions to the budgeted amounts must be approved by the Commission.

Total fund expenditures in excess of the budget require approval of the Commission. Spending control is established by the amount of expenditures budgeted for the fund, but management control is exercised at line item levels.

Unencumbered expenditure appropriations lapse at year-end. Encumbrances are not recorded.

E. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, NET POSITION AND FUND BALANCE

Cash and Investments:

The Commission's cash and cash equivalents are considered to be cash on hand, deposits and highly liquid debt instruments purchased with original maturities of three months or less from the date of acquisition.

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

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

Cash and investments consist of demand deposit accounts, non-negotiable certificates of deposit, and the 4M Fund.

MID-MINNESOTA DEVELOPMENT COMMISSION

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

E. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, NET POSITION AND FUND BALANCE (Cont'd)

Cash and Investments: (Cont'd)

The Commission categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs.

The Commission invests in an external investment pool, the Minnesota Municipal Money Market Fund (4M Fund), which is created under a joint powers agreement pursuant to Minn. Stat. §471.59. The 4M Fund is not registered with the Securities Exchange Commission (SEC), but does satisfy the requirements of Rule 2a-7 prescribed by the SEC pursuant to the Investment Company Act of 1940 (17 CFR §270.2a-7), as amended. The investment in the pool is measured at the net asset value per share provided by the pool.

The Commission has an investment policy in place that addresses interest rate risk, credit risk, concentration of credit risk and custodial credit risk as follows:

Custodial Credit Risk-Deposits: Custodial credit risk is the risk that in the event of bank failure, the Commission's deposits may not be returned to it. Minnesota Statutes require all Commission deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds.

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

Custodial Credit Risk-Investments: For an investment, this is the risk that in the event of the failure of the counterparty, the Commission will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Commission's investment policy on custodial credit risk states securities shall be held in third party safekeeping by an institution designated as custodial agent. The institution or dealer shall issue a safekeeping receipt to the Commission listing the specific instrument, the rate, the maturity date and other pertinent information related to the securities held.

Interest Rate Risk. This is the risk that the market value of securities will fall due to the change in market interest rates. The Commission's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The policy follows an investment strategy to earn market rates of return while preserving and protecting capital.

MID-MINNESOTA DEVELOPMENT COMMISSION

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

E. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, NET POSITION AND FUND BALANCE (Cont'd)

Cash and Investments: (Cont'd)

Credit Risk. This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Commission may invest in the following types of investments as authorized by Minn. Stat. §§118A.04 and 118A.05: securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities or organizations created by an act of Congress, except mortgage-backed securities defined as "high risk" by Minn. Stat. §118A.04, subd. 6; mutual funds through shares of registered investment companies provided the mutual fund received certain ratings depending on its investment; 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; bankers' acceptances of United States banks; 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 with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

Concentration Risk. This is the risk of loss attributed to the magnitude of an investment in a single issuer. The Commission places no limit on the amount the Commission may invest in any one issuer.

Current Taxes Receivable:

Current taxes receivable represent current real and personal property tax levies, certified the previous September and collectible in the current year, which have not been received by the Commission.

Delinquent Taxes Receivable:

Delinquent taxes receivable represent taxes collectible in the years 2011 to 2017 that remain uncollected. They are equally offset by a deferred inflow of resources amount in the fund financial statements.

Due To And Due From Other Funds:

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund transactions and balances are eliminated in the government-wide statements.

Prepaid Items:

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepayments. Prepaid items are reported using the consumption method and recorded as an expense or expenditure at the time of consumption.

Property Taxes Levied for Subsequent Year:

Current levies of local taxes, less the amount recognized as revenue in the current period, including portions assumed by the state which will be recognized as revenue in the next fiscal year beginning July 1, 2018, are included in this account to indicate that, while they are current assets, they will not be recognized as revenue until the following year.

MID-MINNESOTA DEVELOPMENT COMMISSION

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

E. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, NET POSITION AND FUND BALANCE (Cont'd)

Capital Assets:

Tangible and intangible capital assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The Commission maintains a threshold level of \$500 or more for capitalizing tangible and intangible capital assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Tangible and intangible capital assets are reported in the government-wide financial statements, but are not reported in the governmental fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Useful lives vary from 3 to 10 years for equipment and furnishings.

The Commission does not possess any material amounts of infrastructure capital assets.

The Commission does not possess any material amounts of intangible capital assets.

Loans Receivable:

Loans receivable consist of loans to various business enterprises in the allowable four county area. Loans receivable are secured by one or more of the following: accounts receivable, inventory, equipment, real estate, and personal guarantees. Interest income is accrued on the unpaid principal balance and related fees are recorded as earned. Interest earnings and repaid principal allow for new loans to be made.

Deferred Outflows of Resources:

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represents a consumption of net position that applies to a future reporting period. During that future period, it will be recognized as an outflow of resources (expense/expenditure). The Commission has one item that qualifies for reporting in this category on the government-wide Statement of Net Position which is related to pensions.

Pensions:

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, 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.

Postemployment Benefits Other Than Pensions:

Vacation Pay:

Employees earn annual vacation pay at a rate of 3.33 hours up to 7.0 hours per pay period on a pro-rated basis. All outstanding unpaid vacation pay is payable upon termination of employment. Unpaid vacation pay totaling \$25,879 is recorded as a component of accrued compensated absences included in long-term liabilities.

MID-MINNESOTA DEVELOPMENT COMMISSION

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

E. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, NET POSITION AND FUND BALANCE (Cont'd)

Postemployment Benefits Other Than Pensions: (Cont'd)

Sick Leave Pay:

Employees earn sick leave at a rate of 4.0 hours per pay period on a pro-rated basis. Outstanding unpaid sick leave pay is payable upon termination of employment at a rate ranging from 0% to 50%. Unpaid sick leave pay totaling \$45,203 is recorded as a component of accrued compensated absences included in long-term liabilities.

Comp Time Pay:

Non-exempt employees can earn compensatory time off at a one and one-half ratio for hours worked in excess of 40 hours per week. Exempt employees earn compensatory time off at a one to one ratio for hours worked in excess of 40 hours per week. Unpaid comp time pay totaling \$9,760 is recorded as a component of accrued compensated absences included in long-term liabilities.

Other Postemployment Benefits:

Per Minnesota Statutes, the Commission allows all retired employees to stay on their health care plan; however, due to the fact the Commission has less than 50 employees, the Commission is allowed to charge the actual costs of the plan rather than the standard premium amount; therefore, there is no implicit rate subsidy liability.

Unearned Revenues:

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and certain other payments received before eligibility requirements are met are also recorded as unearned revenue.

Deferred Inflows of Resources:

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources represents an acquisition of net position that applies to a future reporting period. During that future period, it will be recognized as an inflow of resources (revenue). The Commission has items that qualify for reporting in this category on both the government-wide Statement of Net Position and the governmental fund financial statements related to property taxes and pensions.

Fund Balance:

In the fund financial statements, fund balance is divided into five classifications based primarily on the extent to which the Commission is bound to observe constraints imposed upon the use of resources reported in governmental funds. These classifications are as follows:

Nonspendable - consists of amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact, such as, inventories and prepaid items.

Restricted - consists of amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions.

MID-MINNESOTA DEVELOPMENT COMMISSION

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

E. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, NET POSITION AND FUND BALANCE (Cont'd)

Fund Balance: (Cont'd)

Committed - consists of amounts that are constrained for specific purposes that are internally imposed by formal action of the Board of Commissioners. Those committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. These constraints are established by Resolution of the Board of Commissioners.

Assigned - consists of amounts intended to be used by the Commission for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the governing body itself or by an official to which the governing body delegates the authority. Pursuant to Commission Policy, the Executive Director and/or the Finance Director are authorized to establish assignments of fund balance.

Unassigned - is the residual classification for the General Fund and also reflects negative residual amounts in the remaining governmental funds.

The Commission requires restricted amounts to be spent first when both restricted and unrestricted fund balance is available. Additionally, the Commission would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

Net Position:

Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources in the government-wide and fiduciary fund financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net position is reported as restricted in the government-wide and fiduciary fund financial statements when there are limitations on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Unrestricted net position consists of all other net position that does not meet the definition of restricted or net investment in capital assets.

F. REVENUES AND EXPENDITURES

Revenues:

Property tax levies are established by the Board of Commissioners each year and are certified to the counties for collection in the following calendar year. In Minnesota, counties act as collection agents for all property taxes. The counties spread all levies over taxable property. Such taxes become a lien on January 1. Taxes are due on May 15 and October 15. The counties generally remit taxes to the Commission at periodic intervals as they are collected. A portion of property taxes levied is paid through various state tax credits which are included in revenue from state sources in the governmental fund financial statements.

MID-MINNESOTA DEVELOPMENT COMMISSION

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

F. REVENUES AND EXPENDITURES (Cont'd)

Revenues: (Cont'd)

Generally, tax revenue is recognized in the fiscal year ending June 30, following the calendar year in which the tax levy is collectible, while the current calendar year tax levy is recorded as deferred inflow of resources (property taxes levied for subsequent year).

Tax levies from prior years that remain unpaid are classified as delinquent taxes receivable. Revenue from these delinquent property taxes that is not collected within 60 days after year-end is reported as a deferred inflow of resources at the fund level because it is not known to be available to finance the operations of the Commission in the current year. No allowance for uncollectible taxes has been provided as such amounts are not expected to be material. Current levies of local taxes, less the amount recognized as revenue in the current period, including portions assumed by the State which will be recognized as revenue in the next fiscal year beginning July 1, 2018 are included in Property Taxes Levied for Subsequent Year to indicate that, while they are current assets, they will not be recognized as revenue until the following year.

Expenditures:

Expenditure recognition for governmental fund types is limited to amounts represented by current liabilities. Long-term liabilities are not recognized as governmental fund expenditures or liabilities.

G. USE OF ESTIMATES

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

H. ALLOWANCE FOR DOUBTFUL LOANS

The Commission provides an allowance for doubtful loans which is offset against the gross amount of the loan. The allowance is an estimate of collection losses that may occur in the collection of all outstanding loans and is based upon historical experience along with management's review of the status of existing receivables. The reported allowance for doubtful loans was \$100,000.

	Revolving Loan Fund
	<hr/>
Loans Receivable, Gross	\$ 681,030
Less Allowance for Doubtful Loans	<u>(100,000)</u>
Loans Receivable, Net	<u>\$ 581,030</u>

MID-MINNESOTA DEVELOPMENT COMMISSION

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

I. PRIOR YEAR INFORMATION

The basic financial statements include certain prior-year partial comparative information in total but not at the level of detail required for a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended June 30, 2017, from which the partial information was derived.

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. VIOLATIONS OF FINANCE-RELATED OBLIGATIONS

There were no violations of finance-related obligations.

B. DEFICIT FUND BALANCES

The Commission had no deficit fund balances.

C. EXCESS OF EXPENDITURES OVER BUDGET

The Revolving Loan Special Revenue Fund had excess expenditures over budget of \$104,788.

NOTE 3. DEPOSITS AND INVESTMENTS

Deposits and investments were as follows:

	<u>Book Balance</u>
<u>Governmental Activities</u>	
Deposits and Investments	
Cash in Bank Accounts	\$ 650,016
Petty Cash	300
Non-negotiable Certificate of Deposit	252,433
External Investment Pool	
4M Fund	<u>303,433</u>
Total Deposits and Investments	<u>\$ 1,206,182</u>
Cash	\$ 902,749
Investments	<u>303,433</u>
Total Cash and Investments	<u>\$ 1,206,182</u>
<u>Fiduciary Fund</u>	
Cash and Investments	
Cash in Bank Accounts	
Highway 23 Coalition	<u>\$ 38,221</u>

MID-MINNESOTA DEVELOPMENT COMMISSION

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 3. DEPOSITS AND INVESTMENTS (Cont'd)

A. DEPOSITS

The Commission's deposits were sufficiently covered by insurance through FDIC as well as collateralized with securities held by the pledging financial institution's trust department or agent in the Commission's name.

B. INVESTMENTS

Credit Risk. The Commission's investment in the 4M Fund is unrated.

Concentration Risk. The Commission places no limit on the amount the Commission may invest in any one issuer.

NOTE 4. RECEIVABLES

Receivables for the Commission's governmental activities are as follows:

	Primary Government	
	Total Receivables	Amounts not Scheduled for Collection During the Subsequent Year
Governmental Activities		
Property Taxes	\$ 149,635	\$
Accrued Interest	475	
Due from Other Governments	27,537	
Loans Receivable	681,030	585,393
Total Governmental Activities	\$ 858,677	\$ 585,393

NOTE 5. CAPITAL ASSETS

Changes in the Commission's capital assets for the year are:

	July 1, 2017 Balance	Additions	Deductions	June 30, 2018 Balance
<u>Governmental Activities</u>				
Capital Assets, Being Depreciated				
Furniture, Equipment and Vehicles	\$ 66,320	\$ 28,991	\$	\$ 95,311
Accumulated Depreciation	(56,446)		(5,154)	(61,600)
Net	\$ 9,874	\$ 28,991	\$ (5,154)	\$ 33,711

Depreciation expense for the year was \$5,154. This amount was allocated to administration.

MID-MINNESOTA DEVELOPMENT COMMISSION

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 6. DUE TO/FROM OTHER FUNDS

Interfund receivables and payables resulting from administration fees payable from the Revolving Loan Fund to the General Fund are as follows:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ 30,303	\$
Special Revenue: Revolving Loan Fund		30,303

NOTE 7. LONG-TERM LIABILITIES

A. COMPENSATED ABSENCES/PENSION BENEFIT PAYABLE

	<u>July 1, 2017 Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2018 Balance</u>
Vacation Payable	\$ 23,230	\$ 29,645	\$ (26,996)	\$ 25,879
Sick Leave Payable	44,219	13,135	(12,151)	45,203
Comp Time Payable	11,378	2,721	(4,339)	9,760
Total	<u>\$ 78,827</u>	<u>\$ 45,501</u>	<u>\$ (43,486)</u>	<u>\$ 80,842</u>

The amount of compensated absences payable within one year is \$0.

B. DESCRIPTION OF COMPENSATED ABSENCES

Vacation Payable:

Vacation payable consists of unused vacation. In the past, vacation expense has been paid by the General Fund and Revolving Loan Special Revenue Fund.

Sick Leave Payable:

Sick leave payable consists of unused sick leave. In the past, sick leave expense has been paid by the General Fund and Revolving Loan Special Revenue Fund.

Comp Time Payable:

Comp time payable consists of unused compensatory time off. In the past, compensatory time off expense has been paid by the General Fund and Revolving Loan Special Revenue Fund.

MID-MINNESOTA DEVELOPMENT COMMISSION

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 8. FUND BALANCE

The following is a summary of fund balance components.

	<u>General</u>	<u>Revolving Loan Special Revenue</u>	<u>Total</u>
Nonspendable			
Prepaid Items	\$ 4,035	\$ 0	\$ 4,035
Total Nonspendable	<u>4,035</u>	<u>0</u>	<u>4,035</u>
Restricted			
Revolving Loan Fund		768,598	768,598
Committed			
Employee Health	25,000		25,000
Unemployment	30,000		30,000
Operating Capital	240,000		240,000
Building	70,000		70,000
Local Services Assistance	63,711		63,711
Regional Planning	50,000		50,000
Total Committed	<u>478,711</u>	<u>0</u>	<u>478,711</u>
Unassigned	<u>353,183</u>		<u>353,183</u>
	<u>\$ 835,929</u>	<u>\$ 768,598</u>	<u>\$ 1,604,527</u>

NOTE 9. DEFINED BENEFIT PENSION PLANS - STATEWIDE

A. PLAN DESCRIPTION

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

General Employees Retirement Fund (GERF):

All full-time and certain part-time employees of the Commission, are covered by 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.

MID-MINNESOTA DEVELOPMENT COMMISSION

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 9. DEFINED BENEFIT PENSION PLANS - STATEWIDE (Cont'd)

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%, are given 1% increases.

The benefit provisions stated in the following paragraphs 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.

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.

C. CONTRIBUTIONS

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

GERP Contributions:

Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.5%, respectively, of their annual covered salary in fiscal year 2018. The Commission was required to contribute 11.78% of pay for Basic Plan members and 7.5% for Coordinated Plan members in calendar year 2017. The Commission's contributions to the GERF for the year ended June 30, 2018, were \$27,733. The Commission's contributions were equal to the required contributions for each year as set by state statute.

MID-MINNESOTA DEVELOPMENT COMMISSION

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 9. DEFINED BENEFIT PENSION PLANS - STATEWIDE (Cont'd)

D. PENSION COSTS

GERP:

At June 30, 2018, the Commission reported a liability of \$357,500 for its proportionate share of the GERP's net pension liability. The Commission'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 Commission totaled \$4,498. 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 Commission's proportion of the net pension liability was based on the Commission'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 Commission's proportion was 0.0056% at the end of the measurement period and 0.0056% at the beginning of the period.

For the year ended June 30, 2018, the Commission recognized pension expense of \$14,664 for its proportionate share of GERP's pension expense. In addition, the Commission recognized an additional \$130 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.

At June 30, 2018, the Commission reported its proportionate share of GERP's deferred outflows of resources and deferred inflows of resources from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Economic Experience	\$ 11,782	\$ 22,999
Changes in Actuarial Assumptions	59,353	35,839
Differences Between Projected and Actual Investment Earnings		15,461
Changes in Proportion		47,761
Contributions Paid to PERA Subsequent to Measurement Date	<u>27,733</u>	
Total	<u>\$ 98,868</u>	<u>\$ 122,060</u>

MID-MINNESOTA DEVELOPMENT COMMISSION

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 9. DEFINED BENEFIT PENSION PLANS - STATEWIDE (Cont'd)

D. PENSION COSTS (Cont'd)

\$27,733 reported as deferred outflows of resources related to pensions resulting from Commission contributions to GERP subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to GERP pensions will be recognized in pension expense as follows:

<u>Year ended June 30,</u>	<u>Pension Expense Amount</u>
2018	\$ (37,311)
2019	8,331
2020	(6,770)
2021	(15,175)

E. ACTUARIAL ASSUMPTIONS

The total pension liability in the 2017 actuarial valuation was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

<u>Actuarial Assumption</u>	<u>GERP</u>
Inflation	2.50% per year
Active Member Payroll Growth	3.25% per year
Investment Rate of Return	7.50% per year

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP 2015 tables for males or females, as appropriate, with slight adjustments. Cost of living benefit increases for retirees are assumed to be one percent per year for the General Employees Plan through 2044 and then 2.5 percent thereafter for GERP.

Actuarial assumptions used in the June 30, 2017 valuations were based on the results of actuarial experience studies. The most recent four-year experience study was completed in 2015.

The following changes in actuarial assumptions occurred in 2017:

The Combined Service Annuity (CSA) loads were changed from 0.8% 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 future years to 1.0% per year through 2044 and 2.5% per year thereafter.

MID-MINNESOTA DEVELOPMENT COMMISSION

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 9. DEFINED BENEFIT PENSION PLANS - STATEWIDE (Cont'd)

E. ACTUARIAL ASSUMPTIONS (Cont'd)

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Stocks	39%	5.10%
International Stocks	19%	5.30%
Bonds	20%	0.75%
Alternative Assets	20%	5.90%
Cash	2%	0.00%

F. DISCOUNT RATE

GERP:

The discount rate used to measure the total pension liability in 2017 was 7.50%, a reduction from the 7.90% used in 2016. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the GERP was projected to be available to make all projected future benefit payments of current plan members. 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.

G. PENSION LIABILITY SENSITIVITY

The following presents the Commission's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraphs, as well as what the Commission's proportionate share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
Discount Rate	6.50%	7.50%	8.50%
Commission's Proportionate Share of the Net Pension Liability	\$ 554,510	\$ 357,500	\$ 196,212

H. PENSION PLAN FIDUCIARY NET POSITION

Detailed information about each pension plan's fiduciary net position is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the Internet at www.mnpera.org.

MID-MINNESOTA DEVELOPMENT COMMISSION

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 10. INDIRECT COST ALLOCATION AGREEMENT

Through the preparation of the indirect cost plan, a provisional indirect rate of 55.74 percent was developed. The actual rate was 58.18 percent. The provisional rate is used in the budgetary process with actual accumulated year-to-date rates applied each month.

Indirect costs are expenditures such as rents, utilities, insurance, bonds, periodical and newspaper subscriptions, administrative salaries and other common expenditures that result in a benefit to all programs. The methodology for distributing these common and necessary costs is detailed in the Cost Allocation Plan. This systematic method precludes arbitrary decision-making in distribution of indirect costs and provides equitable distribution to all programs. Indirect costs are allocated to each program based on the program's direct salary expense. The financial statements reflect indirect costs charged to each program.

NOTE 11. DEFERRED COMPENSATION PLAN

The Commission has made available to its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457.

NOTE 12. CONTINGENCIES - FEDERAL AND STATE PROGRAMS

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

NOTE 13. LOAN COMMITMENTS

The Commission had no loan commitments.

NOTE 14. OPERATING LEASE AGREEMENTS

Effective June 1, 2018, the Commission extended its lease of office space from the City of Willmar for two additional years. The rent payable shall be \$1,600 per month. Termination notice by either party shall be six months written notice, except that the Commission shall provide three months written notice if relocation is within the City of Willmar. Under this agreement the City agreed to provide utilities, signage space, annual carpet cleaning and basic housekeeping items.

On December 31, 2014, the Commission entered into a 60-month lease agreement with Loffler Business Systems, Inc. for a copier. Monthly lease payments are approximately \$315 per month.

Future minimum payments under the above operating leases are as follows:

Year Ended June 30,	
2019	\$ 21,090
2020	17,600
	<hr/>
	\$ 38,690

Rent expense totaled \$23,931.

MID-MINNESOTA DEVELOPMENT COMMISSION

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 15. RISK MANAGEMENT

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; employee health coverage; workers' compensation claims; and natural disasters. To mitigate these risks, the Commission has obtained commercial property and casualty insurance and workers' compensation coverage. The Commission pays an annual premium with no additional assessments.

The Commission has joined together with other governmental entities in Minnesota in the Public Employees Insurance Program (PEIP), a public entity risk pool currently operating as a common risk management and insurance program for members. The Commission pays an annual premium to this plan for its health insurance coverage. These premiums are used to purchase reinsurance through commercial companies. The administrators of the plan believe assessment to participating members for future losses sustained is extremely remote.

There has been no significant reduction in insurance coverage from the previous year in any of the Commission's policies. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

NOTE 16. RECLASSIFICATIONS

Inventory of postage stamps were reclassified as prepaid items. There was no affect on net position or fund balance.

MID-MINNESOTA DEVELOPMENT COMMISSION

SCHEDULES OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND
EMPLOYER CONTRIBUTIONS
JUNE 30, 2018

Schedule of Proportionate Share of the Net Pension Liability

Fiscal Year Ending	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability (Asset) Associated with the Employer (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) and the State's Proportionate Share of the Net Pension Liability (Asset) Associated with the Employer (a+b)	Employer's Covered- Employee Payroll (c)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered- Employee Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
<u>PERA</u>							
6/30/2017	0.0056%	\$ 357,500	\$ 4,498	\$ 361,998	\$ 360,953	100.29%	75.90%
6/30/2016	0.0056%	357,500	5,967	363,467	349,693	103.94%	68.91%
6/30/2015	0.0066%	342,046		342,046	384,107	89.05%	78.19%
6/30/2014	0.0083%	389,892		389,892	437,273	89.16%	78.75%

The Commission implemented GASB Statement No. 68 for fiscal year ended June 30, 2015. Information for prior years is not available.

MID-MINNESOTA DEVELOPMENT COMMISSION

SCHEDULES OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND
EMPLOYER CONTRIBUTIONS
JUNE 30, 2018

Schedule of Employer Contributions

Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered- Employee Payroll (d)	Contributions as a Percentage of Covered- Employee Payroll (b/d)
<u>PERA</u>					
6/30/2018	\$ 27,733	\$ 27,733	\$	\$ 369,773	7.50%
6/30/2017	27,072	27,072		360,953	7.50%
6/30/2016	26,227	26,227		349,693	7.50%
6/30/2015	28,808	28,808		384,107	7.50%

The Commission implemented GASB Statement No. 68 for fiscal year ended June 30, 2015. Information for prior years is not available.

MID-MINNESOTA DEVELOPMENT COMMISSION

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 GENERAL FUND
 YEAR ENDED JUNE 30, 2018
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017

	2018			Over (Under) Final Budget	2017
	Budgeted Amounts		Actual		Actual
	Original	Final			
REVENUES					
Property Tax Levies					
Current	\$ 317,000	\$ 325,000	\$ 313,662	\$ (11,338)	\$ 300,786
Delinquent			6,805	6,805	10,152
Other			6,597	6,597	7,128
Total Property Tax Levies	<u>317,000</u>	<u>325,000</u>	<u>327,064</u>	<u>2,064</u>	<u>318,066</u>
Federal Sources					
Economic Development Administration	70,000	70,000	70,000		56,971
Revolving Loan Fund	28,222	30,127	30,303	176	27,587
MNDOT SRTS					6,104
MNDOT Transit					26,000
Total Federal Sources	<u>98,222</u>	<u>100,127</u>	<u>100,303</u>	<u>176</u>	<u>116,662</u>
State Sources					
MNDOT Planning Grant	75,000	75,000	75,000		75,000
MNDOT SRTS			30,021	30,021	
MBA Dementia Grant					36,294
Total State Sources	<u>75,000</u>	<u>75,000</u>	<u>105,021</u>	<u>30,021</u>	<u>111,294</u>
Local Sources					
Technical Assistance	42,996	46,293	26,373	(19,920)	21,190
MBA Dementia Grant					3,225
Falls Prevention - PrimeWest	486	878	879	1	1,498
Administrative Services					
Highway 23 Coalition		2,392	2,611	219	
Falls Prevention - PrimeWest	930	237	238	1	999
Total Local Sources	<u>44,412</u>	<u>49,800</u>	<u>30,101</u>	<u>(19,699)</u>	<u>26,912</u>
Interest and Dividends	9,100	7,443	7,507	64	10,085
Other					
Required Grant Match	2,101	2,101	604	(1,497)	14,510
Total Revenues	<u>545,835</u>	<u>559,471</u>	<u>570,600</u>	<u>11,129</u>	<u>597,529</u>

MID-MINNESOTA DEVELOPMENT COMMISSION

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 GENERAL FUND
 YEAR ENDED JUNE 30, 2018
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017

	2018			Over (Under) Final Budget	2017
	Budgeted Amounts		Actual		Actual
	Original	Final			
EXPENDITURES					
Current					
Administration					
Personnel	\$ 68,228	\$ 77,699	\$ 79,963	\$ 2,264	\$ 65,449
Supplies and Printing	1,425	555	499	(56)	1,326
Communications	5,612	5,442	5,548	106	4,813
Services	1,250	257	225	(32)	816
Travel and Training	9,244	5,023	5,323	300	6,688
Commission	8,150	8,212	8,053	(159)	7,288
Indirect Costs	38,033	45,203	47,729	2,526	38,201
Total Administration	131,942	142,391	147,340	4,949	124,581
Technical Assistance					
Personnel	107,015	72,343	74,165	1,822	91,633
Supplies and Printing	675	742	928	186	761
Communications	485	1,112	1,131	19	296
Services	233	657	657		227
Travel and Training	2,124	2,498	2,410	(88)	1,838
Indirect Costs	59,655	42,086	43,325	1,239	49,763
Total Technical Assistance	170,187	119,438	122,616	3,178	144,518
Transportation Planning					
Personnel	54,703	66,770	62,497	(4,273)	60,464
Supplies and Printing	273	218	212	(6)	181
Communications	21	12	12		16
Travel and Training	2,242	2,105	2,439	334	2,825
Indirect Costs	30,493	38,844	36,509	(2,335)	32,836
Total Transportation Planning	87,732	107,949	101,669	(6,280)	96,322
Economic Development Administration					
Personnel	106,537	111,496	109,648	(1,848)	106,335
Supplies and Printing	458	628	520	(108)	452
Communications	1,767	2,207	2,101	(106)	1,397
Services	514	1,434	996	(438)	502
Travel and Training	1,596	1,200	1,203	3	1,831
Indirect Costs	59,389	64,864	64,053	(811)	57,748
Total Economic Development Administration	170,261	181,829	178,521	(3,308)	168,265

MID-MINNESOTA DEVELOPMENT COMMISSION

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 GENERAL FUND
 YEAR ENDED JUNE 30, 2018
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017

	2018			Over (Under) Final Budget	2017
	Budgeted Amounts		Actual		Actual
	Original	Final			
EXPENDITURES (Cont'd)					
Current (Cont'd)					
Miscellaneous Aging Services					
Falls Prevention - PrimeWest					
Supplies and Printing	\$ 55	\$	\$	\$	\$ 1,066
Communications	7	878	878		7
Services	210				209
Volunteer Services and Other Uses	196				196
Travel and Training	18				18
	<u>486</u>	<u>878</u>	<u>878</u>	<u>0</u>	<u>1,496</u>
Total Miscellaneous Aging Services	486	878	878	0	1,496
MBA Dementia Grant					
Personnel					90
Supplies and Printing					4,123
Travel and Training					2,094
Communications					6,320
Services					23,618
Indirect Costs					49
Total MBA Dementia Grant	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>36,294</u>
Administrative Services					
Falls Prevention					
Personnel	596	150	150		648
Communications	1				
Indirect Costs	333	87	88	1	352
	<u>930</u>	<u>237</u>	<u>238</u>	<u>1</u>	<u>1,000</u>
Highway 23 Coalition					
Personnel		1,551	1,732	181	
Supplies and Printing		3	3		
Communications		20	21	1	
Travel and Training		44	43	(1)	
Indirect Costs		902	1,011	109	
	<u>0</u>	<u>2,520</u>	<u>2,810</u>	<u>290</u>	<u>0</u>

MID-MINNESOTA DEVELOPMENT COMMISSION

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 GENERAL FUND
 YEAR ENDED JUNE 30, 2018
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017

	2018			Over (Under) Final Budget	2017
	Budgeted Amounts		Actual		Actual
	Original	Final			
EXPENDITURES (Cont'd)					
Current (Cont'd)					
MBA Dementia Grant					
Personnel	\$	\$	\$	\$	\$ 2,068
Indirect Costs					1,123
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3,191</u>
Total Administrative Services	<u>930</u>	<u>2,757</u>	<u>3,048</u>	<u>291</u>	<u>4,191</u>
Total Current	<u>561,538</u>	<u>555,242</u>	<u>554,072</u>	<u>(1,170)</u>	<u>575,667</u>
Capital Outlay					
Administration	<u>2,500</u>	<u>3,192</u>	<u>28,991</u>	<u>25,799</u>	<u>4,665</u>
Total Expenditures	<u>564,038</u>	<u>558,434</u>	<u>583,063</u>	<u>24,629</u>	<u>580,332</u>
Net Change in Fund Balances	<u>\$ (18,203)</u>	<u>\$ 1,037</u>	<u>(12,463)</u>	<u>\$ (13,500)</u>	<u>17,197</u>
FUND BALANCE, BEGINNING OF YEAR			<u>848,392</u>		<u>831,195</u>
FUND BALANCE, END OF YEAR			<u>\$ 835,929</u>		<u>\$ 848,392</u>

MID-MINNESOTA DEVELOPMENT COMMISSION

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 REVOLVING LOAN SPECIAL REVENUE FUND
 YEAR ENDED JUNE 30, 2018
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017

	2018			Over (Under) Final Budget	2017
	Budgeted Amounts		Actual		Actual
	Original	Final			
REVENUES					
Interest and Fees	\$	\$	\$ 30,875	\$ 30,875	\$ 29,646
EXPENDITURES					
Current					
Revolving Loan Fund Administration					
Administration			30,303	30,303	27,587
Bad Debts			74,485	74,485	
	<u>0</u>	<u>0</u>	<u>104,788</u>	<u>104,788</u>	<u>27,587</u>
Net Change in Fund Balances	<u>\$ 0</u>	<u>\$ 0</u>	(73,913)	<u>\$ (73,913)</u>	2,059
FUND BALANCE, BEGINNING OF YEAR			<u>842,511</u>		<u>840,452</u>
FUND BALANCE, END OF YEAR			<u>\$ 768,598</u>		<u>\$ 842,511</u>

MID-MINNESOTA DEVELOPMENT COMMISSION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2018

Federal Grantor/ Pass-Through Entity/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Expenditures
U.S. Department of Commerce			
Direct Programs			
Economic Adjustment Assistance	11.307	* Not Assigned	\$ 816,440
Economic Development Support for Planning Organizations	11.302	Not Assigned	<u>70,000</u>
Total U.S. Department of Commerce			<u>886,440</u>
Total Expenditures of Federal Awards			<u><u>\$ 886,440</u></u>

The federal expenditures for Economic Adjustment Assistance were calculated as follows:

Balance of Loans Outstanding	\$ 681,030	
Cash and Investment Balance	217,871	
Administration Expenses	27,587	
Unpaid Principal Written Off	<u>74,467</u>	
	1,000,955	
Federal Percentage of Loan Funds	<u>81.57</u>	%
Federal Expenditures	<u><u>\$ 816,440</u></u>	

* Denotes Major Program

MID-MINNESOTA DEVELOPMENT COMMISSION

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2018

NOTE 1. REPORTING ENTITY

The Schedule of Expenditures of Federal Awards presents the federal award programs expended by Mid-Minnesota Development Commission. The Commission's reporting entity is defined in Note 1 to the financial statements.

NOTE 2. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of Mid-Minnesota Development Commission under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Because the Schedule presents only a selected portion of the operations of the Commission, it is not intended to and does not present the financial position, changes in financial position, or cash flows of the Commission.

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Subpart E - Cost Principles, wherein certain types of expenditures are not allowed or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

NOTE 4. SUBRECIPIENTS

The Commission did not pass any federal money to subrecipients.

NOTE 5. DE MINIMIS COST RATE

The Commission elected not to charge the de minimis indirect cost rate of 10% to federal programs.

NOTE 6. LOANS OUTSTANDING

Mid-Minnesota Development Commission had the following loan balances outstanding at June 30, 2018. The federal portion of the loans outstanding are included in the federal expenditures presented in the Schedule.

<u>Cluster/Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Outstanding</u>
Economic Adjustment Assistance	11.307	\$ 681,030



INDEPENDENT AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE

To the Board of Commissioners
Mid-Minnesota Development Commission
Willmar, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mid-Minnesota Development Commission as of and for the year ended June 30, 2018, and the related notes to the financial statements, and have issued our report thereon dated January 23, 2019.

The Minnesota Legal Compliance Audit Guide for Other Political Subdivisions, promulgated by the State Auditor pursuant to Minn. Stat. §6.65, covers seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions and Tax Increment Financing. Our study included all of the listed categories, except we did not test for compliance in Tax Increment Financing because the Commission does not have any Tax Increment Financing districts.

In connection with our audit, nothing came to our attention that caused us to believe that Mid-Minnesota Development Commission failed to comply with the provisions of the Minnesota Legal Compliance Audit Guide for Other Political Subdivisions. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Commission's noncompliance with the above referenced provisions.

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance. Accordingly, this communication is not suitable for any other purpose.

Conway, Deuth & Schmiesing, PLLP

CONWAY, DEUTH & SCHMIESING, PLLP
CPAS & ADVISORS
WILLMAR, MINNESOTA

January 23, 2019

Willmar Office 331 Third St SW, Ste 2 PO Box 570 Willmar, MN 56201 (320) 235-3311 (888) 388-1040	Benson Office 1209 Pacific Ave, Ste 3 Benson, MN 56215 (320) 843-2302	Morris Office 401 Atlantic Ave Morris, MN 56267 (320) 589-2602	Litchfield Office 820 Sibley Ave N Litchfield, MN 55355 (320) 693-7975	Sartell Office Ste 110 2351 Connecticut Ave Sartell, MN 56377 (320) 252-7565 (800) 862-1337
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Commissioners
Mid-Minnesota Development Commission
Willmar, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Mid-Minnesota Development Commission as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements and have issued our report thereon dated January 23, 2019.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described as items 2018-001 and 2018-002 in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses.

Willmar Office
331 Third St SW, Ste 2
PO Box 570
Willmar, MN 56201
(320) 235-3311
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Benson Office
1209 Pacific Ave, Ste 3
Benson, MN 56215
(320) 843-2302

Morris Office
401 Atlantic Ave
Morris, MN 56267
(320) 589-2602

Litchfield Office
820 Sibley Ave N
Litchfield, MN 55355
(320) 693-7975

Sartell Office
Ste 110
2351 Connecticut Ave
Sartell, MN 56377
(320) 252-7565
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Compliance and Other Matters

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

Mid-Minnesota Development Commission's Response to Findings

The Commission's response to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The Commission's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Commission's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Commission's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Conway, Deuth & Schmiesing, PLLP

CONWAY, DEUTH & SCHMIESING, PLLP
CPAS & ADVISORS
WILLMAR, MINNESOTA

January 23, 2019



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Commissioners
Mid-Minnesota Development Commission
Willmar, Minnesota

Report on Compliance for Each Major Federal Program

We have audited Mid-Minnesota Development Commission's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Commission's major federal program for the year ended June 30, 2018. The Commission's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Willmar Office

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PO Box 570
Willmar, MN 56201
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1209 Pacific Ave, Ste 3
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Opinion on Each Major Federal Program

In our opinion, Mid-Minnesota Development Commission complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2018.

Report on Internal Control Over Compliance

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

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

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

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

Conway, Deuth & Schmiesing, PLLP

CONWAY, DEUTH & SCHMIESING, PLLP
CPAS & ADVISORS
WILLMAR, MINNESOTA

January 23, 2019

MID-MINNESOTA DEVELOPMENT COMMISSION
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 JUNE 30, 2018

I. SUMMARY OF AUDITOR'S RESULTS

A. FINANCIAL STATEMENTS

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
- Material weakness(es) identified?	Yes
- Significant deficiency(ies) identified that are not considered to be material weakness(es)?	No
Noncompliance material to financial statements noted?	No

B. FEDERAL AWARDS

Type of auditor's report issued on compliance for major program(s):	Unmodified
Internal control over major programs:	
- Material weakness(es) identified?	No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)?	No
Any audit findings disclosed that are required to be reported in accordance with Part 200.516(a) of the Uniform Guidance?	No

C. IDENTIFICATION OF MAJOR PROGRAMS

CFDA No.:	11.307
Name of Federal Program or Cluster:	Economic Adjustment Assistance
Dollar threshold used to distinguish between Types A and B programs:	\$750,000
Auditee qualified as low-risk auditee?	No

MID-MINNESOTA DEVELOPMENT COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2018

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

PREVIOUSLY REPORTED ITEM NOT RESOLVED

FINDING: 2018-001 LIMITED SEGREGATION OF DUTIES

Condition: There is an absence of appropriate segregation of duties consistent with appropriate control objectives due to a limited number of employees.

Criteria: The basic premise is that no one person should have access to both physical assets and the related accounting records or to all phases of a transaction. The lack of such controls could result in the occurrence of a material error or fraud in relation to the financial statements not being detected by management.

Cause: The Commission has assigned duties to staff based on a cost-benefit relationship to the Commission and the practicality of the level of staffing the Commission maintains.

Effect: No effect on the financial statements.

Recommendation: The Commission should continue to monitor and evaluate the job responsibilities assigned to staff to determine whether there is an unacceptable risk.

CORRECTIVE ACTION PLAN (CAP)

Explanation of Disagreement with Audit Findings:

None

Actions Planned in Response to Finding:

The Commission is aware of the limited segregation of duties and will continue to review internal controls and make changes when they can be made.

Officials Responsible for Ensuring CAP:

Sue Gimse, Finance Director

Planned Completion Date of CAP:

June 30, 2019

Plan to Monitor Completion of CAP:

Donn Winckler, Executive Director

MID-MINNESOTA DEVELOPMENT COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2018

II. FINDINGS RELATED TO FINANCIAL STATEMENTS AUDITED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS (Cont'd)

PREVIOUSLY REPORTED ITEM NOT RESOLVED

FINDING: 2018-002 AUDITOR PREPARED FINANCIAL STATEMENTS

Condition: The Commission does not have an internal control system designed to provide for the preparation of the financial statements and the related notes being audited. However, based on the degree of complexity and level of detail needed to prepare the financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP), the Commission has requested the auditors to prepare them.

Criteria: The preparation of the financial statements and the related notes are the responsibility of management.

Cause: There are a limited number of office employees and resources available to allow for the adequate preparation of the financial statements and the related notes by the Commission.

Effect: This could result in a material misstatement to the financial statements and related notes that would not be prevented, or detected and corrected as a result of the Commission's current internal control.

Recommendation: The Commission should continue to request assistance to draft the financial statements and related notes and thoroughly review these financial statements after they have been prepared so the Commission can take responsibility for them.

CORRECTIVE ACTION PLAN (CAP)

Explanation of Disagreement with Audit Findings:

None

Actions Planned in Response to Finding:

The Commission is aware of this; however, due to significant cost and a limited number of employees, it is in the Commission's best financial interest to contract for the preparation of the financial statements.

Officials Responsible for Ensuring CAP:

Sue Gimse, Finance Director

Planned Completion Date of CAP:

June 30, 2019

Plan to Monitor Completion of CAP:

Donn Winckler, Executive Director

III. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS

None

IV. FINDINGS AND QUESTIONED COSTS - MINNESOTA LEGAL COMPLIANCE

None

MID-MINNESOTA DEVELOPMENT COMMISSION

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
 JUNE 30, 2018

<u>Finding Reference</u>	<u>Finding Title</u>	<u>Status</u>	<u>Year Finding Initially Occurred</u>	<u>If Not Corrected, Provide Planned Corrective Action or Other Explanation</u>
Financial Statement Findings:				
2017-001	Limited Segregation of Duties	Not Corrected	2007	See current year finding 2018-001
2017-002	Auditor Prepared Financial Statements	Not Corrected	2011	See current year finding 2018-002

Minnesota Legal Compliance Findings:

None

Federal Awards Findings:

None