

WACOSA 401(K) PROFIT SHARING PLAN

**FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION**

YEARS ENDED DECEMBER 31, 2018 AND 2017

**WACOSA 401(K) PROFIT SHARING PLAN
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INDEPENDENT AUDITORS' REPORT

Finance Committee
WACOSA
Waite Park, Minnesota

Report on the Financial Statements

We were engaged to audit the accompanying financial statements of WACOSA 401(k) Profit Sharing Plan (Plan), which comprise the statements of net assets available for benefits as of December 31, 2018 and 2017, and the related statements of changes in net assets available for benefits for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on conducting the audit in accordance with auditing standards generally accepted in the United States of America. Because of the matter described in the *Basis for Disclaimer of Opinion* paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

As permitted by 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974, the Plan administrator instructed us not to perform, and we did not perform, any auditing procedures with respect to the information summarized in Note 3, which was certified by Great-West Trust Company, LLC, the custodian, as of and for the year ended December 31, 2018, and EMJAY Corporation, the custodian of the Plan, as of and for the year ended December 31, 2017, except for comparing such information with the related information included in the financial statements. We have been informed by the Plan administrator that the custodian holds the Plan's investment assets and executes investment transactions. The Plan administrator has obtained a certification from the custodians as of and for the years ended December 31, 2018 and 2017, that the information provided to the Plan administrator by the custodians is complete and accurate.

Disclaimer of Opinion

Because of the significance of the matter described in the *Basis for Disclaimer of Opinion* paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on these financial statements.

Other Matter

The supplemental schedule of assets (held at end of year) as of December 31, 2018, is required by the Department of Labor's (DOL) Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 and is presented for the purpose of additional analysis and is not a required part of the financial statements. Because of the significance of the matter described in the *Basis for Disclaimer of Opinion* paragraph, we do not express an opinion on the supplemental schedule.

Report on Form and Content in Compliance With DOL Rules and Regulations

The form and content of the information included in the financial statements and supplemental schedule, other than that derived from the information certified by the custodian, have been audited by us in accordance with auditing standards generally accepted in the United States of America and, in our opinion, are presented in compliance with the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974.



CliftonLarsonAllen LLP

St. Cloud, Minnesota
May 10, 2019

**WACOSA 401(K) PROFIT SHARING PLAN
STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS
DECEMBER 31, 2018 AND 2017**

ASSETS	<u>2018</u>	<u>2017</u>
INVESTMENTS (at Fair Value)		
Mutual Funds	<u>\$ 1,712,088</u>	<u>\$ 1,665,516</u>
NET ASSETS AVAILABLE FOR BENEFITS	<u><u>\$ 1,712,088</u></u>	<u><u>\$ 1,665,516</u></u>

See accompanying Notes to Financial Statements.

**WACOSA 401(K) PROFIT SHARING PLAN
STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

	2018	2017
ADDITIONS:		
INVESTMENT (LOSS) INCOME		
Net (Depreciation) Appreciation in Fair Value of Investments	\$ (237,186)	\$ 145,468
Interest and Dividends	125,347	74,059
Total Investment (Loss) Income	(111,839)	219,527
CONTRIBUTIONS		
Employee Deferrals	139,982	114,944
Employer Match	39,628	22,261
Rollovers	37	-
Total Contributions	179,647	137,205
Total Additions	67,808	356,732
DEDUCTIONS:		
BENEFITS PAID TO PARTICIPANTS	15,579	242,621
ADMINISTRATIVE EXPENSES	5,657	7,144
Total Deductions	21,236	249,765
NET INCREASE	46,572	106,967
NET ASSETS AVAILABLE FOR BENEFITS:		
Beginning of Year	1,665,516	1,558,549
End of Year	\$ 1,712,088	\$ 1,665,516

See accompanying Notes to Financial Statements.

**WACOSA 401(K) PROFIT SHARING PLAN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 1 DESCRIPTION OF PLAN

The following description of the WACOSA 401(k) Profit Sharing Plan (the Plan) provides only general information. Participants should refer to the Plan document for a more complete description of the Plan's provisions.

General

The Plan is a defined contribution plan originally effective January 1, 1999. The Plan has been amended and restated throughout the years to comply with tax legislation. The Plan was most recently amended and restated effective January 1, 2015. The Plan covers employees of WACOSA (the Employer). The Plan excludes leased and reclassified employees, interns, clients or recipients of WACOSA's services, and contracted workers and volunteers. Employees are eligible to participate in the deferral portion of the Plan upon completion of one hour of service. Employees are eligible for the Employer contributions upon attainment of age 21 and completion of one year of service. Plan entry dates are the first day of each quarter. The Plan is subject to the Employee Retirement Income Security Act of 1974 (ERISA), as amended. The 401(k) Plan Fiduciary Committee is responsible for the oversight of the Plan. The 401(k) Plan Fiduciary Committee also determines the appropriateness of the Plan's investment offerings, monitors investment performance, and reports to the Finance Committee.

Contributions

The Plan includes a salary deferral arrangement allowed under Section 401(k) of the Internal Revenue Code (IRC). Eligible participants are permitted to elect to have a percentage, limited by Plan provisions, of their compensation contributed as pre-tax 401(k) contributions to the Plan. Participants who have attained age 50 before the end of the Plan year are eligible to make catch-up contributions.

The Employer may, at its discretion, elect to make a matching contribution to the Plan. For the years ended December 31, 2018 and 2017, the Employer matching contribution was 100% up to the first 1.5% of compensation deferred, and 100% up to the first 1% of compensation deferred, respectively.

Participants may also contribute amounts representing distributions from other qualified defined benefit or defined contribution plans or conduit IRAs. Participants direct the investment of contributions into various investment options offered by the Plan. Contributions are subject to certain Internal Revenue Service (IRS) limitations.

Participant Accounts

Each participant's account is credited with the participant's contribution; the Employer's matching contribution, and an allocation of Plan earnings or losses. Participant accounts are charged with an allocation of administrative expenses that are paid by the Plan. Allocations are based on participant earnings or account balances, or participant transactions, as defined. The benefit to which a participant is entitled is the benefit that can be provided by the participant's vested account.

**WACOSA 401(K) PROFIT SHARING PLAN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 1 DESCRIPTION OF PLAN (CONTINUED)

Vesting

Effective January 1, 2005, participants are immediately 100% vested in employee and Employer contributions plus actual earnings thereon.

Participants that terminated prior to January 1, 2005 are subject to a six-year graded vesting schedule for Employer contributions.

Benefit Payments

Upon termination of service, death, disability, or retirement, a participant may elect to receive the value of the vested interest in their account in the form of a lump sum distribution or installments. The Plan allows for in-service distributions if a participant reaches age 65 and hardship distributions subject to Plan provisions. If a participant terminates employment and the participant's account balance does not exceed \$1,000, the Plan administrator will authorize the benefit payment without the participant's consent. If the participant's account balance is between \$1,000 and \$5,000, the Plan administrator may authorize that the balance be transferred into an individual retirement account in the participant's name.

Forfeited Accounts

Forfeited nonvested accounts are used to reduce future Employer contributions. Forfeited nonvested accounts as of December 31, 2018 and 2017 totaled \$12. There were no forfeitures used to reduce Employer contributions for the Plan years ended December 31, 2018 and 2017.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Plan are prepared on the accrual basis of accounting.

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 changes therein, and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

Investment Valuation and Income Recognition

The Plan's investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Plan's 401(k) Fiduciary Committee determines the Plan's valuation policies utilizing information provided by the trustee and custodian. See Note 4 for discussion of fair value measurements.

**WACOSA 401(K) PROFIT SHARING PLAN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment Valuation and Income Recognition (Continued)

Purchases and sales of securities are recorded on a trade-date basis. Investment income is recorded on the accrual basis. Net appreciation (depreciation) includes the Plan's gains and losses on investments bought and sold as well as held during the year.

Benefit Payments

Benefits are recorded when paid.

Administrative Expenses

Certain expenses of maintaining the Plan are paid directly by the Employer and are excluded from these financial statements. The asset management fee is asset based and allocated to the participant accounts and is included in administrative expense. Investment-related expenses are included in net appreciation (depreciation) of fair value of investments.

Subsequent Events

The Plan has evaluated subsequent events through May 10, 2019, the date the financial statements were available to be issued.

NOTE 3 CERTIFICATION OF INVESTMENT INFORMATION

Great-West Trust Company, LLC, the custodian, has supplied the Plan administrator with a certification as to the completeness and accuracy of the investment information presented on the accompanying statement of net assets available for benefits as of December 31, 2018, the statement of changes in net assets available for benefits for the year then ended, and the supplemental schedule of assets (held at end of year) as of December 31, 2018.

EMJAY Corporation (EMJAY), the custodian, has supplied the Plan administrator with a certification as to the completeness and accuracy of the investment information presented on the accompanying statement of net assets available for benefits as of December 31, 2017, and the statement of changes in net assets available for benefits for the year then ended.

EMJAY, which was a subsidiary of Great-West, dissolved during 2018 into Great-West Trust Company, LLC.

NOTE 4 FAIR VALUE OF INVESTMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described as follows:

**WACOSA 401(K) PROFIT SHARING PLAN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 4 FAIR VALUE OF INVESTMENTS (CONTINUED)

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, such as:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair market value measurement.

The asset or liability’s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the valuation methodologies used at December 31, 2018 and 2017.

Mutual Funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Plan are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Plan are deemed to be actively traded.

The following tables set forth by level, within the fair value hierarchy, the Plan’s assets at fair value as of December 31:

		2018			
		Level 1	Level 2	Level 3	Total
	Mutual Funds	\$ 1,712,088	\$ -	\$ -	\$ 1,712,088
		2017			
		Level 1	Level 2	Level 3	Total
	Mutual Funds	\$ 1,665,516	\$ -	\$ -	\$ 1,665,516

**WACOSA 401(K) PROFIT SHARING PLAN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 5 RISKS AND UNCERTAINTIES

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of the investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the statements of net assets available for benefits.

NOTE 6 PLAN TERMINATION

Although it has not expressed any intent to do so, the Employer has the right under the Plan to discontinue contributions at any time and to terminate the Plan subject to the provisions of ERISA. In the event of Plan termination, the participants would become 100% vested in their Employer contributions.

NOTE 7 PLAN TAX STATUS

The Plan is placing reliance on an opinion letter dated March 31, 2014 received from the IRS on the prototype plan indicating that the prototype plan is qualified under Section 401 of the IRC and is therefore, not subject to tax under current income tax law. The prototype plan has been amended since receiving the opinion letter. However, the Plan administrator believes that the Plan is designed and is currently being operated in compliance with the applicable requirements of the IRC and, therefore, believes that the Plan is qualified, and the related trust is tax exempt.

Accounting principles generally accepted in the United States of America require Plan management to evaluate tax positions taken by the Plan and recognize a tax liability (or asset) if the Plan has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

NOTE 8 PARTY-IN-INTEREST TRANSACTIONS

The Plan investments are managed by Bremer Trust Company, the trustee. EMJAY Corporation (EMJAY), was the custodian of the Plan through December 31, 2017. Great-West Trust Company, LLC, was the custodian of the Plan for the year ended December 31, 2018. Therefore, the investment transactions qualify as party-in-interest transactions

WACOSA 401(K) PROFIT SHARING PLAN
E.I.N. 41-0871466 PLAN NO. 001
SCHEDULE H, LINE 4i—SCHEDULE OF ASSETS (HELD AT END OF YEAR)
DECEMBER 31, 2018

(a)	(b)	(c)	(d)	(e)
Identity of Issue, Borrower, Lessor or Similar Party	Description of Investment	Cost **	Current Value	
Federated	Federated Total Bond Fund		\$ 293,055	
Hartford	Hartford Midcap Fund		13,558	
American Funds	American Funds EuroPacific Growth Fund		54,688	
American Funds	American Funds 2020 Target Date Fund		162,959	
American Funds	American Funds 2030 Target Date Fund		52,543	
American Funds	American Funds 2040 Target Date Fund		75,303	
American Funds	American Funds 2050 Target Date Fund		123,830	
American Funds	American Funds 2060 Target Date Fund		10,502	
BlackRock	BlackRock 40/60 Target Allocation Fund		5,360	
MFS Financial	MFS Core Equity Fund		213,307	
Federated	Federated Government Obligations Fund SS		55,308	
Franklin Templeton	Franklin Growth Fund		14,273	
* Great-West	S&P 500 Index Fund		359,708	
Janus	Janus Balanced Fund		28,228	
Loomis	Loomis Sayles Small Cap Value Fund		223,075	
MFS Financial	MFS Value Fund A		12,900	
Federated	Federated Income Trust SS		2,885	
Victory	Victory Sycamore Established Value Fund		10,606	
			\$ 1,712,088	

* Indicates party-in-interest

**Cost omitted for participant-directed accounts