

State of Minnesota



**Office of the State Auditor**

Julie Blaha  
State Auditor

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**Watonwan County  
St. James, Minnesota**

Year Ended December 31, 2020

## **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, 2020



**Office of the State Auditor**

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

**WATONWAN COUNTY  
ST. JAMES, MINNESOTA**

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ST. JAMES, MINNESOTA**

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ST. JAMES, MINNESOTA**

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**WATONWAN COUNTY  
ST. JAMES, MINNESOTA**

**ORGANIZATION  
2020**

<u>Office</u>	<u>Name</u>	<u>Term Expires</u>
<b>Commissioners</b>		
1st District	Raymond Gustafson*	January 2021
2nd District	Bill Miller	January 2023
3rd District	Jim Branstad	January 2025
4th District	Bob Rinne	January 2023
5th District	Kathleen Svalland	January 2021
<b>Officers</b>		
<b>Elected</b>		
Attorney	Stephen Lindee	January 2023
Auditor/Treasurer	Kelly Pauling	January 2023
Recorder	Karla Doll	January 2023
Sheriff	Jared Bergeman	January 2023
<b>Appointed</b>		
Assessor	Meggie Munsterman	January 2025
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







## 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, 2020, 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, Minnesota, as of December 31, 2020, 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 – Change in Accounting Principle***

As discussed in Note 1.E to the financial statements, in 2020, the County adopted new accounting guidance by implementing the provisions of Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, which represents a change in accounting principles. 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 GASB, 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 September 7, 2021, 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) is presented for purposes of additional analysis, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is not a required part of the basic financial statements. Such 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. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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*

*/s/Dianne Syverson*

JULIE BLAHA  
STATE AUDITOR

DIANNE SYVERSON, CPA  
DEPUTY STATE AUDITOR

September 7, 2021

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**WATONWAN COUNTY  
ST. JAMES, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2020  
(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, 2020. 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 2020 by \$71,835,994. Of this amount, \$7,211,650 (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 \$6,751,882 in 2020.
- At the close of 2020, Watonwan County's governmental funds reported combined ending fund balances of \$13,664,142, of which \$2,492,735 is unassigned and is available for spending at the County's discretion.
- At the close of 2020, unassigned fund balance for the General Fund was \$4,612,308, or 52.87 percent, of total General Fund expenditures.
- Watonwan County's total bonds and capital notes payable decreased by \$365,000. There were payments of \$180,000 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 a private-purpose trust fund and seven custodial funds. Fiduciary funds do not involve measurement of results of operations and 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 fund financial statements are on Exhibits 10 and 11.

### **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 \$71,835,994 at the close of 2020. The largest portion of Watonwan County's net position (84.3 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

	2019	2020
Assets		
Current and other assets	\$ 21,300,308	\$ 20,981,770
Capital assets	<u>55,396,341</u>	<u>62,487,618</u>
Total Assets	<u>\$ 76,696,649</u>	<u>\$ 83,469,388</u>
Deferred Outflows of Resources	<u>\$ 1,231,300</u>	<u>\$ 985,289</u>
Liabilities		
Long-term liabilities outstanding	\$ 9,139,727	\$ 9,592,864
Other liabilities	<u>1,491,414</u>	<u>2,016,238</u>
Total Liabilities	<u>\$ 10,631,141</u>	<u>\$ 11,609,102</u>
Deferred Inflows of Resources	<u>\$ 2,212,696</u>	<u>\$ 1,009,581</u>
Net Position		
Net investment in capital assets	\$ 53,515,017	\$ 60,574,881
Restricted	6,819,349	4,049,463
Unrestricted	<u>4,749,746</u>	<u>7,211,650</u>
Total Net Position	<u>\$ 65,084,112</u>	<u>\$ 71,835,994</u>

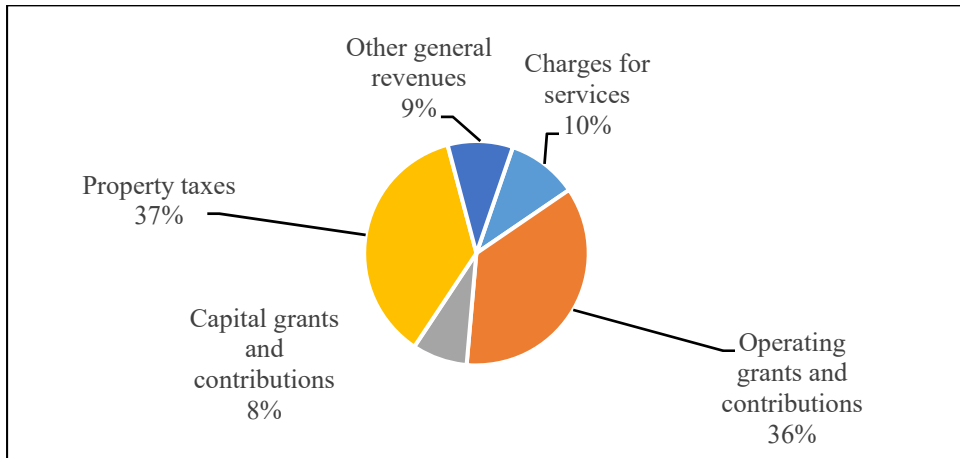
The unrestricted net position amount of \$7,211,650 as of December 31, 2020, may be used to meet the County's ongoing obligations to citizens and creditors.

## Governmental Activities

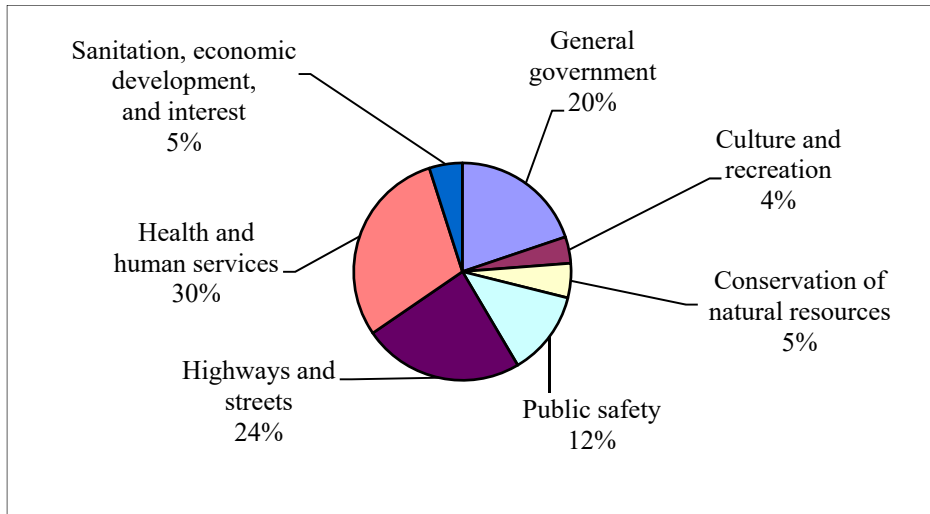
The following table summarizes the changes in net position for 2020.

	<u>2019</u>	<u>2020</u>
Revenues		
Program revenues		
Charges for services	\$ 2,980,698	\$ 2,859,019
Operating grants and contributions	9,175,520	10,084,237
Capital grants and contributions	-	2,229,880
General revenues		
Property taxes	9,811,954	10,253,933
Other	1,264,729	2,643,437
Total Revenues	<u>\$ 23,232,901</u>	<u>\$ 28,070,506</u>
Expenses		
General government	\$ 3,953,376	\$ 4,227,805
Public safety	2,705,557	2,686,910
Highways and streets	5,326,536	5,106,042
Sanitation	283,651	278,529
Human services	5,505,680	5,578,208
Health	782,896	739,068
Culture and recreation	857,168	840,624
Conservation of natural resources	1,140,627	1,091,049
Economic development	142,220	710,475
Interest	69,958	59,914
Total Expenses	<u>\$ 20,767,669</u>	<u>\$ 21,318,624</u>
Change in Net Position	\$ 2,465,232	\$ 6,751,882
Net Position – January 1	<u>62,618,880</u>	<u>65,084,112</u>
Net Position – December 31	<u>\$ 65,084,112</u>	<u>\$ 71,835,994</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 \$13,664,142. Of this amount, \$2,492,735 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 \$4,612,308, while the total fund balance was \$8,173,720. 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 52.87 percent of total General Fund expenditures for 2020, while total fund balance represents 93.69 percent of total General Fund expenditures. In 2020, the total fund balance in the General Fund increased by \$1,196,525, with unassigned fund balance increasing by \$527,046, restricted fund balances increasing by \$484,479, and nonspendable fund balance increasing by \$185,000.

In 2020, the Road and Bridge Special Revenue Fund showed excess expenditures over revenues of \$1,311,218 and a decrease in inventories of \$57,172 for a net decrease in fund balance of \$1,368,390. The decrease in fund balance was due to town bridge 83553 in Riverdale Township and a box culvert replacement on CSAH 19 projects that were budgeted for in 2019 but completed in 2020.

In 2020, the Human Services Special Revenue Fund's fund balance increased by \$724,658. The pandemic resulted in the use of video conferencing for the delivery of some services and decreased associated expenses. Additional revenues were also received in response to the pandemic.

In 2020, the County Ditch Special Revenue Fund's fund balance increased by \$46,535 to (\$1,981,480). The fund will collect special assessments in future years to cover the deficit fund balance.

In 2020, the Debt Service Fund's fund balance increased by \$19,745. 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 \$1,539,515, or 18.7 percent. This was a result of the General Fund receiving Coronavirus Relief Funds of \$1,290,580, which were not budgeted for in 2020. Total expenditures were over budget by \$479,343, or 5.8 percent. This is primarily related to the County passing Coronavirus Relief Funds to small business and local governments.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

The County's investment in capital assets for its governmental activities as of December 31, 2020, amounts to \$62,487,618 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, land improvements, equipment, and infrastructure. The total increase in the County's investment in capital assets, net of depreciation, for the current fiscal year was \$7,091,277.

	<b>Governmental Capital Assets (Net of Depreciation)</b>	
	<u>2019</u>	<u>2020</u>
Land	\$ 686,771	\$ 686,771
Construction in progress	303,687	1,875,961
Land improvements	2,103,499	2,094,638
Buildings	4,866,585	4,680,783
Machinery, furniture, and equipment	2,969,653	3,250,505
Infrastructure	<u>44,466,146</u>	<u>49,898,960</u>
Total	<u>\$ 55,396,341</u>	<u>\$ 62,487,618</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 \$1,640,000, which is backed by the full faith and credit of the government.

	<b>Governmental Outstanding Debt</b>	
	<u>2019</u>	<u>2020</u>
General obligation bonds and notes	<u>\$ 2,005,000</u>	<u>\$ 1,640,000</u>

Standard and Poor's Ratings Service assigned an "AA" rating on Watonwan County's outstanding general obligation bonds due to a stable tax base and operating performance in November 2020. 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 2020, 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 3.4 percent as of the end of 2020, lower than the state-wide rate of 4.9 percent.
- The total tax capacity of the County had a slight increase for 2020.

At the end of 2020, Watonwan County set its 2021 revenue and expenditure budgets, budgeting revenues and expenditures of \$24,897,466 and \$25,103,323, 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.

## **BASIC FINANCIAL STATEMENTS**

**COUNTY-WIDE FINANCIAL STATEMENTS**



**WATONWAN COUNTY  
ST. JAMES, MINNESOTA**

**EXHIBIT 1**

**STATEMENT OF NET POSITION  
GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2020**

**Assets**

Cash and pooled investments	\$	13,027,189
Taxes receivable		
Delinquent		122,457
Special assessments receivable		
Delinquent		24,423
Noncurrent		2,191,016
Accounts receivable – net		170,670
Accrued interest receivable		7,359
Due from other governments		5,009,125
Inventories		274,416
Prepaid items		155,115
Capital assets		
Non-depreciable		2,562,732
Depreciable – net of accumulated depreciation		59,924,886
<b>Total Assets</b>	<b>\$</b>	<b>83,469,388</b>

**Deferred Outflows of Resources**

Deferred other postemployment benefits outflows	\$	39,511
Deferred pension outflows		945,778
<b>Total Deferred Outflows of Resources</b>	<b>\$</b>	<b>985,289</b>

**Liabilities**

Accounts payable	\$	390,859
Salaries payable		312,099
Contracts payable		402,034
Due to other governments		260,930
Accrued interest payable		23,304
Unearned revenue		627,012
Long-term liabilities		
Due within one year		1,049,552
Due in more than one year		2,122,592
Other postemployment benefits liability		396,691
Net pension liability		6,024,029
<b>Total Liabilities</b>	<b>\$</b>	<b>11,609,102</b>

**Deferred Inflows of Resources**

Deferred other postemployment benefits inflows	\$	111,369
Deferred pension inflows		898,212
<b>Total Deferred Inflows of Resources</b>	<b>\$</b>	<b>1,009,581</b>

**WATONWAN COUNTY  
ST. JAMES, MINNESOTA**

***EXHIBIT 1  
(Continued)***

**STATEMENT OF NET POSITION  
GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2020**

**Net Position**

Net investment in capital assets	\$ 60,574,881
Restricted for	
General government	480,596
Public safety	293,319
Highways and streets	1,595,170
Culture and recreation	439,797
Conservation of natural resources	485,449
Economic development	262,326
Debt service	492,806
Unrestricted	<u>7,211,650</u>
<b>Total Net Position</b>	<b><u><u>\$ 71,835,994</u></u></b>

**WATONWAN COUNTY  
ST. JAMES, MINNESOTA**

**EXHIBIT 2**

**STATEMENT OF ACTIVITIES  
GOVERNMENTAL ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2020**

	Program Revenues				Net (Expense)
Expenses	Fees, Charges, Fines, and Other	Operating Grants and Contributions	Capital Grants and Contributions		Revenue and Changes in Net Position
<b><u>Functions/Programs</u></b>					
<b>Primary government</b>					
<b>Governmental activities</b>					
General government	\$ 4,227,805	\$ 923,597	\$ 507,390	\$ -	\$ (2,796,818)
Public safety	2,686,910	217,430	223,048	-	(2,246,432)
Highways and streets	5,106,042	293,215	5,079,607	2,229,880	2,496,660
Sanitation	278,529	181,223	69,692	-	(27,614)
Human services	5,578,208	659,842	3,006,541	-	(1,911,825)
Health	739,068	55,122	509,845	-	(174,101)
Culture and recreation	840,624	6,194	261,926	-	(572,504)
Conservation of natural resources	1,091,049	448,164	169,938	-	(472,947)
Economic development	710,475	74,232	256,250	-	(379,993)
Interest	59,914	-	-	-	(59,914)
<b>Total Governmental Activities</b>	<b>\$ 21,318,624</b>	<b>\$ 2,859,019</b>	<b>\$ 10,084,237</b>	<b>\$ 2,229,880</b>	<b>\$ (6,145,488)</b>
 <b>General Revenues</b>					
Property taxes					\$ 10,253,933
Mortgage registry and deed tax					9,136
Wheelage tax					179,936
Grants and contributions not restricted to specific programs					2,298,556
Unrestricted investment earnings					155,809
<b>Total general revenues</b>					<b>\$ 12,897,370</b>
<b>Change in net position</b>					<b>\$ 6,751,882</b>
<b>Net Position – January 1</b>					<b>65,084,112</b>
<b>Net Position – December 31</b>					<b>\$ 71,835,994</b>

## **FUND FINANCIAL STATEMENTS**

**GOVERNMENTAL FUNDS**

**WATONWAN COUNTY  
ST. JAMES, MINNESOTA**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2020**

	<b>General</b>	<b>Road and Bridge</b>
<b><u>Assets</u></b>		
Cash and pooled investments	\$ 6,441,855	\$ 752,681
Taxes receivable – delinquent	62,840	15,964
Special assessments receivable		
Delinquent	11,629	-
Noncurrent	606,971	-
Accounts receivable – net	12,237	-
Accrued interest receivable	7,359	-
Due from other funds	15,130	13,823
Due from other governments	466,551	3,860,717
Advances to other funds	2,100,000	-
Inventories	-	274,416
Prepaid items	155,115	-
	<b>\$ 9,879,687</b>	<b>\$ 4,917,601</b>
<b><u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u></b>		
<b>Liabilities</b>		
Accounts payable	\$ 144,629	\$ 31,787
Salaries payable	147,126	36,977
Contracts payable	-	402,034
Due to other funds	23,540	10
Due to other governments	82,619	47
Unearned revenue	627,012	-
Advances from other funds	-	-
	<b>\$ 1,024,926</b>	<b>\$ 470,855</b>
<b>Deferred Inflows of Resources</b>		
Unavailable revenue	<b>\$ 681,041</b>	<b>\$ 2,899,568</b>

**EXHIBIT 3**

<u>Human Services</u>	<u>County Ditch</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 3,445,828	\$ 101,985	\$ 473,375	\$ 1,811,465	\$ 13,027,189
30,648	-	5,015	7,990	122,457
-	946	-	11,848	24,423
-	1,584,045	-	-	2,191,016
158,433	-	-	-	170,670
-	-	-	-	7,359
10,530	-	-	-	39,483
604,426	59,431	18,000	-	5,009,125
-	-	-	-	2,100,000
-	-	-	-	274,416
-	-	-	-	155,115
<u>\$ 4,249,865</u>	<u>\$ 1,746,407</u>	<u>\$ 496,390</u>	<u>\$ 1,831,303</u>	<u>\$ 23,121,253</u>
\$ 184,684	\$ 21,647	\$ -	\$ 8,112	\$ 390,859
115,407	-	-	12,589	312,099
-	-	-	-	402,034
15,274	659	-	-	39,483
157,645	20,619	-	-	260,930
-	-	-	-	627,012
-	2,100,000	-	-	2,100,000
<u>\$ 473,010</u>	<u>\$ 2,142,925</u>	<u>\$ -</u>	<u>\$ 20,701</u>	<u>\$ 4,132,417</u>
<u>\$ 140,808</u>	<u>\$ 1,584,962</u>	<u>\$ 3,584</u>	<u>\$ 14,731</u>	<u>\$ 5,324,694</u>

**WATONWAN COUNTY  
ST. JAMES, MINNESOTA**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2020**

	<b>General</b>	<b>Road and Bridge</b>
<b><u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u></b> (Continued)		
<b>Fund Balances</b>		
Nonspendable		
Inventories	\$ -	\$ 274,416
Advances to other funds	2,100,000	-
Restricted for		
Law library	44,685	-
Recorder's equipment	151,571	-
Technology fees	121,699	-
E-911	180,199	-
Carry permit administration	105,309	-
Sheriff's contingency	7,811	-
HRA special benefit levy	6,076	-
Invasive species	82,139	-
Individual Sewage Treatment System (ISTS) loan repayments	201,453	-
Donations – veterans' van	25,531	-
Capital projects	141,579	-
Transit system	137,110	-
County relief grants	256,250	-
Highway projects	-	170,017
Ditch maintenance and repair	-	-
Debt service	-	-
Library operations from donations	-	-
Committed for library operations	-	-
Assigned to		
Road and bridge	-	1,102,745
Human services	-	-
Solid waste	-	-
Unassigned	4,612,308	-
<b>Total Fund Balances</b>	<b>\$ 8,173,720</b>	<b>\$ 1,547,178</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 9,879,687</b>	<b>\$ 4,917,601</b>



**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>
\$ -	\$ -	\$ -	\$ -	\$ 274,416
-	-	-	-	2,100,000
-	-	-	-	44,685
-	-	-	-	151,571
-	-	-	-	121,699
-	-	-	-	180,199
-	-	-	-	105,309
-	-	-	-	7,811
-	-	-	-	6,076
-	-	-	-	82,139
-	-	-	-	201,453
-	-	-	-	25,531
-	-	-	-	141,579
-	-	-	-	137,110
-	-	-	-	256,250
-	-	-	-	170,017
-	138,093	-	-	138,093
-	-	492,806	-	492,806
-	-	-	439,797	439,797
-	-	-	872,263	872,263
-	-	-	-	1,102,745
3,636,047	-	-	-	3,636,047
-	-	-	483,811	483,811
-	(2,119,573)	-	-	2,492,735
<u>\$ 3,636,047</u>	<u>\$ (1,981,480)</u>	<u>\$ 492,806</u>	<u>\$ 1,795,871</u>	<u>\$ 13,664,142</u>
<u>\$ 4,249,865</u>	<u>\$ 1,746,407</u>	<u>\$ 496,390</u>	<u>\$ 1,831,303</u>	<u>\$ 23,121,253</u>

**WATONWAN COUNTY  
ST. JAMES, MINNESOTA**

**EXHIBIT 4**

**RECONCILIATION OF THE FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
DECEMBER 31, 2020**

<b>Fund balances – total governmental funds (Exhibit 3)</b>		<b>\$ 13,664,142</b>
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.		62,487,618
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.		5,324,694
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		39,511
Deferred inflows related to other postemployment benefits		(111,369)
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		945,778
Deferred inflows related to pensions		(898,212)
Governmental funds do not report a liability for accrued interest on long-term liabilities until due and payable.		(23,304)
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	\$ (1,575,000)	
Discount on bonds	203	
Premium on bonds	(18,817)	
General obligation capital notes	(65,000)	
Loans payable	(599,163)	
Other postemployment benefits liability	(396,691)	
Net pension liability	(6,024,029)	
Compensated absences	(914,367)	(9,592,864)
<b>Net Position of Governmental Activities (Exhibit 1)</b>		<b><u>\$ 71,835,994</u></b>

**WATONWAN COUNTY  
ST. JAMES, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2020**

	<b>General</b>	<b>Road and Bridge</b>
<b>Revenues</b>		
Taxes	\$ 5,428,911	\$ 1,529,698
Special assessments	120,378	-
Licenses and permits	15,906	-
Intergovernmental	2,951,596	9,042,958
Charges for services	805,010	209,264
Fines and forfeits	354	-
Gifts and contributions	3,512	-
Investment earnings	155,809	-
Miscellaneous	271,293	83,950
	<b>\$ 9,752,769</b>	<b>\$ 10,865,870</b>
<b>Expenditures</b>		
<b>Current</b>		
General government	\$ 4,221,288	\$ -
Public safety	2,779,736	-
Highways and streets	-	11,908,590
Sanitation	-	-
Human services	-	-
Health	-	-
Culture and recreation	108,494	-
Conservation of natural resources	790,061	-
Economic development	711,697	-
<b>Intergovernmental</b>		
Highways and streets	-	268,498
<b>Capital outlay</b>		
General government	10,273	-
<b>Debt service</b>		
Principal	101,389	-
Interest	1,652	-
Administrative charges	-	-
	<b>\$ 8,724,590</b>	<b>\$ 12,177,088</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 1,028,179</b>	<b>\$ (1,311,218)</b>
<b>Other Financing Sources (Uses)</b>		
Transfers in	\$ -	\$ -
Transfers out	(10,161)	-
Proceeds from loan	178,507	-
	<b>\$ 168,346</b>	<b>\$ -</b>
<b>Net Change in Fund Balances</b>	<b>\$ 1,196,525</b>	<b>\$ (1,311,218)</b>
<b>Fund Balances – January 1</b>	<b>6,977,195</b>	<b>2,915,568</b>
<b>Increase (decrease) in inventories</b>	<b>-</b>	<b>(57,172)</b>
<b>Fund Balances – December 31</b>	<b>\$ 8,173,720</b>	<b>\$ 1,547,178</b>

**EXHIBIT 5**

<u>Human Services</u>	<u>County Ditch</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 2,530,267	\$ -	\$ 402,333	\$ 659,073	\$ 10,550,282
-	354,656	-	167,529	642,563
-	-	-	-	15,906
3,894,184	-	7,900	143,054	16,039,692
489,069	-	-	15,011	1,518,354
-	-	-	1,381	1,735
1,306	-	-	252,337	257,155
-	-	-	-	155,809
234,910	353	36,518	14	627,038
<u>\$ 7,149,736</u>	<u>\$ 355,009</u>	<u>\$ 446,751</u>	<u>\$ 1,238,399</u>	<u>\$ 29,808,534</u>
\$ -	\$ -	\$ -	\$ -	\$ 4,221,288
-	-	-	-	2,779,736
-	-	-	-	11,908,590
-	-	-	272,273	272,273
5,675,398	-	-	-	5,675,398
749,680	-	-	-	749,680
-	-	-	703,881	812,375
-	308,474	-	-	1,098,535
-	-	-	-	711,697
-	-	-	-	268,498
-	-	-	-	10,273
-	-	365,000	-	466,389
-	-	60,085	-	61,737
-	-	1,921	-	1,921
<u>\$ 6,425,078</u>	<u>\$ 308,474</u>	<u>\$ 427,006</u>	<u>\$ 976,154</u>	<u>\$ 29,038,390</u>
<u>\$ 724,658</u>	<u>\$ 46,535</u>	<u>\$ 19,745</u>	<u>\$ 262,245</u>	<u>\$ 770,144</u>
\$ -	\$ -	\$ -	\$ 10,161	\$ 10,161
-	-	-	-	(10,161)
-	-	-	-	178,507
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,161</u>	<u>\$ 178,507</u>
\$ 724,658	\$ 46,535	\$ 19,745	\$ 272,406	\$ 948,651
2,911,389	(2,028,015)	473,061	1,523,465	12,772,663
-	-	-	-	(57,172)
<u>\$ 3,636,047</u>	<u>\$ (1,981,480)</u>	<u>\$ 492,806</u>	<u>\$ 1,795,871</u>	<u>\$ 13,664,142</u>

**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, 2020**

**Net change in fund balances – total governmental funds (Exhibit 5)** **\$ 948,651**

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. Also, in the statement of activities, only the gain or loss on the disposal of assets is reported; whereas, in the governmental funds, the proceeds from the sale increase financial resources. Therefore, the change in net position differs from the change in fund balance by the net book value of the assets disposed.

Capital outlay expenditures	\$ 9,397,990	
Depreciation expense	(2,237,555)	
Net book value of assets sold or disposed	(69,158)	7,091,277

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

Decrease in unavailable revenue for taxes and special assessments	\$ (24,463)	
Decrease in unavailable revenue for grants and allotments	(1,714,833)	(1,739,296)

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	\$ (178,507)	
Repayment of debt principal	466,389	
Amortization of premium/discount on debt	(711)	287,171

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	\$ (57,172)	
Change in accrued interest payable	4,455	
Change in other postemployment benefits liability	60,727	
Change in compensated absences	(146,165)	
Change in net pension liability	(654,870)	
Change in deferred other postemployment benefits outflows	(102,052)	
Change in deferred pension outflows	(143,959)	
Change in deferred other postemployment benefits inflows	27,843	
Change in deferred pension inflows	1,175,272	164,079

**Change in Net Position of Governmental Activities (Exhibit 2)** **\$ 6,751,882**

**WATONWAN COUNTY  
ST. JAMES, MINNESOTA**

*EXHIBIT 7*

**BUDGETARY COMPARISON STATEMENT  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 5,293,994	\$ 5,293,994	\$ 5,428,911	\$ 134,917
Special assessments	74,050	74,050	120,378	46,328
Licenses and permits	10,650	10,650	15,906	5,256
Intergovernmental	1,539,456	1,539,456	2,951,596	1,412,140
Charges for services	849,313	849,313	805,010	(44,303)
Fines and forfeits	-	-	354	354
Gifts and contributions	1,200	1,200	3,512	2,312
Investment earnings	150,000	150,000	155,809	5,809
Miscellaneous	294,591	294,591	271,293	(23,298)
<b>Total Revenues</b>	<b>\$ 8,213,254</b>	<b>\$ 8,213,254</b>	<b>\$ 9,752,769</b>	<b>\$ 1,539,515</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
County commissioners	\$ 227,975	\$ 227,975	\$ 228,342	\$ (367)
Court administrator	55,900	55,900	29,379	26,521
Law library	7,000	7,000	1,894	5,106
County auditor/treasurer	334,863	334,863	287,177	47,686
License center	159,595	159,595	189,086	(29,491)
Personnel	128,443	128,443	119,485	8,958
Central services	158,850	158,850	117,279	41,571
Elections	73,312	73,312	82,943	(9,631)
Information technology	349,059	349,059	404,282	(55,223)
County attorney	315,372	315,372	322,197	(6,825)
Attorney's contingent	7,500	7,500	-	7,500
County recorder	242,614	242,614	249,201	(6,587)
County assessor	391,779	391,779	379,974	11,805
Building maintenance	329,513	329,513	337,663	(8,150)
Veterans service	145,401	145,401	135,914	9,487
Motor pool	77,000	77,000	51,254	25,746
Public transit	581,706	581,706	466,230	115,476
Other general government	630,482	630,482	818,988	(188,506)
<b>Total general government</b>	<b>\$ 4,216,364</b>	<b>\$ 4,216,364</b>	<b>\$ 4,221,288</b>	<b>\$ (4,924)</b>

**WATONWAN COUNTY  
ST. JAMES, MINNESOTA**

**EXHIBIT 7  
(Continued)**

**BUDGETARY COMPARISON STATEMENT  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Expenditures</b>				
<b>Current (Continued)</b>				
<b>Public safety</b>				
County sheriff	\$ 1,646,340	\$ 1,646,340	\$ 1,633,314	\$ 13,026
Sheriff's contingent	5,000	5,000	-	5,000
Jail	712,470	712,470	645,147	67,323
E-911 and radio maintenance	118,000	118,000	73,864	44,136
County coroner	25,000	25,000	16,717	8,283
Court services	256,224	256,224	310,963	(54,739)
Emergency management	86,246	86,246	84,681	1,565
Public Health Emergency Preparedness	16,656	16,656	15,050	1,606
<b>Total public safety</b>	<b>\$ 2,865,936</b>	<b>\$ 2,865,936</b>	<b>\$ 2,779,736</b>	<b>\$ 86,200</b>
<b>Culture and recreation</b>				
County parks	\$ 78,500	\$ 78,500	\$ 65,494	\$ 13,006
Historical society	43,000	43,000	43,000	-
<b>Total culture and recreation</b>	<b>\$ 121,500</b>	<b>\$ 121,500</b>	<b>\$ 108,494</b>	<b>\$ 13,006</b>
<b>Conservation of natural resources</b>				
Environmental services	\$ 322,325	\$ 322,325	\$ 284,891	\$ 37,434
County extension	113,233	113,233	108,493	4,740
Agricultural society/fair grounds	76,700	76,700	78,047	(1,347)
Soil and water conservation	100,000	100,000	181,881	(81,881)
Local water plan block grant	192,364	192,364	136,749	55,615
<b>Total conservation of natural resources</b>	<b>\$ 804,622</b>	<b>\$ 804,622</b>	<b>\$ 790,061</b>	<b>\$ 14,561</b>
<b>Economic development</b>				
Employment and training	\$ 90,125	\$ 90,125	\$ 83,164	\$ 6,961
Economic development	58,200	58,200	628,533	(570,333)
<b>Total economic development</b>	<b>\$ 148,325</b>	<b>\$ 148,325</b>	<b>\$ 711,697</b>	<b>\$ (563,372)</b>

**WATONWAN COUNTY  
ST. JAMES, MINNESOTA**

**EXHIBIT 7  
(Continued)**

**BUDGETARY COMPARISON STATEMENT  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Expenditures (Continued)</b>				
<b>Capital outlay</b>				
General government	\$ 21,000	\$ 21,000	\$ 10,273	\$ 10,727
<b>Debt service</b>				
Principal	\$ 65,000	\$ 65,000	\$ 101,389	\$ (36,389)
Interest	2,500	2,500	1,652	848
<b>Total debt service</b>	<b>\$ 67,500</b>	<b>\$ 67,500</b>	<b>\$ 103,041</b>	<b>\$ (35,541)</b>
<b>Total Expenditures</b>	<b>\$ 8,245,247</b>	<b>\$ 8,245,247</b>	<b>\$ 8,724,590</b>	<b>\$ (479,343)</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (31,993)</b>	<b>\$ (31,993)</b>	<b>\$ 1,028,179</b>	<b>\$ 1,060,172</b>
<b>Other Financing Sources (Uses)</b>				
Transfers out	\$ -	\$ -	\$ (10,161)	\$ (10,161)
Proceeds from loan	70,000	70,000	178,507	108,507
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 70,000</b>	<b>\$ 70,000</b>	<b>\$ 168,346</b>	<b>\$ 98,346</b>
<b>Net Change in Fund Balance</b>	<b>\$ 38,007</b>	<b>\$ 38,007</b>	<b>\$ 1,196,525</b>	<b>\$ 1,158,518</b>
<b>Fund Balance – January 1</b>	<b>6,977,195</b>	<b>6,977,195</b>	<b>6,977,195</b>	<b>-</b>
<b>Fund Balance – December 31</b>	<b>\$ 7,015,202</b>	<b>\$ 7,015,202</b>	<b>\$ 8,173,720</b>	<b>\$ 1,158,518</b>



**WATONWAN COUNTY  
ST. JAMES, MINNESOTA**

*EXHIBIT 8*

**BUDGETARY COMPARISON STATEMENT  
ROAD AND BRIDGE SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 1,540,714	\$ 1,540,714	\$ 1,529,698	\$ (11,016)
Intergovernmental	7,280,959	7,280,959	9,042,958	1,761,999
Charges for services	315,000	315,000	209,264	(105,736)
Miscellaneous	107,100	107,100	83,950	(23,150)
<b>Total Revenues</b>	<b>\$ 9,243,773</b>	<b>\$ 9,243,773</b>	<b>\$ 10,865,870</b>	<b>\$ 1,622,097</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Highways and streets</b>				
Administration	\$ 286,518	\$ 286,518	\$ 252,645	\$ 33,873
Maintenance and construction	6,930,731	6,930,731	10,473,780	(3,543,049)
Equipment maintenance and shop	1,107,787	1,107,787	817,420	290,367
Other	609,000	609,000	364,745	244,255
<b>Total highways and streets</b>	<b>\$ 8,934,036</b>	<b>\$ 8,934,036</b>	<b>\$ 11,908,590</b>	<b>\$ (2,974,554)</b>
<b>Intergovernmental</b>				
Highways and streets	260,000	260,000	268,498	(8,498)
<b>Total Expenditures</b>	<b>\$ 9,194,036</b>	<b>\$ 9,194,036</b>	<b>\$ 12,177,088</b>	<b>\$ (2,983,052)</b>
<b>Net Change in Fund Balance</b>	<b>\$ 49,737</b>	<b>\$ 49,737</b>	<b>\$ (1,311,218)</b>	<b>\$ (1,360,955)</b>
<b>Fund Balance – January 1</b>	<b>2,915,568</b>	<b>2,915,568</b>	<b>2,915,568</b>	<b>-</b>
<b>Increase (decrease) in inventories</b>	<b>-</b>	<b>-</b>	<b>(57,172)</b>	<b>(57,172)</b>
<b>Fund Balance – December 31</b>	<b>\$ 2,965,305</b>	<b>\$ 2,965,305</b>	<b>\$ 1,547,178</b>	<b>\$ (1,418,127)</b>

**WATONWAN COUNTY  
ST. JAMES, MINNESOTA**

*EXHIBIT 9*

**BUDGETARY COMPARISON STATEMENT  
HUMAN SERVICES SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 2,528,604	\$ 2,528,604	\$ 2,530,267	\$ 1,663
Intergovernmental	3,611,882	3,611,882	3,894,184	282,302
Charges for services	497,916	497,916	489,069	(8,847)
Gifts and contributions	-	-	1,306	1,306
Miscellaneous	293,100	293,100	234,910	(58,190)
<b>Total Revenues</b>	<b>\$ 6,931,502</b>	<b>\$ 6,931,502</b>	<b>\$ 7,149,736</b>	<b>\$ 218,234</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Human services</b>				
Income maintenance	\$ 1,272,349	\$ 1,272,349	\$ 1,231,398	\$ 40,951
Social services	4,678,712	4,678,712	4,444,000	234,712
<b>Total human services</b>	<b>\$ 5,951,061</b>	<b>\$ 5,951,061</b>	<b>\$ 5,675,398</b>	<b>\$ 275,663</b>
<b>Health</b>				
Community health services	930,704	930,704	749,680	181,024
<b>Total Expenditures</b>	<b>\$ 6,881,765</b>	<b>\$ 6,881,765</b>	<b>\$ 6,425,078</b>	<b>\$ 456,687</b>
<b>Net Change in Fund Balance</b>	<b>\$ 49,737</b>	<b>\$ 49,737</b>	<b>\$ 724,658</b>	<b>\$ 674,921</b>
<b>Fund Balance – January 1</b>	<b>2,911,389</b>	<b>2,911,389</b>	<b>2,911,389</b>	<b>-</b>
<b>Fund Balance – December 31</b>	<b>\$ 2,961,126</b>	<b>\$ 2,961,126</b>	<b>\$ 3,636,047</b>	<b>\$ 674,921</b>

**FIDUCIARY FUNDS**

**WATONWAN COUNTY  
ST. JAMES, MINNESOTA**

*EXHIBIT 10*

**STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
DECEMBER 31, 2020**

	<b>Social Welfare Private-Purpose Trust Fund</b>	<b>Custodial Funds</b>
<b><u>Assets</u></b>		
Cash and pooled investments	\$ 10,186	\$ 694,539
Due from other governments	-	133,366
Taxes and special assessments receivable for other governments	-	221,001
Accounts receivable	-	32,957
Accrued interest receivable	-	160
	<b>\$ 10,186</b>	<b>\$ 1,082,023</b>
<b><u>Liabilities</u></b>		
Due to others	\$ -	\$ 4,744
Due to other governments	-	83,325
	<b>\$ -</b>	<b>\$ 88,069</b>
<b><u>Net Position</u></b>		
Restricted for individuals, organizations, and other governments	<b>\$ 10,186</b>	<b>\$ 993,954</b>

**WATONWAN COUNTY  
ST. JAMES, MINNESOTA**

**EXHIBIT 11**

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2020**

	<b>Social Welfare Private-Purpose Trust Fund</b>	<b>Custodial Funds</b>
<b><u>Additions</u></b>		
Contributions from individuals	\$ 189,026	\$ 181,369
Interest earnings	-	1,868
Property tax collections for other governments	-	7,580,020
Fees collected for state	-	2,930,223
Payments from state	-	344,070
Refunds collected for other entities	-	24,015
Payments from other entities	-	198,490
Miscellaneous	-	197
<b>Total Additions</b>	<b><u>\$ 189,026</u></b>	<b><u>\$ 11,260,252</u></b>
<b><u>Deductions</u></b>		
Beneficiary payments to individuals	\$ 181,231	\$ -
Payments of property tax to other governments	-	7,684,606
Payments to state	-	3,099,513
Payments to other entities	-	468,953
<b>Total Deductions</b>	<b><u>\$ 181,231</u></b>	<b><u>\$ 11,253,072</u></b>
<b>Change in Net Position</b>	<b><u>\$ 7,795</u></b>	<b><u>\$ 7,180</u></b>
<b>Net Position – January 1, as previously reported</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Net Position – Restatement (Note 1.E)</b>	<b><u>2,391</u></b>	<b><u>986,774</u></b>
<b>Net Position – January 1, as restated</b>	<b><u>\$ 2,391</u></b>	<b><u>\$ 986,774</u></b>
<b>Net Position – December 31</b>	<b><u>\$ 10,186</u></b>	<b><u>\$ 993,954</u></b>

**WATONWAN COUNTY  
ST. JAMES, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2020**

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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, 2020. 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.

The county-wide statement of net position presents 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**

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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**

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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.

The Social Welfare Private-Purpose Trust Fund accounts for funds held in trust that the County is holding on behalf of individuals receiving social-welfare assistance.

Custodial funds are safekeeping in nature. These funds account for monies the County holds for others in a fiduciary capacity.

C. Measurement Focus and Basis of Accounting

The county-wide and fiduciary fund 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**

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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, 2020. 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 2020 were \$155,809.

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**

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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 2015 through 2020 and noncurrent special assessments payable in 2021 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.

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**

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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**

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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 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 three types of deferred inflows. The governmental funds report unavailable revenue from delinquent taxes and special assessments receivable, grant receivables, and other long-term receivables. Unavailable

**WATONWAN COUNTY  
ST. JAMES, MINNESOTA**

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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 the 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**

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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**

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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**

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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.

E. Change in Accounting Principles

During the year ended December 31, 2020, the County adopted new accounting guidance by implementing the provisions of GASB Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying and reporting fiduciary activities. The implementation of this statement has resulted in changing the presentation of the financial statements by recording the Social Welfare Private-Purpose Trust Fund that was not previously reported and including accruals and ending net position to custodial funds not previously required. Beginning net position has been restated to reflect this change.

	Social Welfare Private-Purpose Trust Fund	Custodial Funds
Net Position, January 1, 2020, as previously reported	\$ -	\$ -
Change in accounting principles	2,391	986,774
Net Position, January 1, 2020, as restated	\$ 2,391	\$ 986,774

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.



**WATONWAN COUNTY  
ST. JAMES, MINNESOTA**

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2. Stewardship, Compliance, and Accountability

A. Budgetary Information (Continued)

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.

B. Excess of Expenditures Over Budget

The funds shown below had expenditures in excess of budget for the year ended December 31, 2020.

	Expenditures	Final Budget	Excess
General Fund	\$ 8,724,590	\$ 8,245,247	\$ 479,343
Road and Bridge Special Revenue Fund	12,177,088	9,194,036	2,983,052

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 \$1,981,480. The deficit will be eliminated with future special assessment levies against the benefited properties. The following is a summary of the individual ditch systems:

25 ditches with positive fund balances	\$ 138,093
14 ditches with deficit fund balances	(2,119,573)
Total Fund Balance	\$ (1,981,480)

**WATONWAN COUNTY  
ST. JAMES, MINNESOTA**

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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	\$ 13,027,189
Fiduciary funds	
Cash and pooled investments	<u>704,725</u>
Total Cash and Investments	<u>\$ 13,731,914</u>

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, 2020, the County's deposits were not exposed to custodial credit risk.

**WATONWAN COUNTY  
ST. JAMES, MINNESOTA**

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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, 2020, all County investments, valued at \$726,509, were in the Minnesota Association of Governments Investing for Counties (MAGIC) Fund’s MAGIC Portfolio.

**WATONWAN COUNTY  
ST. JAMES, MINNESOTA**

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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**

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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, 2020, 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, 2020, all of the County's investments were in the MAGIC Fund.

2. Receivables

Receivables as of December 31, 2020, 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	\$ 122,457	\$ -	\$ 122,457	\$ -
Special assessments – delinquent	24,423	-	24,423	-
Special assessments – noncurrent	2,191,016	-	2,191,016	1,959,797
Accounts	530,320	(359,650)	170,670	-
Accrued interest receivable	7,359	-	7,359	-
Due from other governments	5,009,125	-	5,009,125	-
Total	<u>\$ 7,884,700</u>	<u>\$ (359,650)</u>	<u>\$ 7,525,050</u>	<u>\$ 1,959,797</u>

**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, 2020, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 686,771	\$ -	\$ -	\$ 686,771
Construction in progress	303,687	1,678,897	106,623	1,875,961
<b>Total capital assets not depreciated</b>	<b>\$ 990,458</b>	<b>\$ 1,678,897</b>	<b>\$ 106,623</b>	<b>\$ 2,562,732</b>
Capital assets depreciated				
Buildings	\$ 9,283,626	\$ 28,039	\$ -	\$ 9,311,665
Land improvements	2,304,366	46,280	35,540	2,315,106
Machinery, furniture, and equipment	7,793,009	835,870	359,864	8,269,015
Infrastructure	69,047,639	6,915,527	-	75,963,166
<b>Total capital assets depreciated</b>	<b>\$ 88,428,640</b>	<b>\$ 7,825,716</b>	<b>\$ 395,404</b>	<b>\$ 95,858,952</b>
Less: accumulated depreciation for				
Buildings	\$ 4,417,041	\$ 213,841	\$ -	\$ 4,630,882
Land improvements	200,867	51,587	31,986	220,468
Machinery, furniture, and equipment	4,823,356	489,414	294,260	5,018,510
Infrastructure	24,581,493	1,482,713	-	26,064,206
<b>Total accumulated depreciation</b>	<b>\$ 34,022,757</b>	<b>\$ 2,237,555</b>	<b>\$ 326,246</b>	<b>\$ 35,934,066</b>
<b>Total capital assets depreciated, net</b>	<b>\$ 54,405,883</b>	<b>\$ 5,588,161</b>	<b>\$ 69,158</b>	<b>\$ 59,924,886</b>
<b>Total Capital Assets, Net</b>	<b>\$ 55,396,341</b>	<b>\$ 7,267,058</b>	<b>\$ 175,781</b>	<b>\$ 62,487,618</b>

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

General government	\$ 271,265
Public safety	141,594
Highways and streets, including depreciation of infrastructure assets	1,703,699
Sanitation	6,256
Human services	63,608
Culture and recreation	50,196
Conservation of natural resources	937
<b>Total Depreciation Expense</b>	<b>\$ 2,237,555</b>

**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, 2020, 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	\$ 10	Postage
	Human Services	15,120	Reimbursement for services and salaries
		<u>15,130</u>	
Total due to General Fund		<u>\$ 15,130</u>	
Road and Bridge	General	\$ 13,010	Fuel, reimbursement for services, and salaries
	Human Services	154	Reimbursement for services
	County Ditch	659	Reimbursement for services
		<u>13,823</u>	
Total due to Road and Bridge Fund		<u>\$ 13,823</u>	
Human Services	General	\$ 10,530	Shared expense for employee
Total Due To/From Other Funds		<u>\$ 39,483</u>	

The interfund receivables and payables are expected to be paid within one year of December 31, 2020.

2. Advances From/To Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	County Ditch	<u>\$ 2,100,000</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, 2020, consisted of the following:

Transfers to County Library Fund from General Fund	<u>\$ 10,161</u>	Interest distribution
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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, 2020
G.O. Capital Improvement Refunding Bonds, Series 2010A	2021	\$180,000	2.75 - 3.00	\$ 1,650,000	\$ 180,000
G.O. Capital Improvement Crossover Refunding Bonds, Series 2012A	2026	\$50,000 - \$55,000	1.55 - 2.60	625,000	325,000
G.O. Capital Improvement Plan Bonds, Series 2013A	2034	\$65,000 - \$90,000	3.00 - 4.00	1,420,000	1,070,000
G.O. Capital Notes, Series 2014	2021	\$65,000	2.29	<u>515,000</u>	<u>65,000</u>
Total				<u>\$ 4,210,000</u>	<u>\$ 1,640,000</u>
Plus: unamortized premium					18,817
Less: unamortized discount					<u>(203)</u>
Total General Obligation Bonds, Net					<u>\$ 1,658,614</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, 2020
Greater Blue Earth and Des Moines River Clean Water Partnership Project, SRF0221	2022	\$17,225	2.00	\$ 310,831	\$ 52,055
Watonwan Ag Best Management Loan Program	2029	\$8,302 - \$40,165	-	547,183	547,108
Total Loans				<u>\$ 858,014</u>	<u>\$ 599,163</u>

2. Debt Service Requirements

Debt service requirements at December 31, 2020, were as follows:

Year Ending December 31	General Obligation Bonds		Capital Notes	
	Principal	Interest	Principal	Interest
2021	\$ 295,000	\$ 48,945	\$ 65,000	\$ 1,517
2022	120,000	43,192	-	-
2023	120,000	40,033	-	-
2024	125,000	36,743	-	-
2025	125,000	32,945	-	-
2026 - 2030	445,000	109,715	-	-
2031 - 2034	345,000	28,300	-	-
Total	<u>\$ 1,575,000</u>	<u>\$ 339,873</u>	<u>\$ 65,000</u>	<u>\$ 1,517</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
2021	\$ 74,533	\$ 874
2022	88,631	199
2023	74,542	-
2024	76,792	-
2025	75,164	-
2026 - 2029	209,501	-
Total	<u>\$ 599,163</u>	<u>\$ 1,073</u>

3. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2020, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
G.O. Capital Improvement Refunding Bonds, Series 2010A	\$ 360,000	\$ -	\$ 180,000	\$ 180,000	\$ 180,000
G.O. Capital Improvement Crossover Refunding Bonds, Series 2012A	375,000	-	50,000	325,000	50,000
G.O. Capital Improvement Plan Bonds, Series 2013A	1,130,000	-	60,000	1,070,000	65,000
G.O. Capital Notes, Series 2014	140,000	-	75,000	65,000	65,000
Plus: unamortized premium on bonds	20,433	-	1,616	18,817	-
Less: unamortized discount on bonds	(2,530)	-	(2,327)	(203)	-
Total bonds payable	<u>\$ 2,022,903</u>	<u>\$ -</u>	<u>\$ 364,289</u>	<u>\$ 1,658,614</u>	<u>\$ 360,000</u>
Loans payable	522,045	178,507	101,389	599,163	74,533
Compensated absences	768,202	733,272	587,107	914,367	615,019
Total Long-Term Liabilities	<u>\$ 3,313,150</u>	<u>\$ 911,779</u>	<u>\$ 1,052,785</u>	<u>\$ 3,172,144</u>	<u>\$ 1,049,552</u>

**WATONWAN COUNTY  
ST. JAMES, MINNESOTA**

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3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources (Continued)

4. Unavailable Revenue

Unavailable revenue as of December 31, 2020, for the County's governmental funds are as follows:

	Unavailable Revenue
Taxes and special assessments, delinquent and noncurrent	\$ 2,297,495
Highway allotments that do not provide current financial resources	2,888,356
Charges for services, grants, and reimbursements	138,843
Total Governmental Funds	\$ 5,324,694

5. Construction and Other Commitments

The County has one active construction project and no other commitments as of December 31, 2020. The open project is as follows:

	Spent-to-Date	Remaining Commitment
911 System Upgrades	\$ 36,519	\$ 63,414

The remaining commitment for highway projects are state-funded and, therefore, are not obligations of the County at December 31, 2020.

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  
ST. JAMES, MINNESOTA**

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3. Detailed Notes on All Funds

D. Other Postemployment Benefits (OPEB)

Plan Description (Continued)

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 \$396,691 was measured as of January 1, 2020, 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**

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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, 2020, 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	6.25 percent in 2020, grading to 5.00 percent over five years

The current year discount rate is 2.90 percent, which is a change from the prior year rate of 3.80 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, 2019	\$ 457,418
Changes for the year	
Service cost	\$ 45,637
Interest	16,451
Assumption changes	18,748
Benefit payments	<u>(141,563)</u>
Net change	<u>\$ (60,727)</u>
Balance at December 31, 2020	<u>\$ 396,691</u>

**WATONWAN COUNTY  
ST. JAMES, MINNESOTA**

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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	1.90%	\$	424,579
Current	2.90		396,691
1% Increase	3.90		370,545

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	5.25% Decreasing to 4.00%	\$	355,879
Current	6.25% Decreasing to 5.00%		396,691
1% Increase	7.25% Decreasing to 6.00%		444,767

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

For the year ended December 31, 2020, the County recognized OPEB expense of \$37,370. The County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

**WATONWAN COUNTY  
ST. JAMES, MINNESOTA**

3. Detailed Notes on All Funds

D. Other Postemployment Benefits (OPEB)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources  
Related to OPEB (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in actuarial assumptions	\$ 15,623	\$ 4,276
Difference between actual and expected results	-	107,093
Contributions made subsequent to the measurement date	23,888	-
Total	\$ 39,511	\$ 111,369

The \$23,888 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, 2021. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended December 31	OPEB Expense Amount
2021	\$ (24,718)
2022	(24,718)
2023	(24,718)
2024	(24,715)
2025	3,123

Changes in Actuarial Assumptions

The following changes in actuarial assumptions occurred in 2020:

- The discount rate used changed from 3.80 percent to 2.90 percent.

**WATONWAN COUNTY  
ST. JAMES, MINNESOTA**

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3. Detailed Notes on All Funds (Continued)

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 the 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 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.



**WATONWAN COUNTY  
ST. JAMES, MINNESOTA**

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3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans

a. Plan Description (Continued)

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.

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 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. 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.

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

**WATONWAN COUNTY  
ST. JAMES, MINNESOTA**

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3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans

b. Benefits Provided (Continued)

increase will receive the full increase. 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.

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. 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.

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

**WATONWAN COUNTY  
ST. JAMES, MINNESOTA**

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3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans

b. Benefits Provided (Continued)

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.

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 2020. Police and Fire Plan members were required to contribute 11.80 percent of their annual covered salary in 2020. Correctional Plan members were required to contribute 5.83 percent of their annual covered salary in 2020.

In 2020, 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	17.70
Correctional Plan	8.75

The Police and Fire Plan member and employer contribution rates increased 0.50 percent and 0.75 percent, respectively, from 2019.

**WATONWAN COUNTY  
ST. JAMES, MINNESOTA**

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3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans

c. Contributions (Continued)

The County's contributions for the year ended December 31, 2020, to the pension plans were:

General Employees Plan	\$ 485,571
Police and Fire Plan	102,655
Correctional Plan	30,169

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

d. Pension Costs

General Employees Plan

At December 31, 2020, the County reported a liability of \$5,293,989 for its proportionate share of the General Employees Plan's net pension liability. The net pension liability was measured as of June 30, 2020, 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, 2019, through June 30, 2020, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2020, the County's proportion was 0.0883 percent. It was 0.0862 percent measured as of June 30, 2019. The County recognized pension expense of \$247,386 for its proportionate share of the General Employees Plan's pension expense.

The County also recognized \$14,204 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's expense related to its 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 until September 15, 2031.

**WATONWAN COUNTY  
ST. JAMES, MINNESOTA**

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3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs

General Employees Plan (Continued)

The County's proportionate share of the net pension liability	\$	5,293,989
State of Minnesota's proportionate share of the net pension liability associated with the County		163,207
Total	\$	5,457,196

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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 47,090	\$ 20,030
Changes in actuarial assumptions	-	192,712
Difference between projected and actual investment earnings	104,150	-
Changes in proportion	125,912	25,536
Contributions paid to PERA subsequent to the measurement date	244,535	-
Total	\$ 521,687	\$ 238,278

**WATONWAN COUNTY  
ST. JAMES, MINNESOTA**

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3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs

General Employees Plan (Continued)

The \$244,535 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, 2021. 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
2021	\$ (265,963)
2022	47,441
2023	129,491
2024	127,905

Police and Fire Plan

At December 31, 2020, the County reported a liability of \$686,734 for its proportionate share of the Police and Fire Plan's net pension liability. The net pension liability was measured as of June 30, 2020, 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, 2019, through June 30, 2020, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2020, the County's proportion was 0.0521 percent. It was 0.0547 percent measured as of June 30, 2019. The County recognized pension expense of \$90,881 for its proportionate share of the Police and Fire Plan's pension expense.

**WATONWAN COUNTY  
ST. JAMES, MINNESOTA**

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3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs

Police and Fire Plan (Continued)

The State of Minnesota also contributed \$13.5 million to the Police and Fire Plan in the plan fiscal year ended June 30, 2020. The contribution consisted of \$4.5 million in direct state aid that meets the definition of a special funding situation and \$9 million in supplemental state aid that does not meet the definition of a special funding situation.

Legislation required the State of Minnesota to pay direct state aid of \$4.5 million on October 1, 2019, and to pay \$9 million by October 1 of each subsequent year until full funding is reached, or July 1, 2048, whichever is earlier. The County recognized an additional \$4,984 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's pension expense related to the special funding situation.

The County's proportionate share of the net pension liability	\$ 686,734
State of Minnesota's proportionate share of the net pension liability associated with the County	<u>16,200</u>
Total	<u>\$ 702,934</u>

Legislation also 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. The County also recognized \$4,689 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.

**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)

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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 30,533	\$ 35,680
Changes in actuarial assumptions	251,783	420,352
Difference between projected and actual investment earnings	21,669	-
Changes in proportion	33,225	103,358
Contributions paid to PERA subsequent to the measurement date	51,069	-
Total	\$ 388,279	\$ 559,390

The \$51,069 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, 2021. 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
2021	\$ (55,036)
2022	(224,091)
2023	32,599
2024	28,484
2025	(4,136)



**WATONWAN COUNTY  
ST. JAMES, MINNESOTA**

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3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs (Continued)

Correctional Plan

At December 31, 2020, the County reported a liability of \$43,306 for its proportionate share of the Correctional Plan's net pension liability. The net pension liability was measured as of June 30, 2020, 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, 2019, through June 30, 2020, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2020, the County's proportion was 0.1596 percent. It was 0.1518 percent measured as of June 30, 2019. The County recognized pension expense of (\$72,438) 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:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 391	\$ 15,863
Changes in actuarial assumptions	-	84,525
Difference between projected and actual investment earnings	10,171	-
Changes in proportion	10,571	156
Contributions paid to PERA subsequent to the measurement date	<u>14,679</u>	<u>-</u>
Total	<u>\$ 35,812</u>	<u>\$ 100,544</u>

**WATONWAN COUNTY  
ST. JAMES, MINNESOTA**

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3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs

Correctional Plan (Continued)

The \$14,679 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, 2021. 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
2021	\$ (85,671)
2022	(4,230)
2023	2,677
2024	7,813

Total Pension Expense

The total pension expense for all plans recognized by the County for the year ended December 31, 2020, was \$265,829.

e. Actuarial Assumptions

The total pension liability in the June 30, 2020, actuarial valuation was determined using the individual entry-age normal actuarial cost method and the following additional actuarial assumptions:

	General Employees Fund	Police and Fire Fund	Correctional Fund
Inflation	2.25% per year	2.50% per year	2.50% per year
Active Member Payroll Growth	3.00% per year	3.25% per year	3.25% per year
Investment Rate of Return	7.50%	7.50%	7.50%

**WATONWAN COUNTY  
ST. JAMES, MINNESOTA**

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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 were based on the Pub-2010 General Employee Mortality Table for the General Employees Plan and the RP-2014 mortality tables for the Police and Fire and the Correctional Plans, 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, 2020, valuation were based on the results of actuarial experience studies. The experience study for the General Employees Plan was dated June 27, 2019. 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.

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**

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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>
U.S. equities	35.50%	5.10%
Broad international stock pool	17.50	5.30
Bond pool	20.00	0.75
Alternatives	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 2020, which remained consistent with 2019. 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 2020:

General Employees Plan

- The price inflation assumption was decreased from 2.50 percent to 2.25 percent.
- The payroll growth assumption was decreased from 3.25 percent to 3.00 percent.

**WATONWAN COUNTY  
ST. JAMES, MINNESOTA**

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3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans

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

- Assumed salary increase rates were changed as recommended in the June 30, 2019, experience study. The net effect is assumed rates that average 0.25 percent less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019, experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019, experience study. The new rates are based on service and are generally lower than the previous rates for years two to five and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019, experience study. The changes result in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Employee Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 Disabled Annuitant Mortality table to the Pub-2010 General/Teacher Disabled Retiree Mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.

**WATONWAN COUNTY  
ST. JAMES, MINNESOTA**

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3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans

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

- The assumed number of married male new retirees electing the 100 percent Joint and Survivor option changed from 35 percent to 45 percent. The assumed number of married female new retirees electing the 100 percent Joint and Survivor option changed from 15 percent to 30 percent. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.
- Augmentation for current privatized members was reduced to 2.00 percent for the period July 1, 2020, through December 31, 2023, and 0.00 percent thereafter. Augmentation was eliminated for privatizations occurring after June 30, 2020.

Police and Fire Plan

- The mortality projection scale was changed from MP-2018 to MP-2019.

Correctional Plan

- The mortality projection scale was changed from MP-2018 to MP-2019.

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:

**WATONWAN COUNTY  
ST. JAMES, MINNESOTA**

3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans

h. Pension Liability Sensitivity (Continued)

	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%	\$ 8,484,427	6.50%	\$ 1,368,759	6.50%	\$ 269,141
Current	7.50	5,293,989	7.50	686,734	7.50	43,306
1% Increase	8.50	2,662,133	8.50	122,477	8.50	(137,510)

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](http://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.

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

**WATONWAN COUNTY  
ST. JAMES, MINNESOTA**

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3. Detailed Notes on All Funds

E. Pension Plans

2. Defined Contribution Plan (Continued)

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, 2020, were:

	<u>Employee</u>	<u>Employer</u>
Contribution amount	\$ 6,752	\$ 6,752
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.

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 2020 and 2021. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.



**WATONWAN COUNTY  
ST. JAMES, MINNESOTA**

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3. Detailed Notes on All Funds

F. Risk Management (Continued)

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.

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.

**WATONWAN COUNTY  
ST. JAMES, MINNESOTA**

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4. Summary of Significant Contingencies and Other Items

B. Nonexchange Financial Guarantees (Continued)

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, 2020, the outstanding principal balance for the 2009 and 2016 bonds were \$950,000 and \$1,000,000, 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.

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 2020. Current financial statements are not available.

**WATONWAN COUNTY  
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4. Summary of Significant Contingencies and Other Items

C. Joint Ventures (Continued)

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 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.

**WATONWAN COUNTY  
ST. JAMES, MINNESOTA**

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4. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Rural Minnesota Energy Board (Continued)

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 2020, Watonwan County did not contribute to the Board.

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

**WATONWAN COUNTY  
ST. JAMES, MINNESOTA**

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4. Summary of Significant Contingencies and Other Items

C. Joint Ventures

South Central Workforce Service Area Joint Powers Board (Continued)

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 2020.

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 2020, Watonwan County made \$21,119 in contributions to the Collaborative.

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.

**WATONWAN COUNTY  
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4. Summary of Significant Contingencies and Other Items

C. Joint Ventures

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

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 2020, Watonwan County made contributions of \$22,422 to the Collaborative.

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.

**WATONWAN COUNTY  
ST. JAMES, MINNESOTA**

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4. Summary of Significant Contingencies and Other Items (Continued)

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 did not make any payments 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 (MCCC)

Under Minnesota Joint Powers Law, Minn. Stat. § 471.59, Minnesota counties have created MCCC to jointly provide for the establishment, operation, and maintenance of data processing systems, facilities, and management information systems. During the year, Watonwan County expended \$120,941 to the MCCC.

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 \$2,805 to the Network.

**WATONWAN COUNTY  
ST. JAMES, MINNESOTA**

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4. Summary of Significant Contingencies and Other Items

D. Jointly-Governed Organizations (Continued)

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 2020.

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.

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 2020, Watonwan County made payments of \$2,080 to Immtrack.



**WATONWAN COUNTY  
ST. JAMES, MINNESOTA**

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4. Summary of Significant Contingencies and Other Items (Continued)

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 2020 is \$101,300. The proportionate share of the counties may change for years 2021 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 January 5, 2021, the County issued \$1,045,000 of General Obligation Capital Improvement Plan Refunding Bonds, Series 2021A. The proceeds will be used to refund the County's General Obligation Capital Improvement Plan Bonds, Series 2013A, and to pay costs associated with issuance of the Bonds.

On March 11, 2021, the President of the United States signed an amended version of the COVID Relief Package, the American Rescue Plan, which includes \$65.1 billion in direct, flexible aid for counties in America. The U.S. Department of the Treasury will oversee and administer payments of the State and Local Coronavirus Recovery Funds to state and local governments, for which every county is eligible to receive a direct allocation from the Treasury. Counties will receive funds in two tranches – 50 percent in 2021 and the remaining 50 percent no earlier than 12 months from the first payment. The U.S. Treasury is required to pay the first tranche to counties no later than 60-days after enactment. Watonwan County's projected allocation of the State and Local Coronavirus Recovery Funds is \$2,116,615. Watonwan County received \$1,058,307 on June 1, 2021.

**REQUIRED SUPPLEMENTARY INFORMATION**

**WATONWAN COUNTY  
ST. JAMES, MINNESOTA**

*EXHIBIT A-1*

**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS  
OTHER POSTEMPLOYMENT BENEFITS  
DECEMBER 31, 2020**

	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Total OPEB Liability</b>			
Service cost	\$ 45,637	\$ 39,758	\$ 49,676
Interest	16,451	20,900	20,036
Differences between expected and actual experience	-	(160,641)	-
Changes of assumption or other inputs	18,748	(6,414)	-
Benefit payments	(141,563)	(59,019)	(8,648)
<b>Net change in total OPEB liability</b>	<b>\$ (60,727)</b>	<b>\$ (165,416)</b>	<b>\$ 61,064</b>
<b>Total OPEB Liability – Beginning</b>	<b>457,418</b>	<b>622,834</b>	<b>561,770</b>
<b>Total OPEB Liability – Ending</b>	<b><u>\$ 396,691</u></b>	<b><u>\$ 457,418</u></b>	<b><u>\$ 622,834</u></b>
Covered-employee payroll	\$ 7,189,059	\$ 6,979,669	\$ 6,600,642
Total OPEB liability (asset) as a percentage of covered-employee payroll	5.52%	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, 2020**

<b>Measurement Date</b>	<b>Employer's Proportion of the Net Pension Liability (Asset)</b>	<b>Employer's Proportionate Share of the Net Pension Liability (Asset) (a)</b>	<b>State's Proportionate Share of the Net Pension Liability Associated with Watonwan County (b)</b>	<b>Employer's Proportionate Share of the Net Pension Liability and the State's Related Share of the Net Pension Liability (Asset) (a + b)</b>	<b>Covered Payroll (c)</b>	<b>Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/c)</b>	<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>
2020	0.0883 %	\$ 5,293,989	\$ 163,207	\$ 5,457,196	\$ 6,294,095	84.11 %	79.06 %
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, 2020**

<b>Year Ending</b>	<b>Statutorily Required Contributions (a)</b>	<b>Actual Contributions in Relation to Statutorily Required Contributions (b)</b>	<b>Contribution (Deficiency) Excess (b - a)</b>	<b>Covered Payroll (c)</b>	<b>Actual Contributions as a Percentage of Covered Payroll (b/c)</b>
2020	\$ 485,571	\$ 485,571	\$ -	\$ 6,474,222	7.50 %
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, 2020**

<b>Measurement Date</b>	<b>Employer's Proportion of the Net Pension Liability (Asset)</b>	<b>Employer's Proportionate Share of the Net Pension Liability (Asset) (a)</b>	<b>State's Proportionate Share of the Net Pension Liability Associated with Watonwan County (b)</b>	<b>Employer's Proportionate Share of the Net Pension Liability and the State's Related Share of the Net Pension Liability (Asset) (a + b)</b>	<b>Covered Payroll (c)</b>	<b>Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/c)</b>	<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>
2020	0.0521 %	\$ 686,734	\$ 16,200	\$ 702,934	\$ 588,485	116.70 %	87.19 %
2019	0.0547	582,337	N/A	582,337	577,355	100.86	89.26
2018	0.0528	562,794	N/A	562,794	556,596	101.11	88.84
2017	0.0510	688,561	N/A	688,561	523,413	131.55	85.43
2016	0.0570	2,287,509	N/A	2,287,509	544,559	420.07	63.88
2015	0.0530	602,204	N/A	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, 2020**

<b>Year Ending</b>	<b>Statutorily Required Contributions (a)</b>	<b>Actual Contributions in Relation to Statutorily Required Contributions (b)</b>	<b>Contribution (Deficiency) Excess (b - a)</b>	<b>Covered Payroll (c)</b>	<b>Actual Contributions as a Percentage of Covered Payroll (b/c)</b>
2020	\$ 102,655	\$ 102,655	\$ -	\$ 579,974	17.70 %
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, 2020**

<b>Measurement Date</b>	<b>Employer's Proportion of the Net Pension Liability (Asset)</b>	<b>Employer's Proportionate Share of the Net Pension Liability (Asset) (a)</b>	<b>Covered Payroll (b)</b>	<b>Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b)</b>	<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>
2020	0.1596 %	\$ 43,306	\$ 347,375	12.47 %	96.67 %
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, 2020**

<b>Year Ending</b>	<b>Statutorily Required Contributions (a)</b>	<b>Actual Contributions in Relation to Statutorily Required Contributions (b)</b>	<b>Contribution (Deficiency) Excess (b - a)</b>	<b>Covered Payroll (c)</b>	<b>Actual Contributions as a Percentage of Covered Payroll (b/c)</b>
2020	\$ 30,169	\$ 30,169	\$ -	\$ 344,792	8.75 %
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.

**WATONWAN COUNTY  
ST. JAMES, MINNESOTA**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2020

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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:

2020

- The discount rate used changed from 3.80 percent to 2.90 percent.

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**

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

General Employees Retirement Plan

2020

- The price inflation assumption was decreased from 2.50 percent to 2.25 percent.
- The payroll growth assumption was decreased from 3.25 percent to 3.00 percent.
- Assumed salary increase rates were changed as recommended in the June 30, 2019, experience study. The net effect is assumed rates that average 0.25 percent less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019, experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019, experience study. The new rates are based on service and are generally lower than the previous rates for years two to five and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019, experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Employee Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 Disabled Annuitant Mortality table to the Pub-2010 General/Teacher Disabled Retiree Mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.

**WATONWAN COUNTY  
ST. JAMES, MINNESOTA**

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

General Employees Retirement Plan

2020 (Continued)

- The assumed number of married male new retirees electing the 100 percent Joint and Survivor option changed from 35 percent to 45 percent. The assumed number of married female new retirees electing the 100 percent Joint and Survivor option changed from 15 percent to 30 percent. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.
- Augmentation for current privatized members was reduced to 2.00 percent for the period July 1, 2020 through December 31, 2023, and 0.00 percent thereafter. Augmentation was eliminated for privatizations occurring after June 30, 2020.

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.

**WATONWAN COUNTY  
ST. JAMES, MINNESOTA**

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

General Employees Retirement Plan

2018 (Continued)

- 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.
- 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.

**WATONWAN COUNTY  
ST. JAMES, MINNESOTA**

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

General Employees Retirement Plan (Continued)

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.
- 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

2020

- The mortality projection scale was changed from MP-2018 to MP-2019.

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.

**WATONWAN COUNTY  
ST. JAMES, MINNESOTA**

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

Public Employees Police and Fire Plan

2018 (Continued)

- 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.
- 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.

**WATONWAN COUNTY  
ST. JAMES, MINNESOTA**

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

Public Employees Police and Fire Plan

2017 (Continued)

- 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.
- 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.



**WATONWAN COUNTY  
ST. JAMES, MINNESOTA**

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

Public Employees Local Government Correctional Service Retirement Plan

2020

- The mortality projection scale was changed from MP-2018 to MP-2019.

2019

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

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.

**WATONWAN COUNTY  
ST. JAMES, MINNESOTA**

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

Public Employees Local Government Correctional Service Retirement Plan

2018 (Continued)

- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

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**

**COMBINING AND INDIVIDUAL FUND STATEMENTS  
AND SCHEDULES**

**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.

**WATONWAN COUNTY  
ST. JAMES, MINNESOTA**

*EXHIBIT B-1*

**BUDGETARY COMPARISON SCHEDULE  
DEBT SERVICE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 402,100	\$ 402,100	\$ 402,333	\$ 233
Intergovernmental	7,900	7,900	7,900	-
Miscellaneous	18,788	18,788	36,518	17,730
<b>Total Revenues</b>	<b>\$ 428,788</b>	<b>\$ 428,788</b>	<b>\$ 446,751</b>	<b>\$ 17,963</b>
<b>Expenditures</b>				
<b>Debt service</b>				
Principal	\$ 365,000	\$ 365,000	\$ 365,000	\$ -
Interest	60,113	60,113	60,085	28
Administrative charges	2,130	2,130	1,921	209
<b>Total Expenditures</b>	<b>\$ 427,243</b>	<b>\$ 427,243</b>	<b>\$ 427,006</b>	<b>\$ 237</b>
<b>Net Change in Fund Balance</b>	<b>\$ 1,545</b>	<b>\$ 1,545</b>	<b>\$ 19,745</b>	<b>\$ 18,200</b>
<b>Fund Balance – January 1</b>	<b>473,061</b>	<b>473,061</b>	<b>473,061</b>	<b>-</b>
<b>Fund Balance – December 31</b>	<b>\$ 474,606</b>	<b>\$ 474,606</b>	<b>\$ 492,806</b>	<b>\$ 18,200</b>

**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, special assessments, user charges, and state grants.

**WATONWAN COUNTY  
ST. JAMES, MINNESOTA**

*EXHIBIT C-1*

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2020**

	<b>Special Revenue Funds</b>		
	<b>County Library</b>	<b>Solid Waste</b>	<b>Total</b>
<b><u>Assets</u></b>			
Cash and pooled investments	\$ 1,330,306	\$ 481,159	\$ 1,811,465
Taxes receivable – delinquent	7,794	196	7,990
Special assessments receivable – delinquent	-	11,848	11,848
<b>Total Assets</b>	<b>\$ 1,338,100</b>	<b>\$ 493,203</b>	<b>\$ 1,831,303</b>
<b><u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u></b>			
<b>Liabilities</b>			
Accounts payable	\$ 7,972	\$ 140	\$ 8,112
Salaries payable	12,549	40	12,589
<b>Total Liabilities</b>	<b>\$ 20,521</b>	<b>\$ 180</b>	<b>\$ 20,701</b>
<b>Deferred Inflows of Resources</b>			
Unavailable revenue	<b>\$ 5,519</b>	<b>\$ 9,212</b>	<b>\$ 14,731</b>
<b>Fund Balances</b>			
Restricted for library operations from donations	\$ 439,797	\$ -	\$ 439,797
Committed for library operations	872,263	-	872,263
Assigned to solid waste	-	483,811	483,811
<b>Total Fund Balances</b>	<b>\$ 1,312,060</b>	<b>\$ 483,811</b>	<b>\$ 1,795,871</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 1,338,100</b>	<b>\$ 493,203</b>	<b>\$ 1,831,303</b>



**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, 2020**

	<u>Special Revenue Funds</u>		<u>Total</u>
	<u>County Library</u>	<u>Solid Waste</u>	
<b>Revenues</b>			
Taxes	\$ 643,289	\$ 15,784	\$ 659,073
Special assessments	-	167,529	167,529
Intergovernmental	71,937	71,117	143,054
Charges for services	2,068	12,943	15,011
Fines and forfeits	1,381	-	1,381
Gifts and contributions	252,337	-	252,337
Miscellaneous	14	-	14
<b>Total Revenues</b>	<b>\$ 971,026</b>	<b>\$ 267,373</b>	<b>\$ 1,238,399</b>
<b>Expenditures</b>			
<b>Current</b>			
Sanitation	\$ -	\$ 272,273	\$ 272,273
Culture and recreation	703,881	-	703,881
<b>Total Expenditures</b>	<b>\$ 703,881</b>	<b>\$ 272,273</b>	<b>\$ 976,154</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 267,145</b>	<b>\$ (4,900)</b>	<b>\$ 262,245</b>
<b>Other Financing Sources (Uses)</b>			
Transfers in	10,161	-	10,161
<b>Net Change in Fund Balances</b>	<b>\$ 277,306</b>	<b>\$ (4,900)</b>	<b>\$ 272,406</b>
<b>Fund Balances – January 1</b>	<b>1,034,754</b>	<b>488,711</b>	<b>1,523,465</b>
<b>Fund Balances – December 31</b>	<b>\$ 1,312,060</b>	<b>\$ 483,811</b>	<b>\$ 1,795,871</b>

**WATONWAN COUNTY  
ST. JAMES, MINNESOTA**

*EXHIBIT C-3*

**BUDGETARY COMPARISON SCHEDULE  
COUNTY LIBRARY SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 643,078	\$ 643,078	\$ 643,289	\$ 211
Intergovernmental	57,528	57,528	71,937	14,409
Charges for services	4,200	4,200	2,068	(2,132)
Fines and forfeits	2,500	2,500	1,381	(1,119)
Gifts and contributions	1,000	1,000	252,337	251,337
Investment earnings	2,500	2,500	-	(2,500)
Miscellaneous	810	810	14	(796)
<b>Total Revenues</b>	<b>\$ 711,616</b>	<b>\$ 711,616</b>	<b>\$ 971,026</b>	<b>\$ 259,410</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Culture and recreation</b>				
County library	711,616	711,616	703,881	7,735
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 267,145</b>	<b>\$ 267,145</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	-	10,161	10,161
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 277,306</b>	<b>\$ 277,306</b>
<b>Fund Balance – January 1</b>	<b>1,034,754</b>	<b>1,034,754</b>	<b>1,034,754</b>	<b>-</b>
<b>Fund Balance – December 31</b>	<b>\$ 1,034,754</b>	<b>\$ 1,034,754</b>	<b>\$ 1,312,060</b>	<b>\$ 277,306</b>

**WATONWAN COUNTY  
ST. JAMES, MINNESOTA**

*EXHIBIT C-4*

**BUDGETARY COMPARISON SCHEDULE  
SOLID WASTE SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 15,827	\$ 15,827	\$ 15,784	\$ (43)
Special assessments	170,000	170,000	167,529	(2,471)
Intergovernmental	70,423	70,423	71,117	694
Charges for services	13,750	13,750	12,943	(807)
<b>Total Revenues</b>	<b>\$ 270,000</b>	<b>\$ 270,000</b>	<b>\$ 267,373</b>	<b>\$ (2,627)</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Sanitation</b>				
SCORE	289,849	289,849	272,273	17,576
<b>Net Change in Fund Balance</b>	<b>\$ (19,849)</b>	<b>\$ (19,849)</b>	<b>\$ (4,900)</b>	<b>\$ 14,949</b>
<b>Fund Balance – January 1</b>	<b>488,711</b>	<b>488,711</b>	<b>488,711</b>	<b>-</b>
<b>Fund Balance – December 31</b>	<b>\$ 468,862</b>	<b>\$ 468,862</b>	<b>\$ 483,811</b>	<b>\$ 14,949</b>

**WATONWAN COUNTY  
ST. JAMES, MINNESOTA**

FIDUCIARY FUNDS

CUSTODIAL FUNDS

The Taxes and Penalties Custodial Fund accounts for all taxes and penalties collected and the distribution of the taxes.

The State Revenue Custodial Fund accounts for collections for and disbursements to the State of Minnesota.

The Soil and Water Conservation Custodial Fund accounts for the funds received and expended for the activities of the Watonwan Soil and Water Conservation District.

The Jail Canteen Custodial Fund accounts for inmate deposits, inmate canteen purchases, and fees paid to various agencies.

The Cemetery Custodial Fund accounts for the investment of funds for Antrim Township Cemetery.

The Estate Recoveries Custodial Fund accounts for the State of Minnesota's share of estate recoveries associated with the Medical Assistance Program.

The Vision for Family and Community Custodial Fund accounts for the funds of a County/multi-school district family service collaborative.

**WATONWAN COUNTY  
ST. JAMES, MINNESOTA**

**COMBINING STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS – CUSTODIAL FUNDS  
DECEMBER 31, 2020**

	<u>Taxes and Penalties</u>	<u>State Revenue</u>	<u>Soil and Water Conservation</u>
<b><u>Assets</u></b>			
Cash and pooled investments	\$ 152,531	\$ 56,184	\$ 302,002
Due from other governments	3,550	-	105,000
Taxes and special assessments receivable for other governments	221,001	-	-
Accounts receivable	-	-	-
Accrued interest receivable	-	-	-
	<hr/>	<hr/>	<hr/>
<b>Total Assets</b>	<b>\$ 377,082</b>	<b>\$ 56,184</b>	<b>\$ 407,002</b>
<b><u>Liabilities</u></b>			
Due to others	\$ -	\$ -	\$ 3,926
Due to other governments	-	898	49,470
	<hr/>	<hr/>	<hr/>
<b>Total Liabilities</b>	<b>\$ -</b>	<b>\$ 898</b>	<b>\$ 53,396</b>
<b><u>Net Position</u></b>			
Restricted for individuals, organizations, and other governments	<b>\$ 377,082</b>	<b>\$ 55,286</b>	<b>\$ 353,606</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**EXHIBIT D-1**

<u>Jail Canteen</u>	<u>Cemetery</u>	<u>Estate Recoveries</u>	<u>Vision for Family and Community</u>	<u>Total Custodial Funds</u>
\$ 165	\$ 56,207	\$ -	\$ 127,450	\$ 694,539
-	-	-	24,816	133,366
-	-	-	-	221,001
-	-	32,957	-	32,957
-	160	-	-	160
<u>\$ 165</u>	<u>\$ 56,367</u>	<u>\$ 32,957</u>	<u>\$ 152,266</u>	<u>\$ 1,082,023</u>
\$ -	\$ -	\$ -	\$ 818	\$ 4,744
-	-	32,957	-	83,325
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,957</u>	<u>\$ 818</u>	<u>\$ 88,069</u>
<u>\$ 165</u>	<u>\$ 56,367</u>	<u>\$ -</u>	<u>\$ 151,448</u>	<u>\$ 993,954</u>

**WATONWAN COUNTY  
ST. JAMES, MINNESOTA**

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS – CUSTODIAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>Taxes and Penalties</u>	<u>State Revenue</u>	<u>Soil and Water Conservation</u>
<b><u>Additions</u></b>			
Contributions from individuals	\$ -	\$ -	\$ -
Interest earnings	-	-	383
Property tax collections for other governments	7,580,020	-	-
Fees collected for state	508,948	2,421,275	-
Payments from state	-	-	243,185
Refunds collected for other entities	24,015	-	-
Payments from other entities	-	-	117,752
Miscellaneous	-	-	-
<b>Total Additions</b>	<b>\$ 8,112,983</b>	<b>\$ 2,421,275</b>	<b>\$ 361,320</b>
<b><u>Deductions</u></b>			
Payments of property tax to other governments	\$ 7,684,606	\$ -	\$ -
Payments to state	517,464	2,397,153	3,527
Payments to other entities	24,288	-	281,014
<b>Total Deductions</b>	<b>\$ 8,226,358</b>	<b>\$ 2,397,153</b>	<b>\$ 284,541</b>
<b>Change in Net Position</b>	<b>\$ (113,375)</b>	<b>\$ 24,122</b>	<b>\$ 76,779</b>
<b>Net Position – January 1, as previously reported</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Net Position – Restatement (Note 1.E)</b>	<b>490,457</b>	<b>31,164</b>	<b>276,827</b>
<b>Net Position – January 1, as restated</b>	<b>\$ 490,457</b>	<b>\$ 31,164</b>	<b>\$ 276,827</b>
<b>Net Position – December 31</b>	<b>\$ 377,082</b>	<b>\$ 55,286</b>	<b>\$ 353,606</b>

**EXHIBIT D-2**

<u>Jail Canteen</u>	<u>Cemetery</u>	<u>Estate Recoveries</u>	<u>Vision for Family and Community</u>	<u>Total Custodial Funds</u>
\$ -	\$ -	\$ 181,369	\$ -	\$ 181,369
-	1,485	-	-	1,868
-	-	-	-	7,580,020
-	-	-	-	2,930,223
-	-	-	100,885	344,070
-	-	-	-	24,015
34,219	-	-	46,519	198,490
<u>-</u>	<u>197</u>	<u>-</u>	<u>-</u>	<u>197</u>
<b>\$ 34,219</b>	<b>\$ 1,682</b>	<b>\$ 181,369</b>	<b>\$ 147,404</b>	<b>\$ 11,260,252</b>
\$ -	\$ -	\$ -	\$ -	\$ 7,684,606
-	-	181,369	-	3,099,513
<u>34,825</u>	<u>1,788</u>	<u>-</u>	<u>127,038</u>	<u>468,953</u>
<b>\$ 34,825</b>	<b>\$ 1,788</b>	<b>\$ 181,369</b>	<b>\$ 127,038</b>	<b>\$ 11,253,072</b>
<b>\$ (606)</b>	<b>\$ (106)</b>	<b>\$ -</b>	<b>\$ 20,366</b>	<b>\$ 7,180</b>
\$ -	\$ -	\$ -	\$ -	\$ -
<u>771</u>	<u>56,473</u>	<u>-</u>	<u>131,082</u>	<u>986,774</u>
<b>\$ 771</b>	<b>\$ 56,473</b>	<b>\$ -</b>	<b>\$ 131,082</b>	<b>\$ 986,774</b>
<b>\$ 165</b>	<b>\$ 56,367</b>	<b>\$ -</b>	<b>\$ 151,448</b>	<b>\$ 993,954</b>



## **SCHEDULES**

**WATONWAN COUNTY  
ST. JAMES, MINNESOTA**

***EXHIBIT E-1***

**SCHEDULE OF INTERGOVERNMENTAL REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2020**

**Appropriations and Shared Revenue**

**State**

Aquatic invasive species prevention aid	\$ 32,089
County program aid	680,012
Disparity reduction aid	5,064
Enhanced 911	82,761
Highway users tax	7,185,769
Market value credit	198,994
Police aid	71,670
SCORE	69,692
	<u>8,326,051</u>

**Total appropriations and shared revenue** **\$ 8,326,051**

**Reimbursement for Services**

**State**

Minnesota Department of Human Services	\$ 665,664
	<u>665,664</u>

**Grants**

**State**

Minnesota Department/Board of	
Corrections	\$ 58,530
Education	9,589
Employment and Economic Development	256,250
Health	248,443
Human Services	997,962
Natural Resources	54,445
Public Safety	6,584
Transportation	106,347
Water and Soil Resources	103,285
Pollution Control Agency	34,564
	<u>1,875,999</u>

**Total state** **\$ 1,875,999**

**Federal**

Department/Institute of	
Agriculture	\$ 237,087
Education	2,024
Health and Human Services	1,467,968
Homeland Security	19,562
Transportation	2,036,281
Treasury	1,409,056
	<u>5,171,978</u>

**Total federal** **\$ 5,171,978**

**Total state and federal grants** **\$ 7,047,977**

**Total Intergovernmental Revenue** **\$ 16,039,692**

**WATONWAN COUNTY  
ST. JAMES, MINNESOTA**

**EXHIBIT E-2**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2020**

<b>Federal Grantor Pass-Through Agency Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Grant Numbers</b>	<b>Expenditures</b>	<b>Passed Through to Subrecipients</b>
<b>U.S. Department of Agriculture</b>				
Passed Through Minnesota Department of Health Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	202MN004W1003	\$ 120,353	\$ -
Passed Through Minnesota Department of Human Services SNAP Cluster				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	192MN101S2514	12,349	-
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	202MN101S2514	103,061	-
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	202MN127Q7503	1,299	-
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (Total State Administrative Matching Grants for the Supplemental Nutrition Assistance Program 10.561 \$116,734)	10.561	202MN101S2520	25	-
<b>Total U.S. Department of Agriculture</b>			<b>\$ 237,087</b>	<b>\$ -</b>
<b>U.S. Department of Transportation</b>				
Passed Through Minnesota Department of Transportation Highway Planning and Construction Cluster				
Highway Planning and Construction	20.205	00083	\$ 1,729,880	\$ -
Formula Grants for Rural Areas and Tribal Transit Program	20.509	AGR#1035607	16,582	-
COVID-19 – Formula Grants for Rural Areas and Tribal Transit Program (Total Formula Grants for Rural Areas and Tribal Transit Program 20.509 \$290,587)	20.509	AGR#1035607	274,005	-
<b>Total U.S. Department of Transportation</b>			<b>\$ 2,020,467</b>	<b>\$ -</b>
<b>U.S. Department of the Treasury</b>				
Passed Through Minnesota Management and Budget COVID-19 – Coronavirus Relief Fund	21.019	SLT0016	\$ 1,409,056	\$ 590,188
<b>U.S. Department of Education</b>				
Passed Through Minnesota Department of Health Special Education – Grants for Infants and Families	84.181	H181A140029	\$ 2,024	\$ -
<b>U.S. Department of Health and Human Services</b>				
Passed Through Minnesota Department of Health Hospital Preparedness Program (HPP) and Public Health Emergency				
Preparedness (PHEP) Aligned Cooperative Agreements	93.074	NU90TP922026	\$ 10,440	\$ -
Immunization Cooperative Agreements	93.268	NH23IP922628	10,363	-
Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families 93.558 \$125,358)	93.558	NGA 1801MNTANF	21,224	-
Maternal and Child Health Services Block Grant to the States	93.994	B04MC32551	12,657	-
Passed Through Minnesota Department of Human Services				
Promoting Safe and Stable Families	93.556	2001MNFPS	1,597	-
Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families 93.558 \$125,358)	93.558	2001MNTANF	104,134	-

**WATONWAN COUNTY  
ST. JAMES, MINNESOTA**

**EXHIBIT E-2  
(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2020**

<b>Federal Grantor Pass-Through Agency Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Grant Numbers</b>	<b>Expenditures</b>	<b>Passed Through to Subrecipients</b>
<b>U.S. Department of Health and Human Services</b>				
Passed Through Minnesota Department of Human Services (Continued)				
Child Support Enforcement	93.563	2001MNCSES	61,792	-
Child Support Enforcement	93.563	2001MNCEST	192,729	-
(Total Child Support Enforcement 93.563 \$254,521)				
Refugee and Entrant Assistance – State Administered Programs CCDF Cluster	93.566	2001MNRMA	146	-
Child Care and Development Block Grant	93.575	2001MNCCDF	2,551	-
Community-Based Child Abuse Prevention Grants	93.590	1901MNBCAP	1,675	-
Stephanie Tubbs Jones Child Welfare Services Program	93.645	2001MNCWSS	1,156	-
Foster Care – Title IV-E	93.658	2001MNFOST	259,596	-
Social Services Block Grant	93.667	2001MNSOSR	83,615	-
John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674	2001MNCILP	16,793	-
Children's Health Insurance Program Medicaid Cluster	93.767	2005MN5R21	258	-
Medical Assistance Program	93.778	2005MN5ADM	644,425	-
Medical Assistance Program	93.778	2005MN5MAP	8,045	-
(Total Medical Assistance Program 93.778 \$652,470)				
<b>Total U.S. Department of Health and Human Services</b>			<b>\$ 1,433,196</b>	<b>\$ -</b>
<b>U.S. Department of Homeland Security</b>				
Passed Through Minnesota Department of Public Safety				
Disaster Grants – Public Assistance (Presidentially Declared Disasters)	97.036	Not Provided	<b>\$ 2,653</b>	<b>\$ -</b>
<b>Total Federal Awards</b>			<b>\$ 5,104,483</b>	<b>\$ 590,188</b>
<b>Totals by Cluster</b>				
Total expenditures for SNAP Cluster			\$ 116,734	
Total expenditures for Highway Planning and Construction Cluster			1,729,880	
Total expenditures for CCDF Cluster			2,551	
Total expenditures for Medicaid Cluster			652,470	

**WATONWAN COUNTY  
ST. JAMES, MINNESOTA**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2020**

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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, 2020. 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**

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3. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	\$ 5,171,978
Grants received more than 60 days after year-end, unavailable in 2020	
Temporary Assistance for Needy Families (CFDA No. 93.558)	19,238
Unavailable in 2019, recognized as revenue in 2020	
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)	<u>(16,909)</u>
Expenditures Per Schedule of Expenditures of Federal Awards	<u>\$ 5,104,483</u>





**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, 2020, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 7, 2021.

**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 as a basis for designing 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.

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 the attention of those charged with governance.



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. Given these limitations, during our audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **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 financial statements. 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, we noted that Watonwan County failed to comply with the provisions of the claims and disbursements section 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 as described in the Schedule of Findings and Questioned Costs as item 2020-002. Also, 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, and miscellaneous provisions sections of the *Minnesota Legal Compliance Audit Guide for Counties*, insofar as they relate to accounting matters. 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 Finding**

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

## **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control 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

September 7, 2021

**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, 2020. 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.

***Basis for Qualified Opinion on COVID-19 – Coronavirus Relief Fund (CFDA No. 21.019)***

As described in the accompanying Schedule of Findings and Questioned Costs, Watonwan County did not comply with requirements regarding CFDA No. 21.019, COVID-19 – Coronavirus Relief Fund, as described in finding number 2020-001 for Subrecipient Monitoring. Compliance with such requirements is necessary, in our opinion, for the County to comply with the requirements applicable to that program.

***Qualified Opinion on COVID-19 – Coronavirus Relief Fund (CFDA No. 21.019)***

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, 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 COVID-19 – Coronavirus Relief Fund for the year ended December 31, 2020.

***Unmodified Opinion on the Other 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 its other major federal program identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs for the year ended December 31, 2020.

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 identify a deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2020-001 that we consider to be a material weakness.

Watsonwan 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*

*/s/Dianne Syverson*

JULIE BLAHA  
STATE AUDITOR

DIANNE SYVERSON, CPA  
DEPUTY STATE AUDITOR

September 7, 2021

**WATONWAN COUNTY  
ST. JAMES, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2020**

**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? **No**
- Significant deficiencies identified? **None reported**

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

**Federal Awards**

Internal control over major programs:

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

Type of auditor's report issued on compliance for major federal programs: **Unmodified, except for COVID-19 – Coronavirus Relief Fund, which is qualified.**

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

The major federal programs are:

Highway Planning and Construction Cluster	
Highway Planning and Construction	CFDA No. 20.205
COVID-19 – Coronavirus Relief Fund	CFDA No. 21.019

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, 2020

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

None.

**III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS**

Finding Number: 2020-001

Prior Year Finding Number: N/A

Repeat Finding Since: N/A

Subrecipient Monitoring

**Program:** U.S. Department of the Treasury's COVID-19 – Coronavirus Relief Fund (CFDA No. 21.019), Award No. SLT0016, 2020

**Pass-Through Agency:** Minnesota Management and Budget

**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. Also, the County must comply with the requirements for pass-through entities as identified in Title 2 U.S. *Code of Federal Regulations* § 200.332, such as clearly identifying the award to the subrecipient; evaluating the subrecipient's risk of noncompliance with federal statutes, regulations, and the terms and conditions of the award; monitoring the activities of the subrecipient; and verifying the subrecipient is audited, if required.

**Condition:** The following exceptions were noted in the sample of three subrecipients tested:

- The County did not have a signed agreement on file for two subrecipients.
- None of the subrecipients were provided sufficient award information.

**WATONWAN COUNTY  
ST. JAMES, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2020**

- Two subrecipients did not have sufficient monitoring procedures performed over them.

Additionally, the County does not have documented policies and procedures for subrecipient monitoring.

**Questioned Costs:** None.

**Context:** Watonwan County passed funds to local governments which the County is familiar with and who have been operating for many years.

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

**Effect:** Watonwan County is not meeting federal regulations pertaining to subrecipient monitoring. Also, the County cannot be assured their subrecipients are administering federal awards in compliance with all applicable federal requirements.

**Cause:** Watonwan County does not generally provide federal awards to subrecipients and therefore did not have policies and procedures in place for subrecipient monitoring activities. Additionally, the County was not aware of the full extent of requirements for subrecipient monitoring.

**Recommendation:** We recommend Watonwan County work with departments that pass funds through to subrecipients to identify responsibilities such as completing risk assessments and monitoring procedures over federal programs, as well as creating and maintaining proper documentation to meet the requirements of federal programs. This would include documenting the monitoring procedures performed (such as on-site visits and review of the subrecipients' audit findings) and any related follow-up or findings, and performing and documenting a risk assessment of subrecipients. Additionally, we recommend the County include applicable CFDA numbers in communications regarding the program to its subrecipients. We also recommend the County develop and document policies and procedures for monitoring all federal awards.

**View of Responsible Official:** Acknowledged



**WATONWAN COUNTY  
ST. JAMES, MINNESOTA**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2020

**IV. OTHER FINDINGS AND RECOMMENDATIONS**

MINNESOTA LEGAL COMPLIANCE

Finding Number: 2020-002

Prior Year Finding Number: N/A

Repeat Finding Since: N/A

Documentation for Claims

**Criteria:** Pursuant to Minn. Stat. § 471.38, subd. 1, any account, claim or demand against the County that can be itemized in the ordinary course of business shall be supported by an itemized list in writing or in an electronic transaction record prior to being approved for payment by the County Board.

**Condition:** During testing of employee expense reimbursements, it was noted that four of the ten reimbursements tested did not have itemized support for the meals that were included in the reimbursement request. Credit card receipts were included as support, but this documentation did not include an itemized list validating what was included in the purchase.

**Context:** Without itemized documentation to support the reimbursement, the County could be reimbursing employees for unauthorized purchases.

**Effect:** The County is not in compliance with Minn. Stat. § 471.38, subd. 1. There is an increased risk the County could reimburse the employee for an unauthorized purchase.

**Cause:** The County indicated while they did receive supporting documentation for the reimbursement, it was overlooked that the supporting documentation did not include an itemized list validating what was purchased.

**Recommendation:** We recommend the County implement procedures to ensure the itemized detail is included on the documentation supporting the reimbursements in accordance with Minn. Stat. § 471.38, subd. 1.

**View of Responsible Official:** Acknowledged

**WATONWAN COUNTY  
ST. JAMES, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2020**

**V. PREVIOUSLY REPORTED ITEMS RESOLVED**

- 2019-001 Audit Adjustment
- 2019-002 Eligibility (CFDA No. 93.778)
- 2019-003 Publication of Board Minutes

*Kelly Pauling*  
**Watonwan County Auditor/Treasurer**

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710 SECOND AVENUE SOUTH  
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PHONE (507) 375-1210  
FAX (507) 375-3547



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

**CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED DECEMBER 31, 2020**

**Finding Number: 2020-001**

**Finding Title: Subrecipient Monitoring**

**Program: U.S. Department of the Treasury's Coronavirus Relief Fund (CFDA No. 21.019),  
Award No. SLT0016, 2020**

Name of Contact Person Responsible for Corrective Action:

Kelly Pauling

Corrective Action Planned:

The County will follow subrecipient monitoring requirements for pass through funds to subrecipients. The County will develop a subrecipient monitoring policy and document the risk assessment and monitoring procedures.

Anticipated Completion Date:

December 31, 2021

**Finding Number: 2020-002**

**Finding Title: Documentation for Claims**

Name of Contact Person Responsible for Corrective Action:

Erin Sandbo-Marks

Corrective Action Planned:

Supervisors and staff will be trained by email on the disbursement policy and the need for itemized receipts. The County will update the personnel policy to include itemized receipts in the meal reimbursement section.

Anticipated Completion Date:

December 31, 2021

*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, 2020**

**Finding Number: 2017-001**

**Repeated Finding Since: 2017**

**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:** Fully Corrected. Corrective action was taken.

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

Yes \_\_\_\_\_ No   X  

**Finding Number: 2019-001**

**Repeated Finding Since: 2019**

**Finding Title: Audit Adjustment**

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

**Summary of Corrective Action Previously Reported:** Watonwan County Public Works will run an account activity report from IFS in March to verify that all appropriate accruals were entered.

**Status:** Fully Corrected. Corrective action was taken.  
Was corrective action taken significantly different than the action previously reported?  
Yes \_\_\_\_\_ No  X

**Finding Number:** 2019-002  
**Repeated Finding Since:** 2017  
**Finding Title:** Eligibility  
**Program:** Medical Assistance Program (CFDA No. 93.778)

**Summary of 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.

**Summary of Corrective Action Previously Reported:** 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.

**Status:** Fully Corrected. Corrective action was taken.  
Was corrective action taken significantly different than the action previously reported?  
Yes \_\_\_\_\_ No  X

**Finding Number:** 2019-003  
**Repeated Finding Since:** 2017  
**Finding Title:** Publication of Board Minutes

**Summary of Condition:** Some County Board meeting summaries for 2019 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. Synopsis of minutes will be completed so they are ready to send after the minutes are approved.

**Status:** Fully Corrected. Corrective action was taken.  
Was corrective action taken significantly different than the action previously reported?  
Yes \_\_\_\_\_ No  X