

State of Minnesota



Office of the State Auditor

Julie Blaha
State Auditor

**Watsonwan County
St. James, Minnesota**

Year Ended December 31, 2019

Description of the Office of the State Auditor

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

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

The State Auditor performs approximately 100 financial and compliance audits per year and has oversight responsibilities for over 3,300 local units of government throughout the state. The office currently maintains five divisions:

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

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

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

Pension – monitors investment, financial, and actuarial reporting for Minnesota’s local public pension funds; and

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

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

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**Watonwan County
St. James, Minnesota**

Year Ended December 31, 2019



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

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**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

TABLE OF CONTENTS

| | <u>Exhibit</u> | <u>Page</u> |
|--|----------------|-------------|
| Introductory Section | | |
| Organization | | 1 |
| Financial Section | | |
| Independent Auditor’s Report | | 2 |
| Management’s Discussion and Analysis | | 5 |
| Basic Financial Statements | | |
| County-Wide Financial Statements | | |
| Statement of Net Position | 1 | 14 |
| Statement of Activities | 2 | 16 |
| Fund Financial Statements | | |
| Governmental Funds | | |
| Balance Sheet | 3 | 17 |
| Reconciliation of the Fund Balances of Governmental Funds to the Statement of Net Position | 4 | 21 |
| Statement of Revenues, Expenditures, and Changes in Fund Balances | 5 | 22 |
| Reconciliation of the Changes in Fund Balances of Governmental Funds to the Change in Net Position of Governmental Activities | 6 | 24 |
| Budgetary Comparison Statements | | |
| General Fund | 7 | 25 |
| Road and Bridge Special Revenue Fund | 8 | 28 |
| Human Services Special Revenue Fund | 9 | 29 |
| Fiduciary Funds | | |
| Statement of Fiduciary Net Position – Agency Funds | 10 | 30 |
| Notes to the Financial Statements | | 31 |
| Required Supplementary Information | | |
| Schedule of Changes in Total OPEB Liability and Related Ratios – Other Postemployment Benefits | A-1 | 80 |
| PERA General Employees Retirement Plan | | |
| Schedule of Proportionate Share of Net Pension Liability | A-2 | 81 |
| Schedule of Contributions | A-3 | 82 |
| PERA Public Employees Police and Fire Plan | | |
| Schedule of Proportionate Share of Net Pension Liability | A-4 | 83 |
| Schedule of Contributions | A-5 | 84 |
| PERA Public Employees Local Government Correctional Service Retirement Plan | | |
| Schedule of Proportionate Share of Net Pension Liability | A-6 | 85 |
| Schedule of Contributions | A-7 | 86 |

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

TABLE OF CONTENTS

| | <u>Exhibit</u> | <u>Page</u> |
|---|----------------|-------------|
| Financial Section | | |
| Required Supplementary Information (Continued) | | |
| Notes to the Required Supplementary Information | | 87 |
| Supplementary Information | | |
| Combining and Individual Fund Statements and Schedules | | |
| Debt Service Fund | | 95 |
| Budgetary Comparison Schedule | B-1 | 96 |
| Other Governmental Funds | | 97 |
| Nonmajor Governmental Funds | | |
| Combining Balance Sheet | C-1 | 98 |
| Combining Statement of Revenues, Expenditures, and Changes in Fund Balances | C-2 | 99 |
| Budgetary Comparison Schedules | | |
| County Library Special Revenue Fund | C-3 | 100 |
| Solid Waste Special Revenue Fund | C-4 | 101 |
| Agency Funds | | 102 |
| Combining Statement of Changes in Assets and Liabilities – All Agency Funds | D-1 | 103 |
| Schedules | | |
| Schedule of Intergovernmental Revenue | E-1 | 105 |
| Schedule of Expenditures of Federal Awards | E-2 | 106 |
| Notes to the Schedule of Expenditures of Federal Awards | | 108 |
| Management and Compliance Section | | |
| Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | | 110 |
| Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance | | 113 |
| Schedule of Findings and Questioned Costs | | 116 |
| Corrective Action Plan | | 121 |
| Summary Schedule of Prior Audit Findings | | 123 |

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**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

ORGANIZATION
2019

| <u>Office</u> | <u>Name</u> | <u>Term Expires</u> |
|-----------------------------|-------------------|---------------------|
| Commissioners | | |
| 1st District | Raymond Gustafson | January 2021 |
| 2nd District | Bill Miller | January 2023 |
| 3rd District | Jim Branstad* | January 2021 |
| 4th District | Bob Rinne | January 2023 |
| 5th District | Kathleen Svalland | January 2021 |
| Officers | | |
| Elected | | |
| Attorney | Stephen Lindee | January 2023 |
| Auditor/Treasurer | Kelly Pauling | January 2023 |
| Recorder | Karla Doll | January 2023 |
| Sheriff | Jared Bergeman | January 2023 |
| Appointed | | |
| Assessor | Meggie Munsterman | January 2021 |
| Court Administrator (State) | LuAnn Parker | Indefinite |
| Coroner | Dr. Lindy Eatwell | January 2023 |
| Highway Engineer | Teal Spellman | May 2023 |
| Probation Officer | Sarah Eischens | Indefinite |
| Veterans Service Officer | Deb Grote | Indefinite |
| Human Services Director | Naomi Ochsendorf | Indefinite |

*Chair

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JULIE BLAHA
STATE AUDITOR

STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

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INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Watonwan County
St. James, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Watonwan County, Minnesota, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Watonwan County as of December 31, 2019, and the respective changes in financial position thereof and the respective budgetary comparisons of the General Fund, Road and Bridge Special Revenue Fund, and Human Services Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter – Subsequent Event

As discussed in Note 4.F. to the financial statements, subsequent to year-end, the World Health Organization declared the outbreak of a coronavirus (COVID-19) to be a pandemic. A reduction of calendar year 2021 County State Aid from state-collected gasoline tax revenue is expected to occur. In addition, it is expected that the County will experience an increase of expenditures as a result of this pandemic. The County also expects to use funds from the CARES Act. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Supplementary Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2020, on our consideration of Watonwan County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Watonwan County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Watonwan County's internal control over financial reporting and compliance.

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

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

/s/Julie Blaha

JULIE BLAHA
STATE AUDITOR

/s/Dianne Syverson

DIANNE SYVERSON, CPA
DEPUTY STATE AUDITOR

October 12, 2020

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019
(Unaudited)**

INTRODUCTION

As management of Watonwan County, we offer readers of the Watonwan County financial statements this narrative overview and analysis of the financial activities of Watonwan County for the fiscal year ended December 31, 2019. We encourage readers to consider the information presented here in conjunction with the County's basic financial statements following this section. All amounts, unless otherwise indicated, are expressed in whole dollars.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of Watonwan County exceeded its liabilities and deferred inflows of resources at the close of 2019 by \$65,084,112. Of this amount, \$4,749,746 (unrestricted net position) may be used to meet Watonwan County's ongoing obligations to citizens and creditors.
- Watonwan County's total net position increased by \$2,465,232 in 2019.
- At the close of 2019, Watonwan County's governmental funds reported combined ending fund balances of \$12,772,663, of which \$1,955,172 is unassigned and is available for spending at the County's discretion.
- At the close of 2019, unassigned fund balance for the General Fund was \$4,085,262, or 53.50 percent, of total General Fund expenditures.
- Watonwan County's total bonds and capital notes payable decreased by \$360,000. There were payments of \$175,000 on the G.O. Capital Improvement Plan Refunding Bonds, Series 2010A; \$50,000 on the G.O. Capital Improvement Plan Crossover Refunding Bonds, Series 2012A; and \$60,000 on the G.O. Capital Improvement Plan Bonds, Series 2013A. In addition, a \$75,000 payment was made on the Series 2014 G.O. Capital Notes.

OVERVIEW OF THE FINANCIAL STATEMENTS

This Management's Discussion and Analysis is intended to serve as an introduction to Watonwan County's basic financial statements. Watonwan County's basic financial statements comprise three components: (1) county-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

County-Wide Financial Statements

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

The statement of net position presents information on all of Watonwan County's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of Watonwan County is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows only in future fiscal periods (for example, uncollected taxes and earned but unused vacation leave).

The county-wide financial statements list the functions of Watonwan County principally supported by taxes and intergovernmental revenues. The governmental activities of Watonwan County include general government, public safety, highways and streets, sanitation, human services, health, culture and recreation, economic development, and conservation of natural resources. Watonwan County has no business-type activities intended to recover all or a significant portion of their costs through user fees and charges.

The county-wide financial statements can be found on Exhibits 1 and 2.

Fund Financial Statements

A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. Watonwan County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Watonwan County can be divided into two categories: governmental funds and fiduciary funds.

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

Governmental funds are used to account for essentially the same functions reported as governmental activities in the county-wide financial statements. However, unlike the county-wide financial statements, County fund level financial statements focus on short-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the County's short-term financing requirements.

Watonwan County reports five major funds and two nonmajor funds. The major funds are the General Fund, Road and Bridge Special Revenue Fund, Human Services Special Revenue Fund, County Ditch Special Revenue Fund, and the Debt Service Fund. The nonmajor funds are the County Library Special Revenue Fund and the Solid Waste Special Revenue Fund. Information is presented separately for the major funds and in total for the nonmajor funds on Exhibits 3 and 5.

Fiduciary funds are used to account for assets held by the County as an agent for individuals, private organizations, other governments, or other funds. Watonwan County's fiduciary funds consist of five agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. In addition, the agency funds are not reflected in the county-wide financial statements because those resources are not available to support the County's programs.

Watonwan County's governmental fund financial statements are on Exhibits 3 to 9, and Watonwan County's fiduciary funds are on Exhibit 10.

Notes to the Financial Statements

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided.

Other Information

In addition to the basic financial statements and notes, this report also presents certain required supplementary information concerning Watonwan County's changes in its other postemployment benefits liability (Exhibit A-1) and schedules of the proportionate share of net pension liability and schedules of contributions (Exhibits A-2 to A-7). In addition, the County also provides supplementary information on intergovernmental revenue and expenditures of federal awards (Exhibits E-1 and E-2).

Watonwan County adopts an annual appropriated budget for its General Fund, special revenue funds (with the exception of the County Ditch Special Revenue Fund), and the Debt Service Fund. Budgetary comparison statements have been provided for the County's major funds to demonstrate compliance with these budgets.

County-Wide Financial Analysis

Over time, net position serves as a useful indicator of the County's financial position. Watonwan County's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$65,084,112 at the close of 2019. The largest portion of Watonwan County's net position (82.2 percent) reflects its investment in capital assets (for example, land, buildings, and equipment), less any related debt used to acquire those assets that is still outstanding. However, it should be noted that these assets are not available for future spending.

Governmental Net Position

| | 2018 | 2019 |
|-----------------------------------|----------------------|----------------------|
| Assets | | |
| Current and other assets | \$ 18,160,331 | \$ 21,300,308 |
| Capital assets | <u>56,488,570</u> | <u>55,396,341</u> |
| Total Assets | <u>\$ 74,648,901</u> | <u>\$ 76,696,649</u> |
| Deferred Outflows of Resources | <u>\$ 1,937,033</u> | <u>\$ 1,231,300</u> |
| Liabilities | | |
| Long-term liabilities outstanding | \$ 9,537,008 | \$ 9,139,727 |
| Other liabilities | <u>1,609,735</u> | <u>1,491,414</u> |
| Total Liabilities | <u>\$ 11,146,743</u> | <u>\$ 10,631,141</u> |
| Deferred Inflows of Resources | <u>\$ 2,820,311</u> | <u>\$ 2,212,696</u> |
| Net Position | | |
| Net investment in capital assets | \$ 53,992,335 | \$ 53,515,017 |
| Restricted | 4,918,405 | 6,819,349 |
| Unrestricted | <u>3,708,140</u> | <u>4,749,746</u> |
| Total Net Position | <u>\$ 62,618,880</u> | <u>\$ 65,084,112</u> |

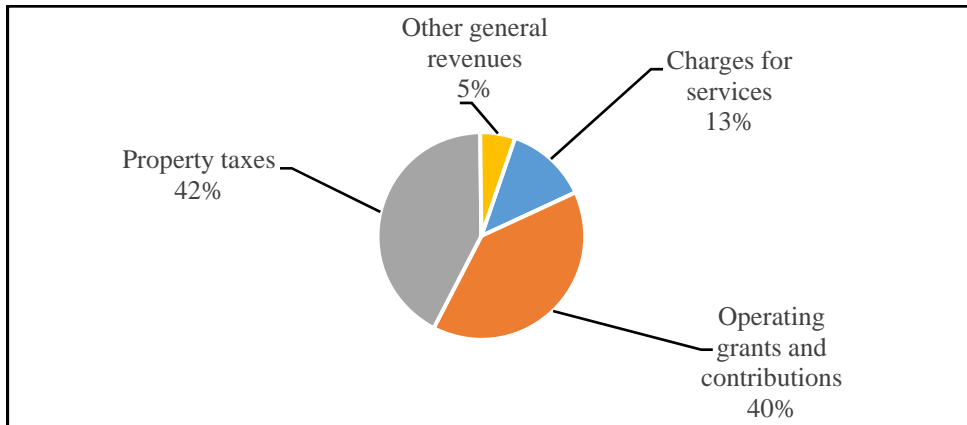
The unrestricted net position amount of \$4,749,746 as of December 31, 2019, may be used to meet the County's ongoing obligations to citizens and creditors.

Governmental Activities

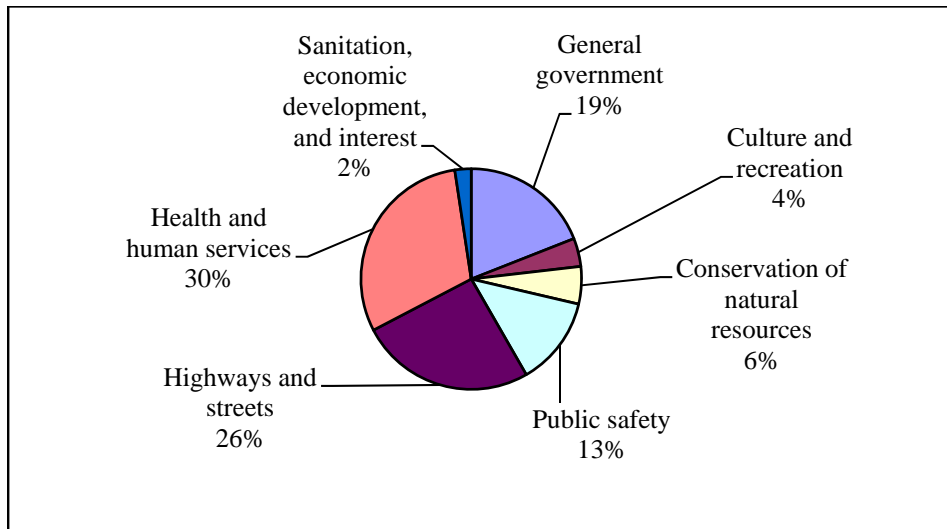
The following table summarizes the changes in net position for 2019.

| | <u>2018</u> | <u>2019</u> |
|------------------------------------|----------------------|----------------------|
| Revenues | | |
| Program revenues | | |
| Charges for services | \$ 4,078,800 | \$ 2,980,698 |
| Operating grants and contributions | 8,805,247 | 9,175,520 |
| Capital grants and contributions | 667,141 | - |
| General revenues | | |
| Property taxes | 9,213,154 | 9,811,954 |
| Other | 1,206,546 | 1,264,729 |
| Total Revenues | <u>\$ 23,970,888</u> | <u>\$ 23,232,901</u> |
| Expenses | | |
| General government | \$ 3,823,229 | \$ 3,953,376 |
| Public safety | 2,638,906 | 2,705,557 |
| Highways and streets | 5,263,001 | 5,326,536 |
| Sanitation | 255,678 | 283,651 |
| Human services | 5,529,675 | 5,505,680 |
| Health | 709,212 | 782,896 |
| Culture and recreation | 715,190 | 857,168 |
| Conservation of natural resources | 982,389 | 1,140,627 |
| Economic development | 135,276 | 142,220 |
| Interest | 78,230 | 69,958 |
| Total Expenses | <u>\$ 20,130,786</u> | <u>\$ 20,767,669</u> |
| Change in Net Position | \$ 3,840,102 | \$ 2,465,232 |
| Net Position – January 1 | <u>58,778,778</u> | <u>62,618,880</u> |
| Net Position – December 31 | <u>\$ 62,618,880</u> | <u>\$ 65,084,112</u> |

Sources of County Revenues



Where County Funds Are Spent



FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$12,772,663. Of this amount, \$1,955,172 constitutes unassigned fund balance. The remainder of fund balance is nonspendable, restricted, committed, or assigned to indicate that it is not available for new spending.

The General Fund is the chief operating fund of Watonwan County. At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$4,085,262, while the total fund balance was \$6,977,195. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance and total fund balance to annual expenditures. Unassigned fund balance represents 53.50 percent of total General Fund expenditures for 2019, while total fund balance represents 91.37 percent of total General Fund expenditures. In 2019, the total fund balance in the General Fund increased by \$760,138, with unassigned fund balance increasing by \$673,078, restricted fund balances increasing by \$56,749, and nonspendable fund balance increasing by \$30,311.

In 2019, the Road and Bridge Special Revenue Fund showed excess revenues over expenditures of \$805,495 and a decrease in inventories of \$122,703 for a net increase in fund balance of \$682,792. The increase in fund balance was due to the early delivery of equipment in 2018 that was budgeted for in 2019. Projects for CSAH 2 and 21 were budgeted for in 2019, but moved to 2020.

In 2019, the Human Services Special Revenue Fund's fund balance increased by \$554,437. Social service revenues were higher than anticipated while expenditures for out-of-home placements decreased.

In 2019, the County Ditch Special Revenue Fund's fund balance decreased by \$295,888 to (\$2,028,015). The fund will collect special assessments in future years to cover the deficit fund balance.

In 2019, the Debt Service Fund's fund balance increased by \$5,721. This was a budgeted increase in fund balance to meet statutory requirements.

General Fund Budgetary Highlights

There were variances in operational revenues and expenditures in the General Fund. Total revenues exceeded budget by \$478,842, or 6.1 percent. Total expenditures were under budget by \$224,560, or 2.9 percent.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The County's investment in capital assets for its governmental activities as of December 31, 2019, amounts to \$55,396,341 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, land improvements, equipment, and infrastructure. The total decrease in the County's investment in capital assets, net of depreciation, for the current fiscal year was \$1,092,229.

| | Governmental Capital Assets (Net of Depreciation) | |
|-------------------------------------|--|----------------------|
| | <u>2018</u> | <u>2019</u> |
| Land | \$ 686,771 | \$ 686,771 |
| Construction in progress | 321,908 | 303,687 |
| Land improvements | 2,154,816 | 2,103,499 |
| Buildings | 5,080,451 | 4,866,585 |
| Machinery, furniture, and equipment | 2,863,477 | 2,969,653 |
| Infrastructure | <u>45,381,147</u> | <u>44,466,146</u> |
| Total | <u>\$ 56,488,570</u> | <u>\$ 55,396,341</u> |

Additional information on the County's capital assets can be found in Note 3.A.3. to the financial statements.

Long-Term Debt

At the end of the current fiscal year, the County had total general obligation bonds and notes outstanding of \$2,365,000, which is backed by the full faith and credit of the government.

| | Governmental Outstanding Debt | |
|------------------------------------|--------------------------------------|---------------------|
| | <u>2018</u> | <u>2019</u> |
| General obligation bonds and notes | <u>\$ 2,365,000</u> | <u>\$ 2,005,000</u> |

Standard and Poor's Ratings Service assigned an "AA" rating on Watonwan County's outstanding general obligation bonds due to an improving economy in April 2016. Moody's rating remains at an "Aa3".

Additional information on the County's debt can be found in Note 3.C. to the financial statements.

Minnesota statutes limit the amount of debt that a county may levy to three percent of its total market value. As of the end of 2019, Watonwan County is well below the three percent debt limit imposed by state statutes.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

- Watonwan County's unemployment rate was 3.8 percent as of the end of 2019, slightly higher than the state-wide rate of 3.5 percent.
- The total tax capacity of the County had a slight decrease for 2019.

At the end of 2019, Watonwan County set its 2020 revenue and expenditure budgets, budgeting revenues and expenditures of \$25,868,933 and \$25,749,756, respectively.

REQUESTS FOR INFORMATION

This annual financial report is designed to provide a general overview of the County's finances for all those with an interest in the County's finances. Questions concerning any information provided in this report, or requests for additional financial information, should be addressed to the Watonwan County Auditor/Treasurer, Watonwan County Courthouse, 710 Second Avenue South, PO Box 518, St. James, Minnesota 56081.

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BASIC FINANCIAL STATEMENTS

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COUNTY-WIDE FINANCIAL STATEMENTS

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**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

EXHIBIT 1

**STATEMENT OF NET POSITION
GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2019**

Assets

| | | |
|---|-----------|-------------------|
| Cash and pooled investments | \$ | 12,986,064 |
| Taxes receivable | | |
| Delinquent | | 141,999 |
| Special assessments receivable | | |
| Delinquent | | 24,969 |
| Noncurrent | | 2,207,067 |
| Accounts receivable – net | | 174,617 |
| Accrued interest receivable | | 27,597 |
| Due from other governments | | 5,265,084 |
| Inventories | | 331,588 |
| Prepaid items | | 141,323 |
| Capital assets | | |
| Non-depreciable | | 990,458 |
| Depreciable – net of accumulated depreciation | | 54,405,883 |
| Total Assets | \$ | 76,696,649 |

Deferred Outflows of Resources

| | | |
|---|-----------|------------------|
| Deferred other postemployment benefits outflows | \$ | 141,563 |
| Deferred pension outflows | | 1,089,737 |
| Total Deferred Outflows of Resources | \$ | 1,231,300 |

Liabilities

| | | |
|---|-----------|-------------------|
| Accounts payable | \$ | 179,777 |
| Salaries payable | | 235,776 |
| Contracts payable | | 363,627 |
| Due to other governments | | 299,641 |
| Accrued interest payable | | 27,759 |
| Unearned revenue | | 384,834 |
| Long-term liabilities | | |
| Due within one year | | 955,963 |
| Due in more than one year | | 2,357,187 |
| Other postemployment benefits liability | | 457,418 |
| Net pension liability | | 5,369,159 |
| Total Liabilities | \$ | 10,631,141 |

Deferred Inflows of Resources

| | | |
|--|-----------|------------------|
| Deferred other postemployment benefits inflows | \$ | 139,212 |
| Deferred pension inflows | | 2,073,484 |
| Total Deferred Inflows of Resources | \$ | 2,212,696 |

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

***EXHIBIT 1
(Continued)***

**STATEMENT OF NET POSITION
GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2019**

Net Position

| | |
|-----------------------------------|------------------------------------|
| Net investment in capital assets | \$ 53,515,017 |
| Restricted for | |
| General government | 305,423 |
| Public safety | 270,107 |
| Highways and streets | 4,943,331 |
| Culture and recreation | 439,537 |
| Conservation of natural resources | 380,030 |
| Economic development | 7,860 |
| Debt service | 473,061 |
| Unrestricted | <u>4,749,746</u> |
| Total Net Position | <u><u>\$ 65,084,112</u></u> |

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

EXHIBIT 2

**STATEMENT OF ACTIVITIES
GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019**

| | Expenses | Program Revenues | | Net (Expense) Revenue and Changes in Net Position |
|--|----------------------|--|---|--|
| | | Fees, Charges, Fines, and Other | Operating Grants and Contributions | |
| <u>Functions/Programs</u> | | | | |
| Primary government | | | | |
| Governmental activities | | | | |
| General government | \$ 3,953,376 | \$ 884,986 | \$ 566,737 | \$ (2,501,653) |
| Public safety | 2,705,557 | 215,549 | 238,022 | (2,251,986) |
| Highways and streets | 5,326,536 | 519,714 | 4,770,528 | (36,294) |
| Sanitation | 283,651 | 188,495 | 68,710 | (26,446) |
| Human services | 5,505,680 | 611,127 | 2,838,046 | (2,056,507) |
| Health | 782,896 | 102,602 | 488,420 | (191,874) |
| Culture and recreation | 857,168 | 9,785 | 4,933 | (842,450) |
| Conservation of natural resources | 1,140,627 | 364,597 | 200,124 | (575,906) |
| Economic development | 142,220 | 83,843 | - | (58,377) |
| Interest | 69,958 | - | - | (69,958) |
| Total Governmental Activities | \$ 20,767,669 | \$ 2,980,698 | \$ 9,175,520 | \$ (8,611,451) |
| General Revenues | | | | |
| Property taxes | | | | \$ 9,811,954 |
| Mortgage registry and deed tax | | | | 7,053 |
| Wheelage tax | | | | 181,759 |
| Grants and contributions not restricted to specific programs | | | | 818,876 |
| Unrestricted investment earnings | | | | 257,041 |
| Total general revenues | | | | \$ 11,076,683 |
| Change in net position | | | | \$ 2,465,232 |
| Net Position – January 1 | | | | 62,618,880 |
| Net Position – December 31 | | | | \$ 65,084,112 |

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FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUNDS

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2019**

| | General | Road and Bridge |
|---|---------------------|----------------------------|
| <u>Assets</u> | | |
| Cash and pooled investments | \$ 5,324,670 | \$ 2,946,649 |
| Taxes receivable – delinquent | 74,291 | 15,648 |
| Special assessments receivable | | |
| Delinquent | 13,003 | - |
| Noncurrent | 506,466 | - |
| Accounts receivable – net | 12,028 | - |
| Accrued interest receivable | 27,597 | - |
| Due from other funds | 33,982 | 20,056 |
| Due from other governments | 150,600 | 4,511,675 |
| Advances to other funds | 1,915,000 | - |
| Inventories | - | 331,588 |
| Prepaid items | 141,323 | - |
| | \$ 8,198,960 | \$ 7,825,616 |
| <u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u> | | |
| Liabilities | | |
| Accounts payable | \$ 51,816 | \$ 8,647 |
| Salaries payable | 107,000 | 27,814 |
| Contracts payable | - | 363,627 |
| Due to other funds | 26,520 | 331 |
| Due to other governments | 45,613 | 396 |
| Unearned revenue | 384,834 | - |
| Advances from other funds | - | - |
| | \$ 615,783 | \$ 400,815 |
| Deferred Inflows of Resources | | |
| Unavailable revenue | \$ 605,982 | \$ 4,509,233 |

EXHIBIT 3

| <u>Human Services</u> | <u>County Ditch</u> | <u>Debt Service</u> | <u>Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> |
|----------------------------|----------------------------|--------------------------|------------------------------------|---------------------------------|
| \$ 2,630,655 | \$ 71,615 | \$ 471,044 | \$ 1,541,431 | \$ 12,986,064 |
| 36,814 | - | 6,105 | 9,141 | 141,999 |
| - | 74 | - | 11,892 | 24,969 |
| - | 1,700,601 | - | - | 2,207,067 |
| 162,589 | - | - | - | 174,617 |
| - | - | - | - | 27,597 |
| 10,191 | - | - | - | 64,229 |
| 558,294 | 8,515 | 36,000 | - | 5,265,084 |
| - | - | - | - | 1,915,000 |
| - | - | - | - | 331,588 |
| - | - | - | - | 141,323 |
| <u>\$ 3,398,543</u> | <u>\$ 1,780,805</u> | <u>\$ 513,149</u> | <u>\$ 1,562,464</u> | <u>\$ 23,279,537</u> |
| | | | | |
| \$ 102,749 | \$ 9,091 | \$ - | \$ 7,474 | \$ 179,777 |
| 89,952 | - | - | 11,010 | 235,776 |
| - | - | - | - | 363,627 |
| 28,237 | 3,061 | - | 6,080 | 64,229 |
| 72,592 | 181,040 | - | - | 299,641 |
| - | - | - | - | 384,834 |
| - | 1,915,000 | - | - | 1,915,000 |
| <u>\$ 293,530</u> | <u>\$ 2,108,192</u> | <u>\$ -</u> | <u>\$ 24,564</u> | <u>\$ 3,442,884</u> |
| | | | | |
| <u>\$ 193,624</u> | <u>\$ 1,700,628</u> | <u>\$ 40,088</u> | <u>\$ 14,435</u> | <u>\$ 7,063,990</u> |

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2019**

| | General | Road and Bridge |
|--|---------------------|----------------------------|
| <u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u> (Continued) | | |
| Fund Balances | | |
| Nonspendable | | |
| Inventories | \$ - | \$ 331,588 |
| Advances to other funds | 1,915,000 | - |
| Restricted for | | |
| Law library | 38,950 | - |
| Recorder's equipment | 138,278 | - |
| Technology fees | 106,176 | - |
| E-911 | 169,937 | - |
| Carry permit administration | 92,751 | - |
| Sheriff's contingency | 7,419 | - |
| HRA special benefit levy | 7,860 | - |
| Invasive species | 63,863 | - |
| Individual Sewage Treatment System (ISTS) loan repayments | 188,101 | - |
| Donations – veterans' van | 22,019 | - |
| Capital projects | 141,579 | - |
| Highway projects | - | 583,326 |
| Ditch maintenance and repair | - | - |
| Debt service | - | - |
| Library operations from donations | - | - |
| Committed for library operations | - | - |
| Assigned to | | |
| Road and bridge | - | 2,000,654 |
| Human services | - | - |
| Solid waste | - | - |
| Unassigned | 4,085,262 | - |
| Total Fund Balances | \$ 6,977,195 | \$ 2,915,568 |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | \$ 8,198,960 | \$ 7,825,616 |

EXHIBIT 3
(Continued)

| <u>Human Services</u> | <u>County Ditch</u> | <u>Debt Service</u> | <u>Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> |
|-----------------------|-----------------------|---------------------|------------------------------------|---------------------------------|
| \$ - | \$ - | \$ - | \$ - | \$ 331,588 |
| - | - | - | - | 1,915,000 |
| - | - | - | - | 38,950 |
| - | - | - | - | 138,278 |
| - | - | - | - | 106,176 |
| - | - | - | - | 169,937 |
| - | - | - | - | 92,751 |
| - | - | - | - | 7,419 |
| - | - | - | - | 7,860 |
| - | - | - | - | 63,863 |
| - | - | - | - | 188,101 |
| - | - | - | - | 22,019 |
| - | - | - | - | 141,579 |
| - | - | - | - | 583,326 |
| - | 102,075 | - | - | 102,075 |
| - | - | 473,061 | - | 473,061 |
| - | - | - | 439,537 | 439,537 |
| - | - | - | 595,217 | 595,217 |
| - | - | - | - | 2,000,654 |
| 2,911,389 | - | - | - | 2,911,389 |
| - | - | - | 488,711 | 488,711 |
| - | (2,130,090) | - | - | 1,955,172 |
| <u>\$ 2,911,389</u> | <u>\$ (2,028,015)</u> | <u>\$ 473,061</u> | <u>\$ 1,523,465</u> | <u>\$ 12,772,663</u> |
| <u>\$ 3,398,543</u> | <u>\$ 1,780,805</u> | <u>\$ 513,149</u> | <u>\$ 1,562,464</u> | <u>\$ 23,279,537</u> |

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**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

EXHIBIT 4

**RECONCILIATION OF THE FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2019**

| | | |
|--|----------------|----------------------|
| Fund balances – total governmental funds (Exhibit 3) | | \$ 12,772,663 |
| Amounts reported for governmental activities in the statement of net position are different because: | | |
| Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. | | 55,396,341 |
| Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources in the governmental funds. | | 7,063,990 |
| Deferred outflows of resources and deferred inflows of resources are created as a result of various differences related to other postemployment benefits not recognized in the governmental funds. | | |
| Deferred outflows related to other postemployment benefits | | 141,563 |
| Deferred inflows related to other postemployment benefits | | (139,212) |
| Deferred outflows of resources and deferred inflows of resources are created as a result of various differences related to pensions not recognized in the governmental funds. | | |
| Deferred outflows related to pensions | | 1,089,737 |
| Deferred inflows related to pensions | | (2,073,484) |
| Governmental funds do not report a liability for accrued interest on long-term liabilities until due and payable. | | (27,759) |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds. | | |
| General obligation bonds | \$ (1,865,000) | |
| Discount on bonds | 2,530 | |
| Premium on bonds | (20,433) | |
| General obligation capital notes | (140,000) | |
| Loans payable | (522,045) | |
| Other postemployment benefits liability | (457,418) | |
| Net pension liability | (5,369,159) | |
| Compensated absences | (768,202) | |
| | | (9,139,727) |
| Net Position of Governmental Activities (Exhibit 1) | | \$ 65,084,112 |

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019**

| | General | Road and Bridge |
|---|---------------------|----------------------------|
| Revenues | | |
| Taxes | \$ 5,329,578 | \$ 1,165,006 |
| Special assessments | 75,693 | - |
| Licenses and permits | 13,682 | - |
| Intergovernmental | 1,504,924 | 3,275,087 |
| Charges for services | 844,481 | 352,018 |
| Fines and forfeits | 932 | - |
| Gifts and contributions | 1,298 | - |
| Investment earnings | 257,041 | - |
| Miscellaneous | 280,657 | 167,696 |
| | \$ 8,308,286 | \$ 4,959,807 |
| Expenditures | | |
| Current | | |
| General government | \$ 3,792,286 | \$ - |
| Public safety | 2,904,119 | - |
| Highways and streets | - | 3,896,569 |
| Sanitation | - | - |
| Human services | - | - |
| Health | - | - |
| Culture and recreation | 113,461 | - |
| Conservation of natural resources | 610,765 | - |
| Economic development | 141,068 | - |
| Intergovernmental | | |
| Highways and streets | - | 257,743 |
| Capital outlay | | |
| General government | 3,721 | - |
| Debt service | | |
| Principal | 68,656 | - |
| Interest | 2,299 | - |
| Administrative charges | - | - |
| | \$ 7,636,375 | \$ 4,154,312 |
| Excess of Revenues Over (Under) Expenditures | \$ 671,911 | \$ 805,495 |
| Other Financing Sources (Uses) | | |
| Transfers in | \$ - | \$ - |
| Transfers out | (14,670) | - |
| Loan issued | 102,897 | - |
| | \$ 88,227 | \$ - |
| Net Change in Fund Balances | \$ 760,138 | \$ 805,495 |
| Fund Balances – January 1 | 6,217,057 | 2,232,776 |
| Increase (decrease) in inventories | - | (122,703) |
| Fund Balances – December 31 | \$ 6,977,195 | \$ 2,915,568 |

EXHIBIT 5

| <u>Human Services</u> | <u>County Ditch</u> | <u>Debt Service</u> | <u>Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> |
|-----------------------|-----------------------|---------------------|------------------------------------|---------------------------------|
| \$ 2,559,614 | \$ - | \$ 409,419 | \$ 609,662 | \$ 10,073,279 |
| - | 216,850 | - | 174,193 | 466,736 |
| - | - | - | - | 13,682 |
| 3,520,832 | - | 8,525 | 123,626 | 8,432,994 |
| 456,292 | - | - | 20,199 | 1,672,990 |
| - | - | - | 2,845 | 3,777 |
| 50 | - | - | 886 | 2,234 |
| - | - | - | - | 257,041 |
| 227,165 | 3,136 | 18,763 | 727 | 698,144 |
| \$ 6,763,953 | \$ 219,986 | \$ 436,707 | \$ 932,138 | \$ 21,620,877 |
| \$ - | \$ - | \$ - | \$ - | \$ 3,792,286 |
| - | - | - | - | 2,904,119 |
| - | - | - | - | 3,896,569 |
| - | - | - | 319,322 | 319,322 |
| 5,438,002 | - | - | - | 5,438,002 |
| 771,514 | - | - | - | 771,514 |
| - | - | - | 685,058 | 798,519 |
| - | 515,874 | - | - | 1,126,639 |
| - | - | - | - | 141,068 |
| - | - | - | - | 257,743 |
| - | - | - | - | 3,721 |
| - | - | 360,000 | - | 428,656 |
| - | - | 68,856 | - | 71,155 |
| - | - | 2,130 | - | 2,130 |
| \$ 6,209,516 | \$ 515,874 | \$ 430,986 | \$ 1,004,380 | \$ 19,951,443 |
| \$ 554,437 | \$ (295,888) | \$ 5,721 | \$ (72,242) | \$ 1,669,434 |
| \$ - | \$ - | \$ - | \$ 14,670 | \$ 14,670 |
| - | - | - | - | (14,670) |
| - | - | - | - | 102,897 |
| \$ - | \$ - | \$ - | \$ 14,670 | \$ 102,897 |
| \$ 554,437 | \$ (295,888) | \$ 5,721 | \$ (57,572) | \$ 1,772,331 |
| 2,356,952 | (1,732,127) | 467,340 | 1,581,037 | 11,123,035 |
| - | - | - | - | (122,703) |
| \$ 2,911,389 | \$ (2,028,015) | \$ 473,061 | \$ 1,523,465 | \$ 12,772,663 |

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

EXHIBIT 6

**RECONCILIATION OF THE CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019**

Net change in fund balances – total governmental funds (Exhibit 5) \$ 1,772,331

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

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

| | | |
|-----------------------------|--------------------|-------------|
| Capital outlay expenditures | \$ 958,614 | |
| Depreciation expense | <u>(2,050,843)</u> | (1,092,229) |

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

| | | |
|---|------------------|-----------|
| Increase in unavailable revenue for taxes and special assessments | \$ 38,786 | |
| Increase in unavailable revenue for grants and allotments | <u>1,574,135</u> | 1,612,921 |

Issuing long-term debt (such as bonds or loans) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued; whereas, these amounts are deferred and amortized over the life of the debt in the statement of activities.

| | | |
|--|--------------|---------|
| Proceeds of new debt – loans payable | \$ (102,897) | |
| Repayment of debt principal | 428,656 | |
| Amortization of premium/discount on debt | <u>(707)</u> | 325,052 |

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

| | | |
|---|----------------|------------------|
| Change in inventories | \$ (122,703) | |
| Change in accrued interest payable | 4,034 | |
| Change in other postemployment benefits liability | 165,416 | |
| Change in compensated absences | (16,457) | |
| Change in net pension liability | (76,730) | |
| Change in deferred other postemployment benefits outflows | 82,544 | |
| Change in deferred pension outflows | (788,277) | |
| Change in deferred other postemployment benefits inflows | (139,212) | |
| Change in deferred pension inflows | <u>738,542</u> | <u>(152,843)</u> |

Change in Net Position of Governmental Activities (Exhibit 2) \$ 2,465,232

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

EXHIBIT 7

**BUDGETARY COMPARISON STATEMENT
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2019**

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget</u> |
|---------------------------------|-------------------------|---------------------|---------------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Taxes | \$ 5,242,336 | \$ 5,242,336 | \$ 5,329,578 | \$ 87,242 |
| Special assessments | 69,563 | 69,563 | 75,693 | 6,130 |
| Licenses and permits | 10,650 | 10,650 | 13,682 | 3,032 |
| Intergovernmental | 1,218,880 | 1,218,880 | 1,504,924 | 286,044 |
| Charges for services | 859,159 | 859,159 | 844,481 | (14,678) |
| Fines and forfeits | - | - | 932 | 932 |
| Gifts and contributions | 5,000 | 5,000 | 1,298 | (3,702) |
| Investment earnings | 150,000 | 150,000 | 257,041 | 107,041 |
| Miscellaneous | 273,856 | 273,856 | 280,657 | 6,801 |
| Total Revenues | \$ 7,829,444 | \$ 7,829,444 | \$ 8,308,286 | \$ 478,842 |
| Expenditures | | | | |
| Current | | | | |
| General government | | | | |
| County commissioners | \$ 249,405 | \$ 249,405 | \$ 244,057 | \$ 5,348 |
| Court administrator | 55,900 | 55,900 | 43,216 | 12,684 |
| Law library | 10,000 | 10,000 | 6,108 | 3,892 |
| County auditor/treasurer | 347,440 | 347,440 | 279,519 | 67,921 |
| License center | 134,029 | 134,029 | 181,654 | (47,625) |
| Personnel | 123,447 | 123,447 | 127,964 | (4,517) |
| Central services | 202,027 | 202,027 | 117,400 | 84,627 |
| Elections | 6,208 | 6,208 | 4,479 | 1,729 |
| Information technology | 340,562 | 340,562 | 317,106 | 23,456 |
| County attorney | 304,569 | 304,569 | 314,537 | (9,968) |
| Attorney's contingent | 7,500 | 7,500 | 5,846 | 1,654 |
| County recorder | 244,916 | 244,916 | 266,602 | (21,686) |
| County assessor | 378,268 | 378,268 | 330,151 | 48,117 |
| Building maintenance | 339,252 | 339,252 | 323,129 | 16,123 |
| Veterans service | 141,438 | 141,438 | 127,338 | 14,100 |
| Motor pool | 54,200 | 54,200 | 45,737 | 8,463 |
| Public transit | 443,367 | 443,367 | 448,624 | (5,257) |
| Other general government | 509,339 | 509,339 | 608,819 | (99,480) |
| Total general government | \$ 3,891,867 | \$ 3,891,867 | \$ 3,792,286 | \$ 99,581 |

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

**EXHIBIT 7
(Continued)**

**BUDGETARY COMPARISON STATEMENT
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2019**

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget</u> |
|--|-------------------------|---------------------|---------------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Expenditures | | | | |
| Current (Continued) | | | | |
| Public safety | | | | |
| County sheriff | \$ 1,865,261 | \$ 1,865,261 | \$ 1,854,821 | \$ 10,440 |
| Sheriff's contingent | 5,000 | 5,000 | - | 5,000 |
| Jail | 678,393 | 678,393 | 679,440 | (1,047) |
| E-911 and radio maintenance | 82,761 | 82,761 | 62,483 | 20,278 |
| County coroner | 25,000 | 25,000 | 16,333 | 8,667 |
| Court services | 266,469 | 266,469 | 201,136 | 65,333 |
| Emergency management | 82,654 | 82,654 | 74,884 | 7,770 |
| Public Health Emergency Preparedness | 16,043 | 16,043 | 15,022 | 1,021 |
| Total public safety | \$ 3,021,581 | \$ 3,021,581 | \$ 2,904,119 | \$ 117,462 |
| Culture and recreation | | | | |
| County parks | \$ 31,000 | \$ 31,000 | \$ 70,461 | \$ (39,461) |
| Historical society | 43,000 | 43,000 | 43,000 | - |
| Total culture and recreation | \$ 74,000 | \$ 74,000 | \$ 113,461 | \$ (39,461) |
| Conservation of natural resources | | | | |
| Environmental services | \$ 331,426 | \$ 331,426 | \$ 279,715 | \$ 51,711 |
| County extension | 110,571 | 110,571 | 105,897 | 4,674 |
| Agricultural society/fair grounds | 58,900 | 58,900 | 55,516 | 3,384 |
| Soil and water conservation | 76,881 | 76,881 | 863 | 76,018 |
| Local water plan block grant | 69,510 | 69,510 | 168,774 | (99,264) |
| Total conservation of natural resources | \$ 647,288 | \$ 647,288 | \$ 610,765 | \$ 36,523 |
| Economic development | | | | |
| Employment and training | \$ 85,131 | \$ 85,131 | \$ 84,068 | \$ 1,063 |
| Economic development | 58,200 | 58,200 | 57,000 | 1,200 |
| Total economic development | \$ 143,331 | \$ 143,331 | \$ 141,068 | \$ 2,263 |

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

**EXHIBIT 7
(Continued)**

**BUDGETARY COMPARISON STATEMENT
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2019**

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget</u> |
|---|-------------------------|---------------------|---------------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Expenditures (Continued) | | | | |
| Capital outlay | | | | |
| General government | \$ 21,000 | \$ 21,000 | \$ 3,721 | \$ 17,279 |
| Debt service | | | | |
| Principal | \$ 58,855 | \$ 58,855 | \$ 68,656 | \$ (9,801) |
| Interest | 3,013 | 3,013 | 2,299 | 714 |
| Total debt service | <u>\$ 61,868</u> | <u>\$ 61,868</u> | <u>\$ 70,955</u> | <u>\$ (9,087)</u> |
| Total Expenditures | <u>\$ 7,860,935</u> | <u>\$ 7,860,935</u> | <u>\$ 7,636,375</u> | <u>\$ 224,560</u> |
| Excess of Revenues Over (Under) | | | | |
| Expenditures | <u>\$ (31,491)</u> | <u>\$ (31,491)</u> | <u>\$ 671,911</u> | <u>\$ 703,402</u> |
| Other Financing Sources (Uses) | | | | |
| Transfers out | \$ - | \$ - | \$ (14,670) | \$ (14,670) |
| Proceeds from loan | 60,000 | 60,000 | 102,897 | 42,897 |
| Total Other Financing Sources (Uses) | <u>\$ 60,000</u> | <u>\$ 60,000</u> | <u>\$ 88,227</u> | <u>\$ 28,227</u> |
| Net Change in Fund Balance | \$ 28,509 | \$ 28,509 | \$ 760,138 | \$ 731,629 |
| Fund Balance – January 1 | <u>6,217,057</u> | <u>6,217,057</u> | <u>6,217,057</u> | <u>-</u> |
| Fund Balance – December 31 | <u>\$ 6,245,566</u> | <u>\$ 6,245,566</u> | <u>\$ 6,977,195</u> | <u>\$ 731,629</u> |

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

EXHIBIT 8

**BUDGETARY COMPARISON STATEMENT
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2019**

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget</u> |
|---|-------------------------|----------------------|---------------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Taxes | \$ 1,167,699 | \$ 1,167,699 | \$ 1,165,006 | \$ (2,693) |
| Intergovernmental | 9,261,166 | 9,261,166 | 3,275,087 | (5,986,079) |
| Charges for services | 317,000 | 317,000 | 352,018 | 35,018 |
| Miscellaneous | 82,000 | 82,000 | 167,696 | 85,696 |
| Total Revenues | \$ 10,827,865 | \$ 10,827,865 | \$ 4,959,807 | \$ (5,868,058) |
| Expenditures | | | | |
| Current | | | | |
| Highways and streets | | | | |
| Administration | \$ 430,586 | \$ 430,586 | \$ 246,396 | \$ 184,190 |
| Maintenance and construction | 8,718,094 | 8,718,094 | 2,603,092 | 6,115,002 |
| Equipment maintenance and shop | 814,128 | 814,128 | 600,930 | 213,198 |
| Other | 605,000 | 605,000 | 446,151 | 158,849 |
| Total highways and streets | \$ 10,567,808 | \$ 10,567,808 | \$ 3,896,569 | \$ 6,671,239 |
| Intergovernmental | | | | |
| Highways and streets | 260,057 | 260,057 | 257,743 | 2,314 |
| Total Expenditures | \$ 10,827,865 | \$ 10,827,865 | \$ 4,154,312 | \$ 6,673,553 |
| Net Change in Fund Balance | \$ - | \$ - | \$ 805,495 | \$ 805,495 |
| Fund Balance – January 1 | 2,232,776 | 2,232,776 | 2,232,776 | - |
| Increase (decrease) in inventories | - | - | (122,703) | (122,703) |
| Fund Balance – December 31 | \$ 2,232,776 | \$ 2,232,776 | \$ 2,915,568 | \$ 682,792 |

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

EXHIBIT 9

**BUDGETARY COMPARISON STATEMENT
HUMAN SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2019**

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget</u> |
|-----------------------------------|-------------------------|---------------------|---------------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Taxes | \$ 2,572,830 | \$ 2,572,830 | \$ 2,559,614 | \$ (13,216) |
| Intergovernmental | 3,371,101 | 3,371,101 | 3,520,832 | 149,731 |
| Charges for services | 362,200 | 362,200 | 456,292 | 94,092 |
| Gifts and contributions | - | - | 50 | 50 |
| Miscellaneous | 279,700 | 279,700 | 227,165 | (52,535) |
| Total Revenues | \$ 6,585,831 | \$ 6,585,831 | \$ 6,763,953 | \$ 178,122 |
| Expenditures | | | | |
| Current | | | | |
| Human services | | | | |
| Income maintenance | \$ 1,290,828 | \$ 1,290,828 | \$ 1,266,559 | \$ 24,269 |
| Social services | 4,391,795 | 4,391,795 | 4,171,443 | 220,352 |
| Total human services | \$ 5,682,623 | \$ 5,682,623 | \$ 5,438,002 | \$ 244,621 |
| Health | | | | |
| Community health services | 903,208 | 903,208 | 771,514 | 131,694 |
| Total Expenditures | \$ 6,585,831 | \$ 6,585,831 | \$ 6,209,516 | \$ 376,315 |
| Net Change in Fund Balance | \$ - | \$ - | \$ 554,437 | \$ 554,437 |
| Fund Balance – January 1 | 2,356,952 | 2,356,952 | 2,356,952 | - |
| Fund Balance – December 31 | \$ 2,356,952 | \$ 2,356,952 | \$ 2,911,389 | \$ 554,437 |

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FIDUCIARY FUNDS

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**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

EXHIBIT 10

**STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
DECEMBER 31, 2019**

| <u>Assets</u> | |
|-----------------------------|---------------------------------|
| Cash and pooled investments | \$ 575,386 |
| Accrued interest | <u>456</u> |
| Total Assets | <u><u>\$ 575,842</u></u> |
| <u>Liabilities</u> | |
| Accounts payable | \$ 56,473 |
| Due to other governments | <u>519,369</u> |
| Total Liabilities | <u><u>\$ 575,842</u></u> |

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**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019**

1. Summary of Significant Accounting Policies

The County's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as of and for the year ended December 31, 2019. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the County are discussed below.

A. Financial Reporting Entity

Watonwan County was established February 25, 1860, and is an organized county having the powers, duties, and privileges granted counties by Minn. Stat. ch. 373. The County is governed by a five-member Board of Commissioners elected from districts within the County. The Board is organized with a chair and vice chair elected at the annual meeting in January of each year.

Joint Ventures and Jointly-Governed Organizations

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

B. Basic Financial Statements

1. County-Wide Statements

The county-wide financial statements (the statement of net position and the statement of activities) display information about the County. These statements include the financial activities of the overall County government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities.

In the county-wide statement of net position present all assets, liabilities, deferred inflows and outflows of resources, and net position on a full accrual accounting basis with an economic resource focus. The County's net position is reported in three

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

1. County-Wide Statements (Continued)

parts: (1) net investment in capital assets, (2) restricted net position, and (3) unrestricted net position. The County first utilizes restricted resources to finance qualifying activities.

The statement of activities demonstrates the degree to which the direct expenses of each function of the County's governmental activities are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function, segment, or activity. Program revenues include: (1) fees, fines, and charges paid by the recipients of goods, services, or privileges provided by a given function or activity; and (2) grants and contributions restricted to meeting the operational or capital requirements of a particular function or activity. Revenues not classified as program revenues, including all taxes, are presented as general revenues.

2. Fund Financial Statements

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

The County reports the following major governmental funds:

The General Fund is the County's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.

The Road and Bridge Special Revenue Fund is used to account for restricted revenues from the federal and state government, as well as assigned property tax revenues used for the construction and maintenance of roads, bridges, and other projects affecting County roadways.

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

The Human Services Special Revenue Fund is used to account for restricted revenue sources from the federal, state, and other oversight agencies, as well as assigned property tax revenues to be used for economic assistance and community social services programs.

The County Ditch Special Revenue Fund is used to account for the operations of the County ditch system. Financing is provided by assessing benefited property owners.

The Debt Service Fund is used to account for the restricted property tax revenues for the payment of principal, interest, and related costs of County debt.

Additionally, the County reports the following fund types:

Special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) legally restricted to expenditures for specified purposes.

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

C. Measurement Focus and Basis of Accounting

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

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

1. Summary of Significant Accounting Policies

C. Measurement Focus and Basis of Accounting (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Watonwan County considers all revenues as available if collected within 60 days after the end of the current period. Property and other taxes, shared revenues, licenses, and interest are all considered susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent that they have matured. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

1. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Auditor/Treasurer for the purpose of increasing earnings through investment activities. Investments are reported at their fair value at December 31, 2019. A market approach is used to value all investments other than external investment pools, which are measured at the net asset value per share. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments are credited to the General Fund. Other funds may receive investment earnings based on other state statutes, grant agreements, contracts, or bond covenants. Pooled investment earnings for 2019 were \$257,041.

Watonwan County invests in an external investment pool, the Minnesota Association of Governments Investing for Counties (MAGIC) Fund, which is created under a joint powers agreement pursuant to Minn. Stat. § 471.59. The investment in the pool is measured at the net asset value per share provided by the pool.

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

1. Summary of Significant Accounting Policies

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

2. Receivables and Payables

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

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

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

Special assessments receivable consist of delinquent special assessments payable in the years 2014 through 2019 and noncurrent special assessments payable in 2020 and after. Unpaid special assessments at December 31 are classified in the financial statements as delinquent special assessments.

Accounts receivable are shown net of an allowance for uncollectibles. No allowance for uncollectible taxes/special assessments has been provided because such amounts are not expected to be material.

3. Inventories

The Road and Bridge Special Revenue Fund inventory is valued using the weighted average method. Inventories in governmental funds are recorded as expenditures at the time the item is purchased. Inventories at the county-wide level are reported as expenses when consumed. Inventories, as reported in the fund financial statements, are equally offset by nonspendable fund balance, which indicates that they do not constitute available spendable resources.

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

1. Summary of Significant Accounting Policies

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

4. Capital Assets

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets of the County are depreciated using the straight-line method over the following estimated useful lives:

| <u>Assets</u> | <u>Years</u> |
|-------------------------------------|--------------|
| Buildings | 25 - 40 |
| Improvements other than buildings | 30 |
| Machinery, furniture, and equipment | 5 - 15 |
| Infrastructure | 50 - 75 |

5. Compensated Absences

The liability for compensated absences reported in the financial statements consists of unpaid, accumulated vacation, compensatory time, and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. Compensated absences are accrued when incurred in the county-wide financial statements. The current portion of this liability is estimated based on the vacation, compensatory time, and a percentage of the vested sick balance at year-end. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements. Compensated absences are liquidated through the General Fund and other governmental funds that have personal services.

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

1. Summary of Significant Accounting Policies

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

6. Long-Term Obligations

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

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

7. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expenditure/expense) until then. The County reports deferred outflows of resources only under the full accrual basis of accounting associated with pension plans and other postemployment benefits (OPEB) and, accordingly, they are reported only in the statement of net position.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The County has two types of deferred inflows. The County reports unavailable revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Unavailable

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

1. Summary of Significant Accounting Policies

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

7. Deferred Outflows/Inflows of Resources (Continued)

revenue arises only under a modified accrual basis of accounting and, accordingly, is reported only in the governmental funds balance sheet. The unavailable revenue amount is deferred and recognized as an inflow of resources in the period that the amounts become available. The County also reports deferred inflows of resources associated with pension and OPEB benefits. These inflows arise only under the full accrual basis of accounting and, accordingly, are reported only in the statement of net position.

8. Pension Plan

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

9. Unearned Revenue

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

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

1. Summary of Significant Accounting Policies

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

10. Classification of Net Position

Net position in the county-wide financial statements is classified in the following components:

Net investment in capital assets – the amount of net position representing capital assets, net of accumulated depreciation, and reduced by outstanding debt attributed to the acquisition, construction, or improvement of the assets.

Restricted net position – the amount of net position for which external restrictions have been imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position – the amount of net position that does not meet the definition of restricted or net investment in capital assets.

11. Classification of Fund Balances

The County fund balance policy established a minimum unassigned fund balance equal to 35 to 50 percent of total General Fund operating revenues. Should the actual amount of fund balance fall below the desired range, the Board shall create a plan to restore the appropriate levels.

Fund balance is divided into five classifications based primarily on the extent to which the County is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable – amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

1. Summary of Significant Accounting Policies

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

11. Classification of Fund Balances (Continued)

Restricted – amounts for which constraints have been placed on the use of resources either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or by law through constitutional provisions or enabling legislation.

Committed – amounts that can be used only for the specific purposes imposed by formal action (resolution) of the County Board. Those committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts.

Assigned – amounts the County intends to use for specific purposes that do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the County Board or County Auditor/Treasurer, who has been delegated that authority by Board resolution.

Unassigned – the residual classification for the General Fund; it includes all spendable amounts not contained in the other fund balance classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted or committed.

The County applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

1. Summary of Significant Accounting Policies

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

12. Use of Estimates

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

2. Stewardship, Compliance, and Accountability

A. Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds, except the County Ditch Special Revenue Fund. All annual appropriations lapse at year-end.

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

The appropriated budget is prepared by fund, function, and department. Transfers of appropriations within a department and between departments require approval of the County Board. The legal level of budgetary control—the level at which expenditures may not legally exceed appropriations—is the fund level.

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

2. Stewardship, Compliance, and Accountability (Continued)

B. Excess of Expenditures Over Budget

The funds shown below had expenditures in excess of budget for the year ended December 31, 2019.

| | Expenditures | Final Budget | Excess |
|-------------------------------------|--------------|-----------------|-----------|
| County Library Special Revenue Fund | \$ 685,058 | \$ 662,552 | \$ 22,506 |
| Solid Waste Special Revenue Fund | 319,322 | 270,590 | 48,732 |

The excess of expenditures over budget were funded by unanticipated revenues and available fund balance.

C. Deficit Fund Equity – County Ditch Special Revenue Fund

The County Ditch Special Revenue Fund has a deficit fund balance of \$2,028,015. The deficit will be eliminated with future special assessment levies against the benefited properties. The following is a summary of the individual ditch systems:

| | |
|--|----------------|
| 28 ditches with positive fund balances | \$ 102,075 |
| 11 ditches with deficit fund balances | (2,130,090) |
| Total Fund Balance | \$ (2,028,015) |

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

The County's total cash and investments are as follows:

| | |
|-----------------------------|---------------|
| Governmental funds | |
| Cash and pooled investments | \$ 12,986,064 |
| Fiduciary funds | |
| Cash and pooled investments | |
| Agency funds | 575,386 |
| Total Cash and Investments | \$ 13,561,450 |

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

a. Deposits

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

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

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits may not be returned to it. It is the County's policy to minimize custodial credit risk of deposits by making deposits with financial institutions as defined by Minn. Stat. § 118A.01, and by obtaining necessary documentation of perfected security interest in pledged collateral from the financial institutions. As of December 31, 2019, the County's deposits were not exposed to custodial credit risk.

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

b. Investments

The County 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 fully insured by the Federal Deposit Insurance Corporation or bankers’ acceptances of United States banks;
- (5) commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less; and
- (6) with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

As of December 31, 2019, all County investments, valued at \$2,711,269, were in the MAGIC Fund’s MAGIC Portfolio.

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

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

The MAGIC Portfolio is valued using amortized cost. Shares of the MAGIC Portfolio are available to be redeemed upon proper notice without restrictions under normal operating conditions. There are no limits to the number of redemptions that can be made as long as the County has a sufficient number of shares to meet their redemption request. The Fund's Board of Trustees can suspend the right of withdrawal or postpone the date of payment if the Trustees determine that there is an emergency that makes the sale of a Portfolio's securities or determination of its net asset value not reasonably practical.

Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. It is the County's policy to minimize exposure to interest rate risk by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations; thereby, avoiding the need to sell securities in the open market, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools; and limiting the average maturity in accordance with the County's cash requirements.

Credit Risk

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

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities in the possession of an outside party. The County does not have a policy to mitigate custodial credit risk.

At December 31, 2019, none of the County's investments were subject to custodial credit risk.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss that may be caused by the County's investment in a single issuer. It is the County's policy to minimize concentration of credit risk by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimal. As of December 31, 2019, all of the County's investments were in the MAGIC Fund.

2. Receivables

Receivables as of December 31, 2019, for the County are as follows:

| | Receivable | Less: Allowance for Uncollectible Accounts | Net Receivables | Amounts Not Scheduled for Collection During the Subsequent Year |
|----------------------------------|---------------------|---|---------------------|--|
| Taxes – delinquent | \$ 141,999 | \$ - | \$ 141,999 | \$ - |
| Special assessments – delinquent | 24,969 | - | 24,969 | - |
| Special assessments – noncurrent | 2,207,067 | - | 2,207,067 | 2,062,434 |
| Accounts | 225,821 | (51,204) | 174,617 | - |
| Accrued interest receivable | 27,597 | - | 27,597 | - |
| Due from other governments | 5,265,084 | - | 5,265,084 | - |
| Total | \$ 7,892,537 | \$ (51,204) | \$ 7,841,333 | \$ 2,062,434 |

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets (Continued)

3. Capital Assets

Capital asset activity for the year ended December 31, 2019, was as follows:

| | Beginning Balance | Increase | Decrease | Ending Balance |
|---------------------------------------|----------------------|-----------------------|-------------------|----------------------|
| Capital assets not depreciated | | | | |
| Land | \$ 686,771 | \$ - | \$ - | \$ 686,771 |
| Construction in progress | 321,908 | 115,200 | 133,421 | 303,687 |
| Total capital assets not depreciated | <u>\$ 1,008,679</u> | <u>\$ 115,200</u> | <u>\$ 133,421</u> | <u>\$ 990,458</u> |
| Capital assets depreciated | | | | |
| Buildings | \$ 9,283,626 | \$ - | \$ - | \$ 9,283,626 |
| Land improvements | 2,304,366 | - | - | 2,304,366 |
| Machinery, furniture, and equipment | 7,376,550 | 547,432 | 130,973 | 7,793,009 |
| Infrastructure | 68,618,236 | 429,403 | - | 69,047,639 |
| Total capital assets depreciated | <u>\$ 87,582,778</u> | <u>\$ 976,835</u> | <u>\$ 130,973</u> | <u>\$ 88,428,640</u> |
| Less: accumulated depreciation for | | | | |
| Buildings | \$ 4,203,175 | \$ 213,866 | \$ - | \$ 4,417,041 |
| Land improvements | 149,550 | 51,317 | - | 200,867 |
| Machinery, furniture, and equipment | 4,513,073 | 441,256 | 130,973 | 4,823,356 |
| Infrastructure | 23,237,089 | 1,344,404 | - | 24,581,493 |
| Total accumulated depreciation | <u>\$ 32,102,887</u> | <u>\$ 2,050,843</u> | <u>\$ 130,973</u> | <u>\$ 34,022,757</u> |
| Total capital assets depreciated, net | <u>\$ 55,479,891</u> | <u>\$ (1,074,008)</u> | <u>\$ -</u> | <u>\$ 54,405,883</u> |
| Total Capital Assets, Net | <u>\$ 56,488,570</u> | <u>\$ (958,808)</u> | <u>\$ 133,421</u> | <u>\$ 55,396,341</u> |

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

| | |
|---|---------------------|
| General government | \$ 262,565 |
| Public safety | 115,944 |
| Highways and streets, including depreciation of infrastructure assets | 1,564,259 |
| Sanitation | 3,461 |
| Human services | 53,868 |
| Culture and recreation | 49,810 |
| Conservation of natural resources | 936 |
| Total Depreciation Expense | <u>\$ 2,050,843</u> |

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

B. Interfund Receivables and Payables

The composition of interfund balances as of December 31, 2019, is as follows:

1. Due To/From Other Funds

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> | <u>Purpose</u> |
|-----------------------------------|---------------------|------------------|--|
| General | Road and Bridge | \$ 331 | Postage |
| | Human Services | 27,709 | Reimbursement for services and salaries |
| | Solid Waste | 5,942 | Salaries |
| Total due to General Fund | | <u>\$ 33,982</u> | |
| Road and Bridge | General | \$ 16,329 | Fuel, reimbursement for services, and salaries |
| | Human Services | 528 | Reimbursement for services |
| | County Ditch | 3,061 | Reimbursement for services |
| | Solid Waste | 138 | Reimbursement for services |
| Total due to Road and Bridge Fund | | <u>\$ 20,056</u> | |
| Human Services | General | <u>\$ 10,191</u> | Shared expense for employee |
| Total Due To/From Other Funds | | <u>\$ 64,229</u> | |

The interfund receivables and payables are expected to be paid within one year of December 31, 2019.

2. Advances From/To Other Funds

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|------------------------|---------------------|---------------------|
| General | County Ditch | <u>\$ 1,915,000</u> |

The advance to the County Ditch Special Revenue Fund is to provide financing for improvement project costs of the ditch systems. This balance will be paid from future ditch special assessments.

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

3. Detailed Notes on All Funds

B. Interfund Receivables and Payables (Continued)

3. Interfund Transfers

Interfund transfers for the year ended December 31, 2019, consisted of the following:

| | | | |
|--|----|---------------|-----------------------|
| Transfers to County Library Fund from General Fund | \$ | <u>14,670</u> | Interest distribution |
|--|----|---------------|-----------------------|

C. Liabilities and Deferred Inflows of Resources

1. Long-Term Debt

Bonds

| Type of Indebtedness | Final Maturity | Installment Amount | Interest Rate (%) | Original Issue Amount | Outstanding Balance December 31, 2019 |
|--|-------------------|--------------------------|-------------------------|-----------------------------|--|
| G.O. Capital Improvement Refunding Bonds, Series 2010A | 2021 | \$175,000 - \$180,000 | 2.60 - 3.00 | \$ 1,650,000 | \$ 360,000 |
| G.O. Capital Improvement Crossover Refunding Bonds, Series 2012A | 2026 | \$50,000 - \$55,000 | 1.55 - 2.60 | 625,000 | 375,000 |
| G.O. Capital Improvement Plan Bonds, Series 2013A | 2034 | \$60,000 - \$90,000 | 2.00 - 4.00 | 1,420,000 | 1,130,000 |
| G.O. Capital Notes, Series 2014 | 2021 | \$65,000 - \$75,000 | 2.29 | <u>515,000</u> | <u>140,000</u> |
| Total | | | | <u>\$ 4,210,000</u> | <u>\$ 2,005,000</u> |
| Plus: unamortized premium | | | | | 20,433 |
| Less: unamortized discount | | | | | <u>(2,530)</u> |
| Total General Obligation Bonds, Net | | | | | <u>\$ 2,022,903</u> |

Capital improvement bonds and notes are being retired by the Debt Service Fund.

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources

1. Long-Term Debt (Continued)

Loans Payable

The County entered into loan agreements with the Minnesota Department of Agriculture and the Minnesota Pollution Control Agency for funding Clean Water Partnership Projects. The loans are secured by special assessments against benefited properties. Loan payments are reported in the General Fund.

| Type of Indebtedness | Final Maturity | Installment Amount | Interest Rate (%) | Original Issue Amount | Outstanding Balance December 31, 2019 |
|--|-------------------|-----------------------|-------------------------|-----------------------------|--|
| Greater Blue Earth and Des Moines River Clean Water Partnership Project, SRF0221 | 2022 | \$17,225 | 2.00 | \$ 310,831 | \$ 90,736 |
| Watonwan Ag Best Management Loan Program | 2028 | \$9,161 - \$30,509 | - | 547,183 | 431,309 |
| Total Loans | | | | <u>\$ 858,014</u> | <u>\$ 522,045</u> |

2. Debt Service Requirements

Debt service requirements at December 31, 2019, were as follows:

| Year Ending December 31 | General Obligation Bonds | | Capital Notes | |
|----------------------------|--------------------------|-------------------|-------------------|-----------------|
| | Principal | Interest | Principal | Interest |
| 2020 | \$ 290,000 | \$ 56,907 | \$ 75,000 | \$ 3,206 |
| 2021 | 295,000 | 48,945 | 65,000 | 1,489 |
| 2022 | 120,000 | 43,192 | - | - |
| 2023 | 120,000 | 40,033 | - | - |
| 2024 | 125,000 | 36,743 | - | - |
| 2025 - 2029 | 485,000 | 127,160 | - | - |
| 2030 - 2034 | 430,000 | 43,800 | - | - |
| Total | <u>\$ 1,865,000</u> | <u>\$ 396,780</u> | <u>\$ 140,000</u> | <u>\$ 4,695</u> |

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources

2. Debt Service Requirements (Continued)

| Year Ending December 31 | Loans Payable | |
|----------------------------|---------------|----------|
| | Principal | Interest |
| 2020 | \$ 79,470 | \$ 1,651 |
| 2021 | 83,918 | 992 |
| 2022 | 79,037 | 320 |
| 2023 | 56,212 | - |
| 2024 | 57,910 | - |
| 2025 - 2028 | 165,498 | - |
| Total | \$ 522,045 | \$ 2,963 |

3. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2019, was as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|--|----------------------|--------------|--------------|-------------------|------------------------|
| G.O. Capital Improvement Refunding Bonds, Series 2010A | \$ 535,000 | \$ - | \$ 175,000 | \$ 360,000 | \$ 180,000 |
| G.O. Capital Improvement Crossover Refunding Bonds, Series 2012A | 425,000 | - | 50,000 | 375,000 | 50,000 |
| G.O. Capital Improvement Plan Bonds, Series 2013A | 1,190,000 | - | 60,000 | 1,130,000 | 60,000 |
| G.O. Capital Notes, Series 2014 | 215,000 | - | 75,000 | 140,000 | 75,000 |
| Plus: unamortized premium on bonds | 22,046 | - | 1,613 | 20,433 | - |
| Less: unamortized discount on bonds | (4,850) | - | (2,320) | (2,530) | - |
| Total bonds payable | \$ 2,382,196 | \$ - | \$ 359,293 | \$ 2,022,903 | \$ 365,000 |
| Loans payable | 487,804 | 102,897 | 68,656 | 522,045 | 79,470 |
| Compensated absences | 751,745 | 906,247 | 889,790 | 768,202 | 511,493 |
| Total Long-Term Liabilities | \$ 3,621,745 | \$ 1,009,144 | \$ 1,317,739 | \$ 3,313,150 | \$ 955,963 |

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources (Continued)

4. Unavailable Revenue

Unavailable revenue as of December 31, 2019, for the County's governmental funds are as follows:

| | Unavailable Revenue |
|--|------------------------|
| Taxes and special assessments, delinquent and noncurrent | \$ 2,321,958 |
| Highway allotments that do not provide current financial resources | 4,498,539 |
| Charges for services, grants, and reimbursements | 243,493 |
| Total Governmental Funds | \$ 7,063,990 |

5. Construction and Other Commitments

The County has active construction projects and other commitments as of December 31, 2019. The projects and commitments include the following:

| | Spent-to-Date | Remaining Commitment |
|--|---------------|-------------------------|
| Transit Bus | \$ - | \$ 79,604 |
| Audio Logger | - | 19,645 |
| Public Safety Signal Booster | - | 17,553 |
| Judicial Ditch # 7 Tile Repairs | - | 42,733 |
| Joint Ditch # 14 (Brown & Watonwan) Tile Repairs | - | 5,475 |

The remaining commitment for highway projects are state-funded and, therefore, are not obligations of the County at December 31, 2019.

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

D. Other Postemployment Benefits (OPEB)

Plan Description

Watonwan County administers an OPEB Plan, a single-employer defined benefit health care plan to eligible retirees and their dependents.

Watonwan County provides postemployment health care benefits for retirees and elected officials. Within 60 days of the effective date of an elected County official's retirement or termination, the County shall contribute an amount equal to the annual premium for single health insurance coverage in effect at the time of termination or retirement for every four complete years of service, up to a maximum of five terms.

The County provides benefits for retirees as required by Minn. Stat. § 471.61, subd. 2b. Retirees are required to pay 100 percent of the total premium cost. Since the premium is determined on the entire active and retiree population, the retirees are receiving an implicit rate subsidy. This postemployment benefit is funded on a pay-as-you-go basis.

No assets have been accumulated in a trust that meets the criteria in paragraph four of GASB 75. The OPEB plan does not issue a stand-alone financial report.

As of the January 1, 2019, actuarial valuation, the following employees were covered by the benefit terms:

| | |
|--|------------|
| Inactive employees or beneficiaries currently receiving benefit payments | 11 |
| Active plan participants | <u>148</u> |
| Total | <u>159</u> |

Total OPEB Liability

The County's total OPEB liability of \$457,418 was measured as of January 1, 2019, and was determined by an actuarial valuation dated January 1, 2019. The OPEB liability is liquidated through the General Fund and other governmental funds that have personal services.

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

3. Detailed Notes on All Funds

D. Other Postemployment Benefits (OPEB)

Total OPEB Liability (Continued)

The total OPEB liability in the fiscal year-end December 31, 2019, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

| | |
|------------------------|--|
| Inflation | 2.50 percent |
| Salary increases | 3.00 percent |
| Health care cost trend | 6.50 percent in 2019, grading to 5.00 percent over six years |

The current year discount rate is 3.80 percent, which is a change from the prior year rate of 3.30 percent. For the current valuation, the discount rate was developed by estimating the long-term investment yield on the employer funds that will be used to pay the benefits as they become due.

Mortality rates are based on RP-2014 White Collar Mortality Tables with MP-2018 Generational Improvement Scale (with blue collar adjustment for police and fire personnel).

Changes in the Total OPEB Liability

| | <u>Total OPEB Liability</u> |
|---|---------------------------------|
| Balance at December 31, 2018 | \$ 622,834 |
| Changes for the year | |
| Service cost | \$ 39,758 |
| Interest | 20,900 |
| Assumption changes | (6,414) |
| Difference between expected and actual experience | (160,641) |
| Benefit payments | <u>(59,019)</u> |
| Net change | <u>\$ (165,416)</u> |
| Balance at December 31, 2019 | <u>\$ 457,418</u> |

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

3. Detailed Notes on All Funds

D. Other Postemployment Benefits (OPEB) (Continued)

OPEB Liability Sensitivity

The following presents the total OPEB liability of the County, calculated using the discount rate previously disclosed, as well as what the County's total OPEB liability would be if it were calculated using a discount rate that is 1.00 percentage point lower or 1.00 percentage point higher than the current discount rate:

| | Discount Rate | | Total OPEB Liability |
|-------------|---------------|----|-------------------------|
| 1% Decrease | 2.80% | \$ | 481,953 |
| Current | 3.80 | | 457,418 |
| 1% Increase | 4.80 | | 434,504 |

The following presents the total OPEB liability of the County, calculated using the health care cost trend previously disclosed, as well as what the County's total OPEB liability would be if it were calculated using health care cost trend rates that are 1.00 percentage point lower or 1.00 percentage point higher than the current health care cost trend rate:

| | Health Care Trend Rate | | Total OPEB Liability |
|-------------|---------------------------|----|-------------------------|
| 1% Decrease | 5.50% Decreasing to 4.00% | \$ | 426,682 |
| Current | 6.50% Decreasing to 5.00% | | 457,418 |
| 1% Increase | 7.50% Decreasing to 6.00% | | 493,276 |

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources
Related to OPEB

For the year ended December 31, 2019, the County recognized OPEB expense of \$32,815.

The \$141,563 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended December 31, 2020.

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

3. Detailed Notes on All Funds

D. Other Postemployment Benefits (OPEB) (Continued)

Changes in Actuarial Assumptions

The following changes in actuarial assumptions occurred in 2019:

- The discount rate used changed from 3.30 percent to 3.80 percent.
- Health care trend rates and mortality tables were updated.
- The retirement and withdrawal tables for public safety employees were updated.

E. Pension Plans

1. Defined Benefit Pension Plans

a. Plan Description

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

The General Employees Plan (accounted for in the General Employees Fund) has multiple benefit structures with members belonging to the Coordinated Plan, the Basic Plan, or the Minneapolis Employees Retirement Fund. Coordinated Plan members are covered by Social Security, and Basic Plan and Minneapolis Employees Retirement Fund members are not. The Basic Plan was closed to new members in 1967. The Minneapolis Employees Retirement Fund was closed to new members during 1978 and merged into the General Employees Plan in 2015. All new members must participate in the Coordinated

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans

a. Plan Description (Continued)

Plan, for which benefits vest after five years of credited service. No Watonwan County employees belong to either the Basic Plan or the Minneapolis Employees Retirement Fund.

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

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

b. Benefits Provided

PERA provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefit provisions are established by state statute and can be modified only by the state legislature. Benefit increases are provided to benefit recipients each January.

Beginning January 1, 2019, General Employees Plan benefit recipients will receive a post-retirement increase equal to 50 percent of the cost of living adjustment announced by the Social Security Administration, with a minimum increase of at least 1.00 percent and maximum of 1.50 percent. Recipients that

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans

b. Benefits Provided (Continued)

have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under the Rule of 90 are exempt from the delay to normal retirement.

Beginning January 1, 2019, Police and Fire Plan benefit recipients will receive a 1.00 percent post-retirement increase. Recipients that have been receiving the annuity or benefit for at least 36 months as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least 25 months but less than 36 months as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

Beginning January 1, 2019, Correctional Plan benefit recipients will receive a post-retirement increase equal to 100 percent of the cost of living adjustment announced by the Social Security Administration, with a minimum increase of at least 1.00 percent and maximum of 2.50 percent. If the Correctional Plan's funding status declines to 85 percent or below for two consecutive years or 80 percent for one year, the maximum will be lowered from 2.50 percent to 1.50 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans

b. Benefits Provided (Continued)

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

Benefits are based on a member's highest average salary for any 60 consecutive months of allowable service, age, and years of credit at termination of service. In the General Employees Plan, two methods are used to compute benefits for Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Coordinated Plan member is 1.20 percent of average salary for each of the first ten years of service and 1.70 percent of average salary for each remaining year. Under Method 2, the annuity accrual rate is 1.70 percent for Coordinated Plan members for each year of service. Only Method 2 is used for members hired after June 30, 1989. For Police and Fire Plan members, the annuity accrual rate is 3.00 percent of average salary for each year of service. For Correctional Plan members, the annuity accrual rate is 1.90 percent of average salary for each year of service.

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

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans (Continued)

c. Contributions

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the state legislature. General Employees Plan members were required to contribute 6.50 percent of their annual covered salary in 2019. Police and Fire Plan members were required to contribute 11.30 percent of their annual covered salary in 2019. Correctional Plan members were required to contribute 5.83 percent of their annual covered salary in 2019.

In 2019, the County was required to contribute the following percentages of annual covered salary:

| | |
|---|-------|
| General Employees Plan – Coordinated Plan members | 7.50% |
| Police and Fire Plan | 16.95 |
| Correctional Plan | 8.75 |

The Police and Fire Plan member and employer contribution rates increased 0.50 percent and 0.75 percent, respectively, from 2018.

The County's contributions for the year ended December 31, 2019, to the pension plans were:

| | |
|------------------------|------------|
| General Employees Plan | \$ 464,679 |
| Police and Fire Plan | 96,272 |
| Correctional Plan | 29,455 |

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

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans (Continued)

d. Pension Costs

General Employees Plan

At December 31, 2019, the County reported a liability of \$4,765,805 for its proportionate share of the General Employees Plan's net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2018, through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the County's proportion was 0.0862 percent. It was 0.0848 percent measured as of June 30, 2018. The County recognized pension expense of \$599,407 for its proportionate share of the General Employees Plan's pension expense.

The County also recognized \$11,096 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's contribution to the General Employees Plan, which qualifies as a special funding situation. Legislation requires the State of Minnesota to contribute \$16 million to the General Employees Plan annually.

| | |
|--|---------------------|
| The County's proportionate share of the net pension liability | \$ 4,765,805 |
| State of Minnesota's proportionate share of the net pension liability associated with the County | <u>148,160</u> |
| Total | <u>\$ 4,913,965</u> |

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

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs

General Employees Plan (Continued)

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|--------------------------------------|-------------------------------------|
| Differences between expected and actual economic experience | \$ 132,157 | \$ - |
| Changes in actuarial assumptions | - | 373,185 |
| Difference between projected and actual investment earnings | - | 476,065 |
| Changes in proportion | 58,250 | 69,341 |
| Contributions paid to PERA subsequent to the measurement date | 231,020 | - |
| | \$ 421,427 | \$ 918,591 |
| Total | | |

The \$231,020 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ended December 31 | Pension Expense Amount |
|---------------------------|------------------------------|
| 2020 | \$ (273,722) |
| 2021 | (387,772) |
| 2022 | (74,370) |
| 2023 | 7,680 |

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs (Continued)

Police and Fire Plan

At December 31, 2019, the County reported a liability of \$582,337 for its proportionate share of the Police and Fire Plan's net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2018, through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the County's proportion was 0.0547 percent. It was 0.0528 percent measured as of June 30, 2018. The County recognized pension expense of \$94,969 for its proportionate share of the Police and Fire Plan's pension expense.

The County also recognized \$7,384 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's on-behalf contribution to the Police and Fire Plan. Legislation requires the State of Minnesota to contribute \$9 million to the Police and Fire Plan each year, starting in fiscal year 2014, until the plan is 90 percent funded, or until the State Patrol Plan is 90 percent funded, whichever occurs later. In addition, the state will pay direct state aid of \$4.5 million on October 1, 2018, and October 1, 2019, and \$9 million by October 1 of each subsequent year until full funding is reached or July 1, 2048, whichever is earlier.

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

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs

Police and Fire Plan (Continued)

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|--------------------------------------|-------------------------------------|
| Differences between expected and actual economic experience | \$ 23,760 | \$ 90,892 |
| Changes in actuarial assumptions | 503,566 | 610,689 |
| Difference between projected and actual investment earnings | - | 108,079 |
| Changes in proportion | 55,427 | 120,396 |
| Contributions paid to PERA subsequent to the measurement date | 50,348 | - |
| Total | \$ 633,101 | \$ 930,056 |

The \$50,348 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ended December 31 | Pension Expense Amount |
|---------------------------|------------------------------|
| 2020 | \$ (26,851) |
| 2021 | (80,638) |
| 2022 | (249,693) |
| 2023 | 6,997 |
| 2024 | 2,882 |

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs (Continued)

Correctional Plan

At December 31, 2019, the County reported a liability of \$21,017 for its proportionate share of the Correctional Plan's net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2018, through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the County's proportion was 0.1518 percent. It was 0.1537 percent measured as of June 30, 2018. The County recognized pension expense of \$40,978 for its proportionate share of the Correctional Plan's pension expense.

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

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|--------------------------------------|-------------------------------------|
| Differences between expected and actual economic experience | \$ 782 | \$ 3,332 |
| Changes in actuarial assumptions | - | 186,630 |
| Difference between projected and actual investment earnings | - | 25,508 |
| Changes in proportion | 19,522 | 9,367 |
| Contributions paid to PERA subsequent to the measurement date | 14,905 | - |
| Total | \$ 35,209 | \$ 224,837 |

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs

Correctional Plan (Continued)

The \$14,905 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Year Ended December 31</u> | <u>Pension Expense Amount</u> |
|-----------------------------------|---------------------------------------|
| 2020 | \$ (109,892) |
| 2021 | (88,142) |
| 2022 | (6,703) |
| 2023 | 204 |

Total Pension Expense

The total pension expense for all plans recognized by the County for the year ended December 31, 2019, was \$735,354.

e. Actuarial Assumptions

The total pension liability in the June 30, 2019, actuarial valuation was determined using the individual entry-age normal actuarial cost method and the following additional actuarial assumptions:

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

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans

e. Actuarial Assumptions (Continued)

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants for all plans were based on RP-2014 tables for males or females, as appropriate, with slight adjustments. Cost of living benefit increases for retirees are assumed to be 1.25 percent for the General Employees Plan and 2.00 percent for the Correctional Plan. For the Police and Fire Plan, cost of living benefit increases for retirees are 1.00 percent as set by state statute.

Actuarial assumptions used in the June 30, 2019, valuation were based on the results of actuarial experience studies. The experience study for the General Employees Plan was dated June 30, 2015. The experience study for the Police and Fire Plan was dated August 30, 2016. The experience study for the Correctional Plan was dated February 2012. The mortality assumption for the Correctional Plan is based on the Police and Fire Plan experience study. Inflation and investment assumptions for all plans were reviewed in the experience study report for the General Employees Plan dated June 27, 2019.

The long-term expected rate of return on pension plan investments is 7.50 percent. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans

e. Actuarial Assumptions (Continued)

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|----------------------|--------------------------|---|
| Domestic equity | 35.50% | 5.10% |
| International equity | 17.50 | 5.30 |
| Fixed income | 20.00 | 0.75 |
| Private markets | 25.00 | 5.90 |
| Cash equivalents | 2.00 | 0.00 |

f. Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent in 2019, which remained consistent with 2018. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, the fiduciary net positions of the General Employees Plan, the Police and Fire Plan, and the Correctional Plan were projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

g. Changes in Actuarial Assumptions and Plan Provisions

The following changes in actuarial assumptions occurred in 2019:

General Employees Plan

- The mortality projection scale was changed from MP-2017 to MP-2018.

Police and Fire Plan

- The mortality projection scale was changed from MP-2017 to MP-2018.

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans

g. Changes in Actuarial Assumptions and Plan Provisions (Continued)

Correctional Plan

- The mortality projection scale was changed from MP-2017 to MP-2018.

h. Pension Liability Sensitivity

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

| | Proportionate Share of the | | | | | |
|-------------|----------------------------|--------------------------|----------------------|--------------------------|-------------------|--------------------------|
| | General Employees Plan | | Police and Fire Plan | | Correctional Plan | |
| | Discount Rate | Net Pension Liability | Discount Rate | Net Pension Liability | Discount Rate | Net Pension Liability |
| 1% Decrease | 6.50% | \$ 7,834,727 | 6.50% | \$ 1,272,880 | 6.50% | \$ 223,995 |
| Current | 7.50 | 4,765,805 | 7.50 | 582,337 | 7.50 | 21,017 |
| 1% Increase | 8.50 | 2,231,800 | 8.50 | 11,269 | 8.50 | (141,399) |

i. Pension Plan Fiduciary Net Position

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

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

3. Detailed Notes on All Funds

E. Pension Plans (Continued)

2. Defined Contribution Plan

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

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

Total contributions by dollar amount and percentage of covered payroll made by Watonwan County during the year ended December 31, 2019, were:

| | <u>Employee</u> | <u>Employer</u> |
|-------------------------------|-----------------|-----------------|
| Contribution amount | \$ 5,864 | \$ 5,864 |
| Percentage of covered payroll | 5.00% | 5.00% |

F. Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. The County has entered into a joint powers agreement with other Minnesota counties to form the Minnesota Counties Intergovernmental Trust (MCIT). The County is a member of both the MCIT Workers' Compensation and Property and Casualty Divisions. For other risk, the County carries commercial insurance. There were no significant reductions in insurance from the prior year. The amount of settlements did not exceed insurance coverage for the past three fiscal years.

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

3. Detailed Notes on All Funds

F. Risk Management (Continued)

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at \$500,000 per claim in 2019 and 2020. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

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

4. Summary of Significant Contingencies and Other Items

A. Contingent Liabilities

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

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

B. Nonexchange Financial Guarantees

The Red Rock Rural Water System (RRRWS) was established by the Fifth Judicial District under Minn. Stat. §§ 116A.01 through 116A.26 to serve as a multi-county water system in the Counties of Brown, Cottonwood, Jackson, Lyon, Martin, Murray, Nobles, Redwood, and Watonwan.

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

B. Nonexchange Financial Guarantees (Continued)

On September 15, 2009, pursuant to Minn. Stat. ch. 475 and § 116A.20, the County issued the \$1,600,000 G.O. Water Revenue Refunding Bonds, Series 2009, on behalf of the RRRWS to current refund the outstanding portion of the \$1,765,000 G.O. Water Revenue Bonds, Series 2002. Scheduled bond payments for the issuance began on January 1, 2010, and continue until the final maturity date of January 1, 2032. Bonds maturing on January 1, 2020, and thereafter are subject to a continuous early redemption option.

On June 1, 2016, pursuant to Minn. Stat. ch. 475 and § 116A.20, the County issued the \$1,155,000 G.O. Water Revenue Crossover Refunding Bonds, Series 2016A, on behalf of the RRRWS to crossover refund the G.O. Water Revenue Refunding Bonds of 2009. The proceeds of this issuance have been invested by an escrow agent and used to pay interest on the 2016 bonds until January 1, 2019, at which time, the 2009 bonds will be refunded. Scheduled bond payments for this issuance begin on January 1, 2020, and continue until the final maturity date of January 1, 2032. Bonds maturing on January 1, 2025, and thereafter are subject to a continuous early redemption option.

The RRRWS is responsible for the payment of all costs, principal, and interest relating to these bonds through special assessments on the properties being serviced or the net revenues of the water system. In the event of a deficiency in the debt service accounts established by the RRRWS, the County has validly obligated itself to levy additional ad valorem taxes upon all the taxable property within the County to complete debt payments as scheduled. No arrangements have been established for recovery payments should such an event occur. On December 31, 2019, the outstanding principal balance for the 2009 and 2016 bonds were \$1,015,000 and \$1,080,000, respectively.

C. Joint Ventures

Minnesota River Valley Drug Task Force

The Minnesota River Valley Drug Task Force was established through a joint powers agreement, pursuant to Minn. Stat. § 471.59, to provide a comprehensive and multi-jurisdictional effort to reduce felony-level criminal activity through the coordination of the law enforcement agencies.

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Minnesota River Valley Drug Task Force (Continued)

The joint powers are Blue Earth, Martin, Nicollet, and Watonwan Counties and the Cities of Fairmont, Madelia, Mankato, North Mankato, St. James, and St. Peter. Control of the Task Force is vested in the Board of Directors composed of the Sheriff or Chief of Police of each of the members, or his or her designee, and one prosecuting attorney. Blue Earth County is the fiscal agent for the Task Force. Funding is provided by grants and matching contributions from participating members. Watonwan County contributed \$11,935 to the Task Force in 2019. Current financial statements are not available.

Red Rock Rural Water System

The Red Rock Rural Water System (RRRWS) was established pursuant to Minn. Stat. ch. 116A through a joint powers agreement, pursuant to Minn. Stat. § 471.59, and under the jurisdiction of the Fifth Judicial District. Brown, Cottonwood, Jackson, Lyon, Martin, Murray, Nobles, Redwood, and Watonwan Counties have agreed to guarantee their shares of debt arising within each respective county. The RRRWS provides water for participating rural water users and cities within the RRRWS. The cost of providing these services is recovered through user charges.

The governing body is composed of nine members appointed to three-year terms by the District Court. Each county is responsible for levying and collecting the special assessments from the benefited properties within the county. The bond issue and notes payable are shown as long-term debt in the financial statements of the RRRWS.

Complete financial information can be obtained from the Red Rock Rural Water System, 305 West Whited Street, Jeffers, Minnesota 56145.

Rural Minnesota Energy Board

The Rural Minnesota Energy Board was established in 2005 under the authority of Minn. Stat. § 471.59. The Board includes Blue Earth, Brown, Cottonwood, Faribault, Freeborn, Jackson, Lincoln, Lyon, Martin, Mower, Murray, Nicollet, Nobles, Pipestone, Redwood, Renville, Rock, and Watonwan Counties. The purpose of the Board is to provide guidance on issues surrounding energy development in rural Minnesota and to foster the

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Rural Minnesota Energy Board (Continued)

diversification of the economic climate in rural Minnesota. The focus of the Board includes, but is not limited to, renewable energy, wind energy, energy transmission lines, hydrogen energy technology, and bio-diesel and ethanol use.

The governing body is composed of one voting member and one alternate member from each participating county's Board of Commissioners. The Board shall remain in existence as long as two or more counties remain parties to the agreement. Should the Board cease to exist, assets shall be liquidated after payment of liabilities, based upon the ratios set out under the equal and proportionate share articles of the agreement. During the year, Watonwan County paid \$2,500 to the Board.

Complete financial information can be obtained from the Rural Minnesota Energy Board, Slayton, Minnesota 56172.

South Central Minnesota Regional Emergency Communications Board

The South Central Minnesota Regional Emergency Communications Board (formerly known as the South Central Minnesota Regional Radio Board) was established pursuant to Minn. Stat. §§ 471.59 and 403.39 and a joint powers agreement effective May 27, 2008. It is comprised of Blue Earth, Brown, Faribault, Le Sueur, Martin, McLeod, Nicollet, Sibley, Waseca, and Watonwan Counties, and the Cities of Hutchinson and Mankato. The primary function of the joint venture is to provide regional administration of enhancements to the Statewide Public Safety Radio and Communication System for the Allied Radio Matrix for Emergency Response (ARMER), owned and operated by the State of Minnesota, and to enhance and improve interoperable public safety communications.

The Board consists of one County Commissioner from each county included in the agreement, one City Council member from each city included in the agreement, a member of the South Central Minnesota Regional Advisory Committee, a member of the South Central Minnesota Regional Radio System User Committee, and a member of the Owners and Operators Committee.

Blue Earth County acts as the fiscal agent for the Communications Board. During 2019, Watonwan County did not contribute to the Board.

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

C. Joint Ventures

South Central Minnesota Regional Emergency Communications Board (Continued)

Financial information can be obtained at the Blue Earth County Justice Center, 401 Carver Road, Mankato, Minnesota, 56002.

South Central Workforce Service Area Joint Powers Board

In June 2012, the County entered into a joint powers agreement with Blue Earth, Brown, Faribault, Le Sueur, Martin, Nicollet, Sibley, and Waseca Counties, creating the South Central Workforce Service Area Joint Powers Board. The agreement is authorized by Minn. Stat. § 471.59. The Board is comprised of one voting member and one alternate member for each participating county. The goal of the Board is to develop and maintain a quality workforce for South Central Minnesota.

Watonwan County made no contributions to this organization in 2019.

Separate financial information can be obtained from the South Central Workforce Council, 706 North Victory Drive, Mankato, Minnesota 56001.

Three Counties for Kids Children's Mental Health Collaborative

The Three Counties for Kids Children's Mental Health Collaborative was established in 1996 under the authority of Minn. Stat. § 471.59. The Collaborative includes Brown, Sibley, and Watonwan Counties; River Bend Education District; Sioux Trails Mental Health Center; and Greater Minnesota Family Services. The purpose of the Collaborative is to join local units of government together to ensure a unified, unduplicated, and family-friendly system of intervention and care for families and children. The Collaborative provides improved coordination for children and families through information sharing, elimination of duplicate services, and cooperative efforts. The Collaborative funds selected projects and services that support intervention and the prevention of out-of-home placement of children at risk.

The Collaborative is financed by Local Collaborative Time Study (LCTS) funds and program reimbursements. Control of the Collaborative is vested in a Board of Directors consisting of seven members. Brown County Human Services acts as fiscal agent for the Collaborative. During 2019, Watonwan County made \$20,352 in contributions to the Collaborative.

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Three Counties for Kids Children's Mental Health Collaborative (Continued)

Any withdrawing party remains liable for fiscal obligations incurred prior to the effective date of withdrawal and shall not be entitled to any compensation as long as the Collaborative continues in existence. Should the Collaborative cease to exist, the Three Counties for Kids Children's Mental Health Collaborative Board of Directors shall distribute all property, real and personal, at the time of the termination.

As the administrative county, Brown County Human Services may be liable to the state or federal government for any disallowance, sanction, or audit exception attributable to the Three Counties for Kids Children's Mental Health Collaborative, including, but not limited to, federal fiscal disallowances or sanctions based upon the Collaborative's implementation of the LCTS or any of the other state and federal funding sources and their related requirements. In the event of any such audit disallowance or sanction, the following participating partners, Brown, Sibley, and Watonwan Counties and the River Bend Education District, share the liability.

Financial information can be obtained by contacting the Brown County Human Services Department, New Ulm, Minnesota 56073.

Vision for Family and Community Collaborative

The Vision for Family and Community Collaborative was established in 1996 under the authority of Minn. Stat. § 121.8355 (now Minn. Stat. § 124D.23). The Collaborative includes Watonwan County and St. James, Madelia, and Butterfield Independent School Districts. The Collaborative ensures the availability of comprehensive services designed to enhance or strengthen family functioning.

Control of the Collaborative is vested in a Joint Powers Board. The Joint Powers Board is composed of nine members. Watonwan County Human Services acts as fiscal agent for the Collaborative. The Collaborative is financed by LCTS funds. During 2019, Watonwan County made contributions of \$22,422 to the Collaborative.

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Vision for Family and Community Collaborative (Continued)

Any withdrawing party remains fiscally liable until the effective date of withdrawal. Should the Collaborative cease to exist, all property, real and personal, held by the Collaborative at the time of the termination shall be distributed by resolution of the Joint Powers Board in accordance with law and in a manner to best accomplish the purpose of the Collaborative.

D. Jointly-Governed Organizations

Greater Blue Earth River Basin Alliance

The Greater Blue Earth River Basin Alliance establishes goals, policies, and objectives to protect and enhance land and water resources in the Greater Blue Earth River Basin. The Board consists of County Commissioners and members of the Soil and Water Conservation Districts. During the year, Watonwan County paid \$11,248 to the Alliance.

Region Five – Southwest Minnesota Homeland Security Emergency Management Organization

The Region Five – Southwest Minnesota Homeland Security Emergency Management Organization was established to provide for regional coordination of planning, training, purchase of equipment, and allocating emergency services and staff in order to better respond to emergencies and natural or other disasters within the region. Control is vested in the Board, which is composed of representatives appointed by each Board of County Commissioners. Watonwan County's responsibility does not extend beyond making this appointment. During the year, Watonwan County paid \$15 in membership fees.

Minnesota Counties Computer Cooperative

The Minnesota Counties Computer Cooperative (MCCC) provides computer programming services for the County. During the year, Watonwan County purchased \$82,858 in services from the MCCC.

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

D. Jointly-Governed Organizations (Continued)

Minnesota Criminal Justice Data Communications Network

The Minnesota Criminal Justice Data Communications Network Joint Powers Agreement exists to create access for the County Sheriff and County Attorney to systems and tools available from the State of Minnesota, Department of Public Safety, and the Bureau of Criminal Apprehension to carry out criminal justice. During the year, Watonwan County paid \$1,170 to the Network.

South Central Community-Based Initiative Joint Powers Board

The South Central Community-Based Initiative Joint Powers Board was established pursuant to Minn. Stat. §§ 471.59 and 245.4661 and a joint powers agreement, effective June 20, 2008. The purpose of this joint powers agreement is to provide services to persons with mental illness in the most clinically-appropriate, person-centered, least restrictive, and cost effective ways. The focus is on improved access and outcomes for persons with mental illness as a result of the collaboration between state-operated services programs and community-based treatment. The membership of the Board is comprised of one representative appointed by Blue Earth, Brown, Faribault, Freeborn, Le Sueur, Martin, Nicollet, Rice, Sibley, and Watonwan Counties. Watonwan County did not contribute to the Joint Powers Board in 2019.

South Central Emergency Medical Service Joint Powers Board

The South Central Emergency Medical Service (SCEMS) Joint Powers Board consists of Blue Earth, Brown, Faribault, Le Sueur, Martin, Nicollet, Sibley, Waseca, and Watonwan Counties. The purpose of the SCEMS is to ensure quality patient care is available throughout the nine-county area by maximizing the response capabilities of emergency medical personnel and to promote public education on injury prevention and appropriate response during a medical emergency. Each county appoints one member for the Joint Powers Board. During the year, Watonwan County made payments of \$5,000 to the SCEMS.

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

D. Jointly-Governed Organizations (Continued)

South Central Regional IMMTRACK Joint Powers Board

The South Central Regional IMMTRACK (immunization registry) Joint Powers Board promotes an implementation and maintenance of a regional immunization information system to ensure age-appropriate immunizations through complete and accurate records. During 2019, Watonwan County made payments of \$3,904 to IMMTRACK.

E. Special Benefit Tax Levy

In 1993, the South Central Minnesota Multi-County Housing Authority issued \$20,315,000 of revenue bonds to construct housing units in Watonwan County and four surrounding counties. The Authority has since defaulted on these bonds. In 2000, the counties entered into a settlement agreement where each of the counties will approve a special benefit tax levy on behalf of the Authority from 2001 through 2024 to cover the operating deficits based on each county's proportionate share of housing units constructed. Watonwan County's proportionate share of the operating deficit for 2019 is \$99,314. The proportionate share of the counties may change for years 2020 through 2024 if there are changes in the taxable market value over the 2001 taxable market value; however, the County's share may not increase by the lesser of two percent or the increase over the 2001 taxable market value.

F. Subsequent Event

On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) to be a pandemic. Economic activity decreased in 2020, including gasoline sales taxes collected by the State of Minnesota used for funding County State Aid Highways (CSAH) revenue recorded in the County's Road and Bridge Special Revenue Fund. As a result, a decrease of approximately 15 percent of CSAH revenue is expected to be received for calendar year 2021. The County did have additional expenses spent on COVID-19 related costs such as cleaning, sanitizing, personal protective equipment supplies, modifications to its building, IT equipment and services to allow for social distancing and remote working. The County does anticipate to use and distribute the funds from the CARES Act.

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REQUIRED SUPPLEMENTARY INFORMATION

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**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

EXHIBIT A-1

**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
OTHER POSTEMPLOYMENT BENEFITS
DECEMBER 31, 2019**

| | <u>2019</u> | <u>2018</u> |
|--|---------------------------------|---------------------------------|
| Total OPEB Liability | | |
| Service cost | \$ 39,758 | \$ 49,676 |
| Interest | 20,900 | 20,036 |
| Differences between expected and actual experience | (160,641) | - |
| Changes of assumption or other inputs | (6,414) | - |
| Benefit payments | <u>(59,019)</u> | <u>(8,648)</u> |
| Net change in total OPEB liability | \$ (165,416) | \$ 61,064 |
| Total OPEB Liability – Beginning | <u>622,834</u> | <u>561,770</u> |
| Total OPEB Liability – Ending | <u><u>\$ 457,418</u></u> | <u><u>\$ 622,834</u></u> |
| | | |
| Covered-employee payroll | \$ 6,979,669 | \$ 6,600,642 |
| Total OPEB liability (asset) as a percentage of covered-employee payroll | 6.55% | 9.44% |

This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

EXHIBIT A-2

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA GENERAL EMPLOYEES RETIREMENT PLAN
DECEMBER 31, 2019**

| Measurement Date | Employer's Proportion of the Net Pension Liability (Asset) | Employer's Proportionate Share of the Net Pension Liability (Asset) (a) | State's Proportionate Share of the Net Pension Liability Associated with Watonwan County (b) | Employer's Proportionate Share of the Net Pension Liability and the State's Related Share of the Net Pension Liability (Asset) (a + b) | Covered Payroll (c) | Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/c) | Plan Fiduciary Net Position as a Percentage of the Total Pension Liability |
|-----------------------------|---|--|---|---|------------------------------------|---|---|
| 2019 | 0.0862 % | \$ 4,765,805 | \$ 148,160 | \$ 4,913,965 | \$ 6,099,771 | 78.13 % | 80.23 % |
| 2018 | 0.0848 | 4,704,356 | 154,344 | 4,858,700 | 5,698,907 | 82.55 | 79.53 |
| 2017 | 0.0864 | 5,515,719 | 69,390 | 5,585,109 | 5,568,869 | 99.05 | 75.90 |
| 2016 | 0.0873 | 7,088,327 | 92,639 | 7,180,966 | 5,419,996 | 130.78 | 68.91 |
| 2015 | 0.0858 | 4,446,601 | N/A | 4,446,601 | 5,051,691 | 88.02 | 78.19 |

This schedule is intended to show information for ten years. Additional years will be displayed as they become available.
The measurement date for each year is June 30.
N/A – Not Applicable

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

EXHIBIT A-3

**SCHEDULE OF CONTRIBUTIONS
PERA GENERAL EMPLOYEES RETIREMENT PLAN
DECEMBER 31, 2019**

| Year Ending | Statutorily Required Contributions (a) | Actual Contributions in Relation to Statutorily Required Contributions (b) | Contribution (Deficiency) Excess (b - a) | Covered Payroll (c) | Actual Contributions as a Percentage of Covered Payroll (b/c) |
|------------------------|---|---|---|------------------------------------|--|
| 2019 | \$ 464,679 | \$ 464,679 | \$ - | \$ 6,195,743 | 7.50 % |
| 2018 | 445,931 | 445,931 | - | 5,945,747 | 7.50 |
| 2017 | 415,925 | 415,925 | - | 5,545,670 | 7.50 |
| 2016 | 407,922 | 407,922 | - | 5,438,961 | 7.50 |
| 2015 | 381,729 | 381,729 | - | 5,089,723 | 7.50 |

This schedule is intended to show information for ten years. Additional years will be displayed as they become available. The County's year-end is December 31.

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

EXHIBIT A-4

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA PUBLIC EMPLOYEES POLICE AND FIRE PLAN
DECEMBER 31, 2019**

| Measurement Date | Employer's Proportion of the Net Pension Liability (Asset) | Employer's Proportionate Share of the Net Pension Liability (Asset) (a) | Covered Payroll (b) | Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b) | Plan Fiduciary Net Position as a Percentage of the Total Pension Liability |
|-----------------------------|---|--|------------------------------------|---|---|
| 2019 | 0.0547 % | \$ 582,337 | \$ 577,355 | 100.86 % | 89.26 % |
| 2018 | 0.0528 | 562,794 | 556,596 | 101.11 | 88.84 |
| 2017 | 0.0510 | 688,561 | 523,413 | 131.55 | 85.43 |
| 2016 | 0.0570 | 2,287,509 | 544,559 | 420.07 | 63.88 |
| 2015 | 0.0530 | 602,204 | 489,030 | 123.14 | 86.61 |

This schedule is intended to show information for ten years. Additional years will be displayed as they become available. The measurement date for each year is June 30.

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

EXHIBIT A-5

**SCHEDULE OF CONTRIBUTIONS
PERA PUBLIC EMPLOYEES POLICE AND FIRE PLAN
DECEMBER 31, 2019**

| Year Ending | Statutorily Required Contributions (a) | Actual Contributions in Relation to Statutorily Required Contributions (b) | Contribution (Deficiency) Excess (b - a) | Covered Payroll (c) | Actual Contributions as a Percentage of Covered Payroll (b/c) |
|------------------------|---|---|---|------------------------------------|--|
| 2019 | \$ 96,272 | \$ 96,272 | \$ - | \$ 567,972 | 16.95 % |
| 2018 | 97,128 | 97,128 | - | 599,558 | 16.20 |
| 2017 | 85,287 | 85,287 | - | 526,465 | 16.20 |
| 2016 | 84,828 | 84,828 | - | 523,630 | 16.20 |
| 2015 | 82,737 | 82,737 | - | 510,719 | 16.20 |

This schedule is intended to show information for ten years. Additional years will be displayed as they become available. The County's year-end is December 31.

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

EXHIBIT A-6

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA PUBLIC EMPLOYEES LOCAL GOVERNMENT CORRECTIONAL SERVICE RETIREMENT PLAN
DECEMBER 31, 2019**

| Measurement Date | Employer's Proportion of the Net Pension Liability (Asset) | Employer's Proportionate Share of the Net Pension Liability (Asset) (a) | Covered Payroll (b) | Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b) | Plan Fiduciary Net Position as a Percentage of the Total Pension Liability |
|-----------------------------|---|--|------------------------------------|---|---|
| 2019 | 0.1518 % | \$ 21,017 | \$ 323,846 | 6.49 % | 98.17 % |
| 2018 | 0.1537 | 25,279 | 313,855 | 8.05 | 97.64 |
| 2017 | 0.1400 | 399,001 | 270,441 | 147.54 | 67.89 |
| 2016 | 0.1500 | 547,971 | 283,457 | 193.32 | 58.16 |
| 2015 | 0.1500 | 23,190 | 267,504 | 8.67 | 96.95 |

This schedule is intended to show information for ten years. Additional years will be displayed as they become available. The measurement date for each year is June 30.

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

EXHIBIT A-7

**SCHEDULE OF CONTRIBUTIONS
PERA PUBLIC EMPLOYEES LOCAL GOVERNMENT CORRECTIONAL SERVICE RETIREMENT PLAN
DECEMBER 31, 2019**

| Year Ending | Statutorily Required Contributions (a) | Actual Contributions in Relation to Statutorily Required Contributions (b) | Contribution (Deficiency) Excess (b - a) | Covered Payroll (c) | Actual Contributions as a Percentage of Covered Payroll (b/c) |
|------------------------|---|---|---|------------------------------------|--|
| 2019 | \$ 29,455 | \$ 29,455 | \$ - | \$ 336,635 | 8.75 % |
| 2018 | 28,121 | 28,121 | - | 321,386 | 8.75 |
| 2017 | 25,628 | 25,628 | - | 292,887 | 8.75 |
| 2016 | 23,129 | 23,129 | - | 264,332 | 8.75 |
| 2015 | 23,436 | 23,436 | - | 267,836 | 8.75 |

This schedule is intended to show information for ten years. Additional years will be displayed as they become available.
The County's year-end is December 31.

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**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2019**

1. Other Postemployment Benefits Funded Status

Assets have not been accumulated in a trust that meets the criteria in paragraph four of GASB Statement 75 to pay related benefits.

2. Other Postemployment Benefits – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

The following changes in actuarial assumptions occurred:

2019

- The discount rate used changed from 3.30 percent to 3.80 percent.
- Health care trend rates and mortality tables were updated.
- The retirement and withdrawal tables for public safety employees were updated.

2018

- The discount rate used changed from 3.50 percent to 3.30 percent.
- The actuarial cost method was changed from projected unit credit to entry age as prescribed by GASB 75.

3. Defined Benefit Pension Plans – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

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

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

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

General Employees Retirement Plan

2019

- The mortality projection scale was changed from MP-2017 to MP-2018.

2018

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase rate was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter, to 1.25 percent per year.
- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Post-retirement benefit increases were changed from 1.00 percent per year with a provision to increase to 2.50 percent upon attainment of 90 percent funding to 50 percent of the Social Security cost of living adjustment, not less than 1.00 percent and not more than 1.50 percent, beginning January 1, 2019.

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

3. Defined Benefit Pension Plans – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

General Employees Retirement Plan

2018 (Continued)

- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to the Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017

- The Combined Service Annuity (CSA) loads were changed from 0.80 percent for active members and 60 percent for vested and non-vested deferred members (30 percent for deferred Minneapolis Employees Retirement Fund members). The revised CSA loads are now 0.00 percent for active member liability, 15 percent for vested deferred member liability, and 3.00 percent for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year for all years to 1.00 percent per year through 2044 and 2.50 percent per year thereafter.
- Minneapolis Employees Retirement Fund plan provisions change the employer supplemental contribution to \$21 million in calendar years 2017 and 2018 and returns to \$31 million through calendar year 2031. The state's required contribution is \$16 million in PERA's fiscal years 2018 and 2019 and returns to \$6 million annually through calendar year 2031.

2016

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2035 and 2.50 percent per year thereafter, to 1.00 percent for all future years.

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

3. Defined Benefit Pension Plans – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

General Employees Retirement Plan

2016 (Continued)

- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was also changed from 7.90 percent to 7.50 percent.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

Public Employees Police and Fire Plan

2019

- The mortality projection scale was changed from MP-2017 to MP-2018.

2018

- The mortality projection scale was changed from MP-2016 to MP-2017.
- Post-retirement benefit increases changed to 1.00 percent for all years, with no trigger.
- An end date of July 1, 2048, was added to the existing \$9.0 million state contribution. Additionally, annual state aid will equal \$4.5 million in fiscal years 2019 and 2020, and \$9.0 million thereafter, until the plan reaches 100 percent funding, or July 1, 2048, if earlier.
- Member contributions were changed effective January 1, 2019, and January 1, 2020, from 10.80 percent to 11.30 and 11.80 percent of pay, respectively. Employer contributions were changed effective January 1, 2019, and January 1, 2020, from 16.20 percent to 16.95 and 17.70 percent of pay, respectively. Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

3. Defined Benefit Pension Plans – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

Public Employees Police and Fire Plan

2018 (Continued)

- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017

- The assumed salary increases were changed as recommended in the June 30, 2016, experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates.
- The assumed rates of retirement were changed, resulting in fewer retirements.
- The CSA load was 30 percent for vested and non-vested, deferred members. The CSA load has been changed to 33 percent for vested members and 2.00 percent for non-vested members.
- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality table assumed for healthy retirees.
- The assumed termination rates were decreased to 3.00 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- The assumed percentage of married female members was decreased from 65 percent to 60 percent.

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

3. Defined Benefit Pension Plans – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

Public Employees Police and Fire Plan

2017 (Continued)

- The assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.
- The assumed percentage of female members electing joint and survivor annuities was increased.
- The assumed post-retirement benefit increase rate was changed from 1.00 percent for all years to 1.00 percent per year through 2064 and 2.50 percent thereafter.
- The single discount rate was changed from 5.60 percent per annum to 7.50 percent per annum.

2016

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

Public Employees Local Government Correctional Service Retirement Plan

2019

- The mortality projection scale was changed from MP-2017 to MP-2018.

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

3. Defined Benefit Pension Plans – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

Public Employees Local Government Correctional Service Retirement Plan (Continued)

2018

- The single discount rate was changed from 5.96 percent per annum to 7.50 percent per annum.
- The mortality projection scale was changed from MP-2016 to MP-2017.
- The assumed post-retirement benefit increase was changed from 2.50 percent per year to 2.00 percent per year.
- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Post-retirement benefit increases were changed from 2.50 percent per year with a provision to reduce to 1.00 percent if the funding status declines to a certain level, to 100 percent of the Social Security cost of living adjustment, not less than 1.00 percent and not more than 2.50 percent, beginning January 1, 2019. If the funding status declines to 85 percent for two consecutive years, or 80 percent for one year, the maximum increase will be lowered to 1.50 percent.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

3. Defined Benefit Pension Plans – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

Public Employees Local Government Correctional Service Retirement Plan (Continued)

2017

- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016 and is applied to healthy and disabled members. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the RP-2014 disabled annuitant mortality table (with future mortality improvement according to Scale MP-2016).
- The CSA load was 30 percent for vested and non-vested, deferred members. The CSA load has been changed to 35 percent for vested members and 1.00 percent for non-vested members.
- The single discount rate was changed from 5.31 percent per annum to 5.96 percent per annum.

2016

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

SUPPLEMENTARY INFORMATION

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**COMBINING AND INDIVIDUAL FUND STATEMENTS
AND SCHEDULES**

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**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

DEBT SERVICE FUND

The Debt Service Fund is used to account for the restricted property tax revenues for the payment of principal, interest, and related costs of County debt.

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**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

EXHIBIT B-1

**BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2019**

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget</u> |
|-----------------------------------|-------------------------|-------------------|---------------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Taxes | \$ 411,475 | \$ 411,475 | \$ 409,419 | \$ (2,056) |
| Intergovernmental | 8,525 | 8,525 | 8,525 | - |
| Miscellaneous | 18,763 | 18,763 | 18,763 | - |
| Total Revenues | \$ 438,763 | \$ 438,763 | \$ 436,707 | \$ (2,056) |
| Expenditures | | | | |
| Debt service | | | | |
| Principal | \$ 360,000 | \$ 360,000 | \$ 360,000 | \$ - |
| Interest | 71,857 | 71,857 | 68,856 | 3,001 |
| Administrative charges | 2,130 | 2,130 | 2,130 | - |
| Total Expenditures | \$ 433,987 | \$ 433,987 | \$ 430,986 | \$ 3,001 |
| Net Change in Fund Balance | \$ 4,776 | \$ 4,776 | \$ 5,721 | \$ 945 |
| Fund Balance – January 1 | 467,340 | 467,340 | 467,340 | - |
| Fund Balance – December 31 | \$ 472,116 | \$ 472,116 | \$ 473,061 | \$ 945 |

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**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

OTHER GOVERNMENTAL FUNDS

NONMAJOR SPECIAL REVENUE FUNDS

County Library – to account for the funds of the County library system. Financing comes primarily from an annual tax levy and state grants.

Solid Waste – to account for the County recycling programs. Financing is provided by a tax levy, user charges, and state grants.

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**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

EXHIBIT C-1

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2019**

| | Special Revenue Funds | | Total |
|---|------------------------------|------------------------|---------------------|
| | County Library | Solid Waste | |
| <u>Assets</u> | | | |
| Cash and pooled investments | \$ 1,045,152 | \$ 496,279 | \$ 1,541,431 |
| Taxes receivable – delinquent | 8,905 | 236 | 9,141 |
| Special assessments receivable – delinquent | - | 11,892 | 11,892 |
| Total Assets | \$ 1,054,057 | \$ 508,407 | \$ 1,562,464 |
| <u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u> | | | |
| Liabilities | | | |
| Accounts payable | \$ 2,377 | \$ 5,097 | \$ 7,474 |
| Salaries payable | 10,970 | 40 | 11,010 |
| Due to other funds | - | 6,080 | 6,080 |
| Total Liabilities | \$ 13,347 | \$ 11,217 | \$ 24,564 |
| Deferred Inflows of Resources | | | |
| Unavailable revenue | \$ 5,956 | \$ 8,479 | \$ 14,435 |
| Fund Balances | | | |
| Restricted for library operations from donations | \$ 439,537 | \$ - | \$ 439,537 |
| Committed for library operations | 595,217 | - | 595,217 |
| Assigned to solid waste | - | 488,711 | 488,711 |
| Total Fund Balances | \$ 1,034,754 | \$ 488,711 | \$ 1,523,465 |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | \$ 1,054,057 | \$ 508,407 | \$ 1,562,464 |

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

EXHIBIT C-2

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019**

| | <u>Special Revenue Funds</u> | | <u>Total</u> |
|---|------------------------------|------------------------|---------------------|
| | <u>County Library</u> | <u>Solid Waste</u> | |
| Revenues | | | |
| Taxes | \$ 598,959 | \$ 10,703 | \$ 609,662 |
| Special assessments | - | 174,193 | 174,193 |
| Intergovernmental | 53,604 | 70,022 | 123,626 |
| Charges for services | 4,363 | 15,836 | 20,199 |
| Fines and forfeits | 2,845 | - | 2,845 |
| Gifts and contributions | 886 | - | 886 |
| Miscellaneous | 727 | - | 727 |
| Total Revenues | \$ 661,384 | \$ 270,754 | \$ 932,138 |
| Expenditures | | | |
| Current | | | |
| Sanitation | \$ - | \$ 319,322 | \$ 319,322 |
| Culture and recreation | 685,058 | - | 685,058 |
| Total Expenditures | \$ 685,058 | \$ 319,322 | \$ 1,004,380 |
| Excess of Revenues Over (Under) Expenditures | \$ (23,674) | \$ (48,568) | \$ (72,242) |
| Other Financing Sources (Uses) | | | |
| Transfers in | 14,670 | - | 14,670 |
| Net Change in Fund Balances | \$ (9,004) | \$ (48,568) | \$ (57,572) |
| Fund Balances – January 1 | 1,043,758 | 537,279 | 1,581,037 |
| Fund Balances – December 31 | \$ 1,034,754 | \$ 488,711 | \$ 1,523,465 |

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

EXHIBIT C-3

**BUDGETARY COMPARISON SCHEDULE
COUNTY LIBRARY SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2019**

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget</u> |
|--|-------------------------|---------------------|---------------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Taxes | \$ 601,995 | \$ 601,995 | \$ 598,959 | \$ (3,036) |
| Intergovernmental | 49,557 | 49,557 | 53,604 | 4,047 |
| Charges for services | 4,200 | 4,200 | 4,363 | 163 |
| Fines and forfeits | 5,000 | 5,000 | 2,845 | (2,155) |
| Gifts and contributions | - | - | 886 | 886 |
| Investment earnings | 1,800 | 1,800 | - | (1,800) |
| Miscellaneous | - | - | 727 | 727 |
| Total Revenues | \$ 662,552 | \$ 662,552 | \$ 661,384 | \$ (1,168) |
| Expenditures | | | | |
| Current | | | | |
| Culture and recreation | | | | |
| County library | 662,552 | 662,552 | 685,058 | (22,506) |
| Excess of Revenues Over (Under) | | | | |
| Expenditures | \$ - | \$ - | \$ (23,674) | \$ (23,674) |
| Other Financing Sources (Uses) | | | | |
| Transfers in | - | - | 14,670 | 14,670 |
| Net Change in Fund Balance | \$ - | \$ - | \$ (9,004) | \$ (9,004) |
| Fund Balance – January 1 | 1,043,758 | 1,043,758 | 1,043,758 | - |
| Fund Balance – December 31 | \$ 1,043,758 | \$ 1,043,758 | \$ 1,034,754 | \$ (9,004) |

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

EXHIBIT C-4

**BUDGETARY COMPARISON SCHEDULE
SOLID WASTE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2019**

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget</u> |
|-----------------------------------|-------------------------|-------------------|---------------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Taxes | \$ 15,938 | \$ 15,938 | \$ 10,703 | \$ (5,235) |
| Special assessments | 198,500 | 198,500 | 174,193 | (24,307) |
| Intergovernmental | 70,312 | 70,312 | 70,022 | (290) |
| Charges for services | 13,750 | 13,750 | 15,836 | 2,086 |
| Total Revenues | \$ 298,500 | \$ 298,500 | \$ 270,754 | \$ (27,746) |
| Expenditures | | | | |
| Current | | | | |
| Sanitation | | | | |
| SCORE | 270,590 | 270,590 | 319,322 | (48,732) |
| Net Change in Fund Balance | \$ 27,910 | \$ 27,910 | \$ (48,568) | \$ (76,478) |
| Fund Balance – January 1 | 537,279 | 537,279 | 537,279 | - |
| Fund Balance – December 31 | \$ 565,189 | \$ 565,189 | \$ 488,711 | \$ (76,478) |

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

AGENCY FUNDS

Agency – to account for the collection and disbursement of funds for the state or other local governments, including game and fish fees, licenses, fines, police and fire aids, deed taxes, and mortgage registry taxes.

Vision for Family and Community – to account for the funds of a County/multi-school district family service collaborative.

Taxes and Penalties – to account for the collection and disbursement of taxes and penalties.

Cemetery – to account for the investment of funds for Antrim Township Cemetery.

Soil and Water Conservation – to account for the funds received and expended for the activities of the Watonwan Soil and Water Conservation District.

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**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

EXHIBIT D-1

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019**

| | Balance January 1 | Additions | Deductions | Balance December 31 |
|---|------------------------------|------------------|-------------------|--------------------------------|
| <u>AGENCY</u> | | | | |
| <u>Assets</u> | | | | |
| Cash and pooled investments | \$ 25,824 | \$ 2,432,903 | \$ 2,427,095 | \$ 31,632 |
| <u>Liabilities</u> | | | | |
| Due to other governments | \$ 25,824 | \$ 2,432,903 | \$ 2,427,095 | \$ 31,632 |
| <u>VISION FOR FAMILY AND COMMUNITY</u> | | | | |
| <u>Assets</u> | | | | |
| Cash and pooled investments | \$ 85,682 | \$ 137,018 | \$ 120,694 | \$ 102,006 |
| <u>Liabilities</u> | | | | |
| Due to other governments | \$ 85,682 | \$ 137,018 | \$ 120,694 | \$ 102,006 |
| <u>TAXES AND PENALTIES</u> | | | | |
| <u>Assets</u> | | | | |
| Cash and pooled investments | \$ 194,322 | \$ 18,887,251 | \$ 18,944,744 | \$ 136,829 |
| <u>Liabilities</u> | | | | |
| Due to other governments | \$ 194,322 | \$ 18,887,251 | \$ 18,944,744 | \$ 136,829 |

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

**EXHIBIT D-1
(Continued)**

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019**

| | Balance January 1 | Additions | Deductions | Balance December 31 |
|---|------------------------------|----------------------|----------------------|--------------------------------|
| <u>CEMETERY</u> | | | | |
| <u>Assets</u> | | | | |
| Cash and pooled investments | \$ 55,790 | \$ 1,204 | \$ 977 | \$ 56,017 |
| Accrued interest | 310 | 146 | - | 456 |
| Total Assets | \$ 56,100 | \$ 1,350 | \$ 977 | \$ 56,473 |
| <u>Liabilities</u> | | | | |
| Accounts payable | \$ 56,100 | \$ 1,350 | \$ 977 | \$ 56,473 |
| <u>SOIL AND WATER CONSERVATION</u> | | | | |
| <u>Assets</u> | | | | |
| Cash and pooled investments | \$ 261,665 | \$ 236,453 | \$ 249,216 | \$ 248,902 |
| <u>Liabilities</u> | | | | |
| Due to other governments | \$ 261,665 | \$ 236,453 | \$ 249,216 | \$ 248,902 |
| <u>TOTAL ALL AGENCY FUNDS</u> | | | | |
| <u>Assets</u> | | | | |
| Cash and pooled investments | \$ 623,283 | \$ 21,694,829 | \$ 21,742,726 | \$ 575,386 |
| Accrued interest | 310 | 146 | - | 456 |
| Total Assets | \$ 623,593 | \$ 21,694,975 | \$ 21,742,726 | \$ 575,842 |
| <u>Liabilities</u> | | | | |
| Accounts payable | \$ 56,100 | \$ 1,350 | \$ 977 | \$ 56,473 |
| Due to other governments | 567,493 | 21,693,625 | 21,741,749 | 519,369 |
| Total Liabilities | \$ 623,593 | \$ 21,694,975 | \$ 21,742,726 | \$ 575,842 |

SCHEDULES

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**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

EXHIBIT E-1

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2019**

Appropriations and Shared Revenue

State

| | |
|--|------------------|
| Aquatic invasive species prevention aid | \$ 32,192 |
| County program aid | 573,895 |
| Disparity reduction aid | 5,064 |
| Enhanced 911 | 82,761 |
| Highway users tax | 3,024,223 |
| Market value credit | 201,531 |
| Minnesota licensing and registration system (MNLARS) | 36,446 |
| PERA aid | 38,386 |
| Police aid | 71,750 |
| SCORE | 68,710 |
| | 4,134,958 |

Total appropriations and shared revenue

\$ 4,134,958

Reimbursement for Services

State

| | |
|--|----------------|
| Minnesota Department of Human Services | \$ 566,075 |
| | 566,075 |

Grants

State

| | |
|-------------------------------|------------------|
| Minnesota Department/Board of | |
| Corrections | \$ 57,686 |
| Education | 4,047 |
| Health | 202,334 |
| Human Services | 1,078,188 |
| Natural Resources | 53,285 |
| Public Safety | 11,991 |
| Transportation | 310,730 |
| Veterans Affairs | 7,500 |
| Water and Soil Resources | 132,534 |
| Pollution Control Agency | 35,398 |
| Secretary of State | 7,185 |
| | 1,900,878 |

Total state

\$ 1,900,878

Federal

| | |
|---------------------------|------------------|
| Department/Institute of | |
| Agriculture | \$ 241,622 |
| Education | 648 |
| Health and Human Services | 1,295,802 |
| Homeland Security | 20,074 |
| Transportation | 272,937 |
| | 1,831,083 |

Total federal

\$ 1,831,083

Total state and federal grants

\$ 3,731,961

Total Intergovernmental Revenue

\$ 8,432,994

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

EXHIBIT E-2

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2019**

| Federal Grantor Pass-Through Agency Program or Cluster Title | Federal CFDA Number | Pass-Through Grant Numbers | Expenditures |
|---|------------------------------------|---------------------------------------|---------------------|
| U.S. Department of Agriculture | | | |
| Passed Through Minnesota Department of Health Special Supplemental Nutrition Program for Women, Infants, and Children | 10.557 | 192MN004W1003 | \$ 126,387 |
| Passed Through Minnesota Department of Human Services SNAP Cluster | | | |
| State Administrative Matching Grants for the Supplemental Nutrition Assistance Program | 10.561 | 192MN101S2514 | 112,043 |
| State Administrative Matching Grants for the Supplemental Nutrition Assistance Program | 10.561 | 192MN127Q7503 | 3,167 |
| State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (Total State Administrative Matching Grants for the Supplemental Nutrition Assistance Program 10.561 \$115,235) | 10.561 | 192MN101S2520 | 25 |
| Total U.S. Department of Agriculture | | | \$ 241,622 |
| U.S. Department of Transportation | | | |
| Passed Through Minnesota Department of Transportation Formula Grants for Rural Areas and Tribal Transit Program | 20.509 | AGR#1032542 | \$ 101,117 |
| U.S. Department of Education | | | |
| Passed Through Minnesota Department of Health Special Education – Grants for Infants and Families | 84.181 | H181A140029 | \$ 648 |
| U.S. Department of Health and Human Services | | | |
| Passed Through Minnesota Department of Health Public Health Emergency Preparedness TANF Cluster | 93.069 | NU90TP922026 | \$ 24,791 |
| Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families 93.558 \$132,677) | 93.558 | 1801MNTANF | 31,247 |
| Maternal and Child Health Services Block Grant to the States | 93.994 | B04MC32551 | 16,446 |
| Passed Through Minnesota Department of Human Services Promoting Safe and Stable Families TANF Cluster | | | |
| Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families 93.558 \$132,677) | 93.558 | 1901MNTANF | 101,430 |
| Child Support Enforcement | 93.563 | 1901MNCSES | 58,872 |
| Child Support Enforcement (Total Child Support Enforcement 93.563 \$259,219) | 93.563 | 1901MNCEST | 200,347 |
| Refugee and Entrant Assistance – State Administered Programs | 93.566 | 1901MNRCA | 126 |

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

**EXHIBIT E-2
(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2019**

| Federal Grantor Pass-Through Agency Program or Cluster Title | Federal CFDA Number | Pass-Through Grant Numbers | Expenditures |
|--|------------------------------------|---------------------------------------|---------------------|
| U.S. Department of Health and Human Services | | | |
| Passed Through Minnesota Department of Human Services (Continued) | | | |
| CCDF Cluster | | | |
| Child Care Mandatory and Matching Funds of the Child Care and Development Fund | 93.596 | G1901MNCCDF | 3,302 |
| Stephanie Tubbs Jones Child Welfare Services Program | 93.645 | G-1801MNCWSS | 1,912 |
| Foster Care – Title IV-E | 93.658 | 1901MNFOST | 203,589 |
| Social Services Block Grant | 93.667 | G-1901MNSOSR | 82,512 |
| John H. Chafee Foster Care Program for Successful Transition to Adulthood | 93.674 | G-1901MNCILP | 19,900 |
| Children's Health Insurance Program | 93.767 | 1905MN5R21 | 95 |
| Medicaid Cluster | | | |
| Medical Assistance Program | 93.778 | 1905MN5ADM | 672,168 |
| Medical Assistance Program | 93.778 | 1905MN5MAP | 5,616 |
| (Total Medical Assistance Program 93.778 \$677,784) | | | <u> </u> |
| Total U.S. Department of Health and Human Services | | | \$ 1,425,253 |
| U.S. Department of Homeland Security | | | |
| Passed Through Minnesota Department of Public Safety | | | |
| Disaster Grants – Public Assistance (Presidentially Declared Disasters) | 97.036 | Not Provided | \$ 161 |
| Emergency Management Performance Grants | 97.042 | EMC-2019-EP-00002 | <u>16,909</u> |
| Total U.S. Department of Homeland Security | | | \$ 17,070 |
| Total Federal Awards | | | \$ 1,785,710 |
| Totals by Cluster | | | |
| Total expenditures for SNAP Cluster | | | \$ 115,235 |
| Total expenditures for TANF Cluster | | | 132,677 |
| Total expenditures for CCDF Cluster | | | 3,302 |
| Total expenditures for Medicaid Cluster | | | 677,784 |

The County did not pass any federal awards through to subrecipients during the year ended December 31, 2019.

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**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2019**

1. Summary of Significant Accounting Policies

A. Reporting Entity

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

B. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Watonwan County under programs of the federal government for the year ended December 31, 2019. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Watonwan County, it is not intended to and does not present the financial position or changes in net position of Watonwan County.

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

2. De Minimis Cost Rate

Watonwan County has elected not to use the ten percent de minimis indirect cost rate allowed under the Uniform Guidance.

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

3. Reconciliation to Schedule of Intergovernmental Revenue

| | | |
|--|----|-----------|
| Federal grant revenue per Schedule of Intergovernmental Revenue | \$ | 1,831,083 |
| Grants received more than 60 days after year-end, unavailable in 2019 | | |
| Formula Grants for Rural Areas and Tribal Transit Program (CFDA No. 20.509) | | 15,814 |
| Promoting Safe and Stable Families (CFDA No. 93.556) | | 725 |
| Temporary Assistance for Needy Families (CFDA No. 93.558) | | 20,117 |
| Child Care Mandatory and Matching Funds of the Child Care and Development Fund (CFDA No. 93.596) | | 155 |
| Stephanie Tubbs Jones Child Welfare Services Program (CFDA No. 93.645) | | 478 |
| Foster Care – Title IV-E (CFDA No. 93.658) | | 27,560 |
| John H. Chafee Foster Care Program for Successful Transition to Adulthood (CFDA No. 93.674) | | 4,975 |
| Emergency Management Performance Grants (CFDA No. 97.042) | | 16,909 |
| Unavailable in 2018, recognized as revenue in 2019 | | |
| Highway Planning and Construction (CFDA No. 20.205) | | (142,841) |
| Formula Grants for Rural Areas and Tribal Transit Program (CFDA No. 20.509) | | (44,793) |
| Promoting Safe and Stable Families (CFDA No. 93.556) | | (779) |
| Temporary Assistance for Needy Families (CFDA No. 93.558) | | (22,404) |
| Community-Based Child Abuse Prevention Grants (CFDA No. 93.590) | | (404) |
| Stephanie Tubbs Jones Child Welfare Services Program (CFDA No. 93.645) | | (561) |
| John H. Chafee Foster Care Program for Successful Transition to Adulthood (CFDA No. 93.674) | | (4,975) |
| Disaster Grants – Public Assistance (Presidentially Declared Disasters) (CFDA No. 97.036) | | (19,913) |
| Collaborative grants (receipted into an agency fund) | | |
| Foster Care – Title IV-E (CFDA No. 93.658) | | 36,905 |
| Medical Assistance Program (CFDA No. 93.778) | | 67,659 |
| | | 67,659 |
| Expenditures Per Schedule of Expenditures of Federal Awards | \$ | 1,785,710 |

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JULIE BLAHA
STATE AUDITOR

STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Independent Auditor's Report

Board of County Commissioners
Watonwan County
St. James, 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 Watonwan County, Minnesota, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated October 12, 2020.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies 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 did identify a deficiency in internal control over financial reporting that we consider to be a material weakness.

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2019-001 to be a material weakness.

Compliance and Other Matters

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

Minnesota Legal Compliance

In connection with our audit, nothing came to our attention that caused us to believe that Watonwan County failed to comply with the provisions of the contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, and miscellaneous provisions sections of the *Minnesota Legal Compliance Audit Guide for Counties*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters, except as described in the Schedule of Findings and Questioned Costs as item 2019-003. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the County's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

Watonwan County's Response to Findings

Watonwan County's responses to the internal control and legal compliance findings identified in our audit are described in the Corrective Action Plan. The County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of This Report

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

/s/Julie Blaha

JULIE BLAHA
STATE AUDITOR

/s/Dianne Syverson

DIANNE SYVERSON, CPA
DEPUTY STATE AUDITOR

October 12, 2020

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JULIE BLAHA
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REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Independent Auditor's Report

Board of County Commissioners
Watonwan County
St. James, Minnesota

Report on Compliance for Each Major Federal Program

We have audited Watonwan County's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2019. Watonwan County's major federal programs are 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 Watonwan County'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 Watonwan County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Watonwan County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2019.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2019-002. Our opinion on each major federal program is not modified with respect to this matter.

Watonwan County's response to the noncompliance finding identified in our audit is described in the accompanying Corrective Action Plan. The County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of Watonwan County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on 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 County's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify a deficiency in internal control over compliance, described in the accompanying Schedule of Findings and Questioned Costs as item 2019-002, that we consider to be a significant deficiency.

Watonwan County's response to the internal control over compliance finding identified in our audit is described in the accompanying Corrective Action Plan. The County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

/s/Julie Blaha

JULIE BLAHA
STATE AUDITOR

/s/Dianne Syverson

DIANNE SYVERSON, CPA
DEPUTY STATE AUDITOR

October 12, 2020

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**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Internal control over financial reporting:

- Material weaknesses identified? **Yes**
- Significant deficiencies identified? **None reported**

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

Federal Awards

Internal control over major programs:

- Material weaknesses identified? **No**
- Significant deficiencies identified? **Yes**

Type of auditor's report issued on compliance for major federal programs: **Unmodified**

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? **Yes**

The major federal programs are:

| | |
|----------------------------|-----------------|
| Child Support Enforcement | CFDA No. 93.563 |
| Medicaid Cluster | |
| Medical Assistance Program | CFDA No. 93.778 |

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

Watonwan County qualified as a low-risk auditee? **No**

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2019**

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

INTERNAL CONTROL

Finding Number: 2019-001

Prior Year Finding Number: N/A

Repeat Finding Since: N/A

Audit Adjustment

Criteria: A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements of the financial statements on a timely basis. Auditing standards define a material weakness as a deficiency, or 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.

Condition: A material misstatement was identified that resulted in adjustments to Watonwan County's financial statements.

Context: The inability to detect material misstatements in the financial statements increases the likelihood that the financial statements would not be fairly presented. The misstatement was found in the audit; however, independent external auditors cannot be considered part of the County's internal control.

Effect: The Road and Bridge Special Revenue Fund required an adjustment of \$363,627 to increase payables and expenditures to report a contract payment that related to work completed in 2019. The adjustment was reviewed and approved by management and is reflected in the financial statements.

Cause: This activity was overlooked when financial statement information was prepared.

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2019

Recommendation: We recommend County staff implement procedures over financial reporting to ensure the information is complete and accurate so the County's financial statements are fairly presented in accordance with GAAP.

View of Responsible Official: Acknowledged

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

Finding Number: 2019-002

Prior Year Finding Number: 2017-002

Repeat Finding Since: 2017

Eligibility

Program: U.S. Department of Health and Human Services' Medical Assistance Program (CFDA No. 93.778), Award No. 1905MN5ADM, 2019

Pass-Through Agency: Minnesota Department of Human Services

Criteria: Title 2 U.S. *Code of Federal Regulations* § 200.303 states that the auditee must establish and maintain effective internal control over the federal award that provides reasonable assurance that the auditee is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award.

Condition: The Minnesota Department of Human Services (DHS) maintains the computer systems, MAXIS and METS, which are used by Watonwan County to support the eligibility determination process. In the case files reviewed for eligibility, not all documentation was available, updated, or input correctly to support participant eligibility. The following instances were noted in the sample of 80 case files tested:

- For three case files, there was no documentation to verify the participant's assets in MAXIS.
- For one case file, the asset information in MAXIS was not updated or input correctly for the current application.

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2019**

Questioned Costs: Not applicable. The County administers the program, but benefits to participants in this program are paid by the State of Minnesota.

Context: Pursuant to Minnesota statutes, the County performs any “intake function” needed for this program, while the state maintains MAXIS and METS, which support the eligibility determination process and actually pay the benefits to the participants.

The sample size was based on guidance from chapter 11 of the AICPA Audit Guide, *Government Auditing Standards and Single Audits*.

Effect: The lack of updated information and documented verification of key eligibility-determining factors increases the risk that a program participant will receive benefits when they are not eligible.

Cause: Program personnel entering case information into MAXIS did not ensure all required information was input or updated in the systems or that all required information was obtained and/or retained.

Recommendation: We recommend the County implement additional review procedures to provide reasonable assurance that all necessary documentation to support eligibility determinations exists and is properly input or updated in MAXIS and maintained in the case files.

View of Responsible Official: Acknowledged

IV. OTHER FINDINGS AND RECOMMENDATIONS

MINNESOTA LEGAL COMPLIANCE

Finding Number: 2019-003

Prior Year Finding Number: 2017-004

Repeat Finding Since: 2017

Publication of Board Minutes

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2019**

Criteria: Pursuant to Minn. Stat. § 375.12, within 30 days of each meeting, the County Board must have the official proceedings of its sessions or a summary published in a qualified newspaper of general circulation in the County.

Condition: Some County Board meeting summaries for 2019 were not published within the 30-day requirement.

Context: Of the five meeting summaries tested, one was published within the 30-day requirement. All meetings tested were published within 45 days.

Effect: Noncompliance with Minn. Stat. § 375.12.

Cause: The County indicated that the minutes are published on the County's website within the 30-day requirement, but sometimes the publication in the qualified newspaper is overlooked.

Recommendation: We recommend the County publish its summaries of the County Board minutes in compliance with Minn. Stat. § 375.12.

View of Responsible Official: Acknowledged

V. PREVIOUSLY REPORTED ITEMS RESOLVED

2016-002 Forfeited Property Net Proceeds to Taxing Districts
2017-003 Reporting (CFDA No. 93.778)
2018-001 Contract Compliance – Quotes

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Kelly Pauling
Watonwan County Auditor/Treasurer

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ST. JAMES, MN 56081
PHONE (507) 375-1210
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**REPRESENTATION OF WATONWAN COUNTY
ST. JAMES, MINNESOTA**

**CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED DECEMBER 31, 2019**

Finding Number: 2019-001
Finding Title: Audit Adjustment

Name of Contact Person Responsible for Corrective Action:

Teal Spellman, Public Works Director/County Engineer

Corrective Action Planned:

Watonwan County Public Works will run an account activity report from IFS in March to verify that all appropriate accruals were entered.

Anticipated Completion Date:

December 31, 2020

Finding Number: 2019-002
Finding Title: Eligibility
Program: Medical Assistance Program (CFDA No. 93.778)

Name of Contact Person Responsible for Corrective Action:

Jodi Halvorson, Financial Assistance Supervisor

Corrective Action Planned:

Watonwan County will increase case reviews and maintain documentation of those reviews in Excel. Ongoing training will be provided to staff to assure necessary documentation exists in the case files and is properly input and updated in MAXIS.

Anticipated Completion Date:

Ongoing

Finding Number: 2019-003

Finding Title: Publication of Board Minutes

Name of Contact Person Responsible for Corrective Action:

Lisa Schumann, Human Resources Director

Corrective Action Planned:

Watsonwan County will utilize reminders to publish the Board minutes to meet the 30-day requirement. Synopsis of minutes will be completed so they are ready to send after the minutes are approved.

Anticipated Completion Date:

Ongoing

Kelly Pauling
Watonwan County Auditor/Treasurer

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**REPRESENTATION OF WATONWAN COUNTY
ST. JAMES, MINNESOTA**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2019**

Finding Number: 2016-002

Finding Title: Forfeited Property Net Proceeds to Taxing Districts

Summary of Condition: Watonwan County has not apportioned the net proceeds from prior year sales of forfeited land.

Summary of Corrective Action Previously Reported: Watonwan County will use the unspent balance to offset expenses related to the demolition of a tax forfeited property in 2019. Watonwan County will distribute future net proceeds in accordance with Minn. Stat. § 282.08.

Status: Fully Corrected. Corrective action was taken.

Was corrective action taken significantly different than the action previously reported?
Yes _____ No X

Finding Number: 2017-001

**Finding Title: Procurement, Suspension, and Debarment
Program: Medical Assistance Program (CFDA No. 93.778)**

Summary of Condition: Of the four procurement transactions tested for compliance with federal regulations, four instances were noted where the history of the procurement was not documented, and for two of the procurements, there was no documentation of full and open competition.

Summary of Corrective Action Previously Reported: Watonwan County will implement procedures needed to document the history of procurements, including full and open competition, in accordance with federal regulation. Watonwan County will determine and document whether vendors are debarred or suspended, or whether other exclusions existed.

Status: Not Corrected. Watonwan County shared and discussed the procurement policy with department heads. Watonwan County continues to develop a procurement form for department heads to use to ensure documenting history of the procurement and full and open competition.

Was corrective action taken significantly different than the action previously reported?
Yes _____ No X

Finding Number: 2017-002

Finding Title: Eligibility

Program: Medical Assistance Program (CFDA No. 93.778)

Summary of Condition: The Minnesota Department of Human Services (DHS) maintains the computer system, MAXIS, which is used by the County to support the eligibility determination process. In the case files reviewed for eligibility, not all documentation was available, updated, or input correctly in MAXIS to support participant eligibility.

Summary of Corrective Action Previously Reported: Watonwan County will perform quarterly case reviews and maintain documentation of these reviews in Excel. Ongoing training will be provided to staff to assure necessary documentation exists in the case files and is properly input and updated in MAXIS.

Status: Not Corrected. Watonwan County will increase reviews and continue documenting in Excel. Continue increased training to workers so proper documentation is in case files and also input and updated in MAXIS.

Was corrective action taken significantly different than the action previously reported?
Yes _____ No X

Finding Number: 2017-003

Finding Title: Reporting

Program: Medical Assistance Program (CFDA No. 93.778)

Summary of Condition: The one quarterly LCTS report originally selected for testing submitted by the Watonwan Public Health Department did not document review by someone independent of the preparer. Further review of the DHS-3220 reports submitted by the Public Health Department identified that the other three LCTS quarterly reports also did not document review. In addition, one of two DHS-2556 quarterly reports tested did not document review by the Human Service Director (someone independent of the preparer).

Summary of Corrective Action Previously Reported: Supervisor will verify quarterly that reports have been reviewed and there is documentation.

Status: Fully Corrected. Corrective action was taken.

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

Yes _____ No X

Finding Number: 2017-004

Finding Title: Publication of Board Minutes

Summary of Condition: Some County Board meeting summaries for 2018 were not published within the 30-day requirement.

Summary of Corrective Action Previously Reported: Watonwan County will utilize reminders to publish the Board minutes to meet the 30-day requirement.

Status: Not Corrected. Watonwan County is utilizing reminders to publish the Board minutes to meet the 30-day requirement. Synopsis of the minutes will be completed so they are ready to send after board approves the minutes.

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

Yes _____ No X

Finding Number: 2018-001

Finding Title: Contract Compliance – Quotes

Summary of Condition: One instance was identified where a contract for an estimated amount between \$25,000 and \$175,000 was awarded based on a single direct quote.

Summary of Corrective Action Previously Reported: Watonwan County will provide and discuss County procurement policy with all department heads. Watonwan County is developing forms department heads can use to make sure contracting is performed in accordance with statutes and the County procurement policy.

Status: Fully Corrected. Corrective action was taken.

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

Yes _____ No X