

State of Minnesota



Office of the State Auditor

Julie Blaha
State Auditor

Watsonwan County
St. James, Minnesota

Year Ended December 31, 2021

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.

Office of the State Auditor
525 Park Street, Suite 500
Saint Paul, Minnesota 55103
(651) 296-2551
state.auditor@osa.state.mn.us
www.osa.state.mn.us

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**Watonwan County
St. James, Minnesota**

Year Ended December 31, 2021



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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INTRODUCTORY SECTION

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

ORGANIZATION
2021

<u>Office</u>	<u>Name</u>	<u>Term Expires</u>
Commissioners		
1st District	Jim Pettersen	January 2025
2nd District	Bill Miller*	January 2023
3rd District	Jim Branstad	January 2025
4th District	Bob Rinne	January 2023
5th District	Dillon Melheim	January 2025
Officers		
Elected		
Attorney	Stephen Lindee	January 2023
Auditor/Treasurer/Coordinator	Kelly Pauling	January 2023
Recorder	Karla Doll	January 2023
Sheriff	Jared Bergeman	January 2023
Appointed		
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

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Watonwan County
St. James, Minnesota

Report on the Audit of the Financial Statements

Opinions

We have audited 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, 2021, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Watonwan County as of December 31, 2021, and the respective changes in financial position thereof and the respective budgetary comparisons of the General Fund, the Road and Bridge Special Revenue Fund, and the Human Services Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the County, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the County's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance, and therefore, is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, we:

- exercise professional judgment and maintain professional skepticism throughout the audit;
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;
- obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed;
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements; and
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the County's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of Changes in Total OPEB Liability and Related Ratios – Other Postemployment Benefits, PERA retirement plan schedules, and Notes to the Required Supplementary Information be presented to supplement the basic financial statements. Such

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Watonwan County's basic financial statements. The Debt Service Fund budgetary comparison schedule; combining statements for the nonmajor governmental funds; budgetary comparison schedules for the nonmajor governmental funds; combining fiduciary funds financial statements; Schedule of Intergovernmental Revenue; and Schedule of Expenditures of Federal Awards and related notes, as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are 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 Supplementary Information as identified above 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 19, 2022 on our consideration of the 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 the 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 the County's internal control over financial reporting and compliance.

/s/Julie Blaha

JULIE BLAHA
STATE AUDITOR

/s/Dianne Syverson

DIANNE SYVERSON, CPA
DEPUTY STATE AUDITOR

September 19, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2021
(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, 2021. 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 2021 by \$73,424,174. Of this amount, \$5,623,420 (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 \$1,588,180 in 2021.
- At the close of 2021, Watonwan County's governmental funds reported combined ending fund balances of \$12,518,571, of which \$1,232,619 is unassigned and is available for spending at the County's discretion.
- At the close of 2021, unassigned fund balance for the General Fund was \$5,428,556, or 64.31 percent, of total General Fund expenditures.
- Watonwan County's total bonds and capital notes payable decreased by \$360,000. 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 \$65,000 on the G.O. Capital Notes, series 2014. In addition, G.O. Capital Improvement Refunding bonds, Series 2021A were issued for \$1,045,000, which were used to refund \$1,070,000 of the G.O. Capital Improvement Plan Bond, Series 2013A.

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 six 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 \$73,424,174 at the close of 2021. The largest portion of Watonwan County's net position (87.5 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

	2020	2021
Assets		
Current and other assets	\$ 20,981,770	\$ 23,783,483
Capital assets	<u>62,487,618</u>	<u>65,864,498</u>
Total Assets	<u>\$ 83,469,388</u>	<u>\$ 89,647,981</u>
Deferred Outflows of Resources	<u>\$ 985,289</u>	<u>\$ 3,909,607</u>
Liabilities		
Long-term liabilities outstanding	\$ 9,592,864	\$ 7,702,061
Other liabilities	<u>2,016,238</u>	<u>6,316,197</u>
Total Liabilities	<u>\$ 11,609,102</u>	<u>\$ 14,018,258</u>
Deferred Inflows of Resources	<u>\$ 1,009,581</u>	<u>\$ 6,115,156</u>
Net Position		
Net investment in capital assets	\$ 60,574,881	\$ 64,209,628
Restricted	4,049,463	3,591,126
Unrestricted	<u>7,211,650</u>	<u>5,623,420</u>
Total Net Position	<u>\$ 71,835,994</u>	<u>\$ 73,424,174</u>

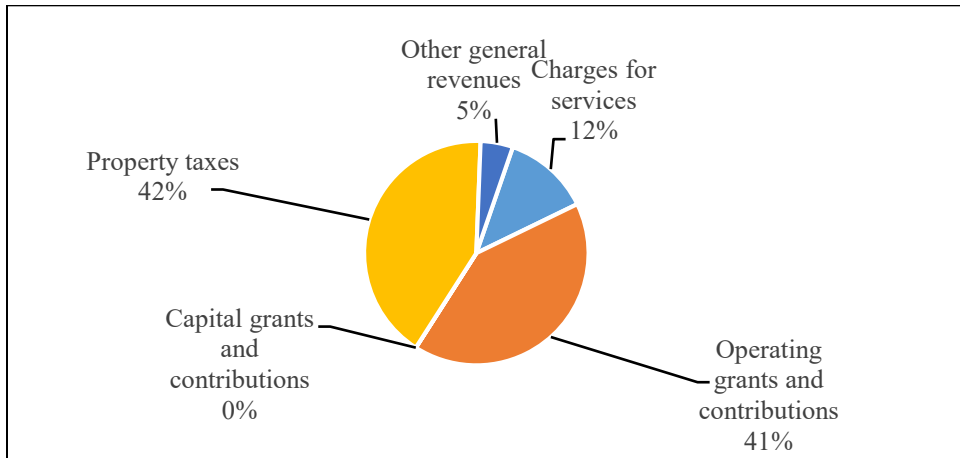
The unrestricted net position amount of \$5,623,420 as of December 31, 2021, may be used to meet the County's ongoing obligations to citizens and creditors.

Governmental Activities

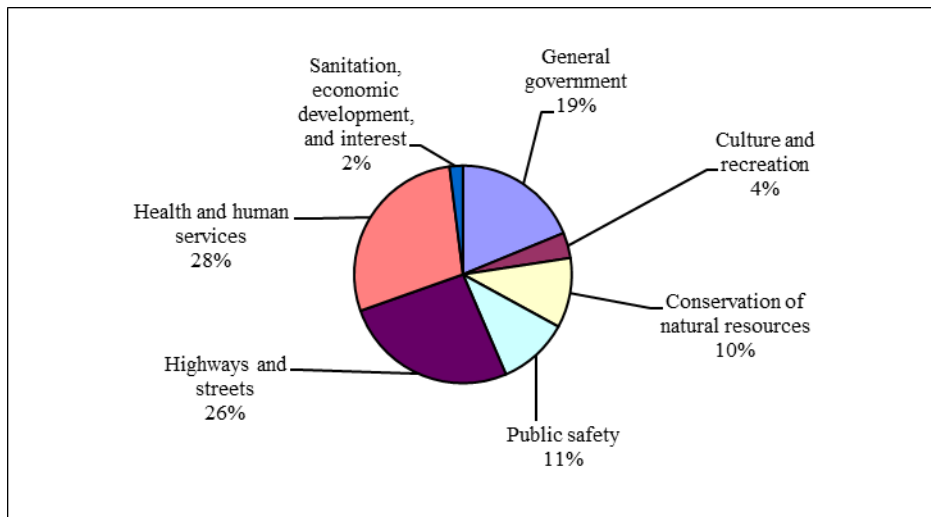
The following table summarizes the changes in net position for 2021.

	<u>2020</u>	<u>2021</u>
Revenues		
Program revenues		
Charges for services	\$ 2,859,019	\$ 3,179,517
Operating grants and contributions	10,084,237	10,471,652
Capital grants and contributions	2,229,880	357
General revenues		
Property taxes	10,253,933	10,543,795
Other	2,643,437	1,184,812
Total Revenues	<u>\$ 28,070,506</u>	<u>\$ 25,380,133</u>
Expenses		
General government	\$ 4,227,805	\$ 4,468,918
Public safety	2,686,910	2,513,450
Highways and streets	5,106,042	6,195,144
Sanitation	278,529	298,630
Human services	5,578,208	5,924,863
Health	739,068	841,254
Culture and recreation	840,624	901,413
Conservation of natural resources	1,091,049	2,473,308
Economic development	710,475	134,649
Interest	59,914	40,324
Total Expenses	<u>\$ 21,318,624</u>	<u>\$ 23,791,953</u>
Change in Net Position	\$ 6,751,882	\$ 1,588,180
Net Position – January 1	<u>65,084,112</u>	<u>71,835,994</u>
Net Position – December 31	<u>\$ 71,835,994</u>	<u>\$ 73,424,174</u>

Sources of County Revenues



Where County Funds Are Spent



FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

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

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

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$12,518,571. Of this amount, \$1,232,619 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 \$5,428,556, while the total fund balance was \$8,929,472. 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 64.31 percent of total General Fund expenditures for 2021, while total fund balance represents 105.79 percent of total General Fund expenditures. In 2021, the total fund balance in the General Fund increased by \$755,752, with unassigned fund balance increasing by \$816,248, restricted fund balances decreasing by \$86,780, and nonspendable fund balance increasing by \$26,284.

In 2021, the Road and Bridge Special Revenue Fund showed excess expenditures over revenues of \$518,181 and a decrease in inventories of \$27,990 for a net decrease in fund balance of \$546,171. The decrease in fund balance was due to significant increases in construction materials for road projects.

In 2021, the Human Services Special Revenue Fund's fund balance increased by \$174,173. There were minor increases in revenues and decreases in expenditures for 2021.

In 2021, the County Ditch Special Revenue Fund's fund balance decreased by \$1,269,554 to (\$3,251,034). There are two improvement projects that were bonded for in 2022. The fund will collect special assessments in future years to cover the deficit fund balance.

In 2021, the Debt Service Fund's fund balance decreased by \$246,578. Fund balance was reduced due to the final payment of the Series 2014 G.O. Capital Notes and G.O. Capital Improvement Plan Refunding Bonds, Series 2010A.

General Fund Budgetary Highlights

There were variances in operational revenues and expenditures in the General Fund. Total revenues exceeded budget by \$480,637, or 5.64 percent. Intergovernmental revenues exceeded budget by \$384,843. Two contributing factors were the Sheriff's Department received Coronavirus Emergency Supplemental funds of \$95,000, and the Enhanced 911 funds increased more than budgeted in 2021. Total expenditures were under budget by \$143,196, or 1.67 percent.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The County's investment in capital assets for its governmental activities as of December 31, 2021, amounts to \$65,864,498 (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 \$3,376,880.

	Governmental Capital Assets (Net of Depreciation)	
	<u>2020</u>	<u>2021</u>
Land	\$ 686,771	\$ 717,067
Construction in progress	1,875,961	454,548
Land improvements	2,094,638	4,542,043
Buildings	4,680,783	2,043,034
Machinery, furniture, and equipment	3,250,505	3,676,584
Infrastructure	49,898,960	54,431,222
Total	<u>\$ 62,487,618</u>	<u>\$ 65,864,498</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 \$1,320,000, which is backed by the full faith and credit of the government.

	Governmental Outstanding Debt	
	<u>2020</u>	<u>2021</u>
General obligation bonds and notes	<u>\$ 1,640,000</u>	<u>\$ 1,320,000</u>

Standard and Poor's Ratings Service assigned an "AA" rating on Watonwan County's outstanding general obligation bonds in August 2022. 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 2021, 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 2.0 percent as of the end of 2021, lower than the state-wide rate of 2.6 percent.
- The total tax capacity of the County had an increase for 2021 due to strong sales.

At the end of 2021, Watonwan County set its 2022 revenue and expenditure budgets, budgeting revenues and expenditures of \$24,370,205 and \$24,284,635, 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

COUNTRY-WIDE FINANCIAL STATEMENTS

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

EXHIBIT 1

**STATEMENT OF NET POSITION
GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2021**

Assets

Cash and pooled investments	\$	18,423,611
Taxes receivable		
Delinquent		98,375
Special assessments receivable		
Delinquent		17,287
Noncurrent		2,127,249
Accounts receivable – net		501,999
Accrued interest receivable		5,898
Due from other governments		2,336,912
Inventories		246,426
Capital assets		
Non-depreciable		1,171,615
Depreciable – net of accumulated depreciation		64,692,883
Net pension asset		25,726
		89,647,981
Total Assets	\$	89,647,981

Deferred Outflows of Resources

Deferred other postemployment benefits outflows	\$	61,938
Deferred pension outflows		3,847,669
		3,909,607
Total Deferred Outflows of Resources	\$	3,909,607

Liabilities

Accounts payable	\$	328,211
Salaries payable		334,000
Contracts payable		2,119,082
Due to other governments		1,785,109
Accrued interest payable		6,201
Unearned revenue		1,743,594
Long-term liabilities		
Due within one year		857,310
Due in more than one year		2,136,660
Other postemployment benefits liability		373,884
Net pension liability		4,334,207
		14,018,258
Total Liabilities	\$	14,018,258

Deferred Inflows of Resources

Advanced allotments	\$	1,084,451
Deferred other postemployment benefits inflows		138,600
Deferred pension inflows		4,892,105
		6,115,156
Total Deferred Inflows of Resources	\$	6,115,156

The notes to the financial statements are an integral part of this statement.

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

***EXHIBIT 1
(Continued)***

**STATEMENT OF NET POSITION
GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2021**

Net Position

Net investment in capital assets	\$ 64,209,628
Restricted for	
General government	540,936
Public safety	350,507
Highways and streets	1,196,398
Culture and recreation	440,029
Conservation of natural resources	483,181
Economic development	6,086
Debt service	246,228
Opioid remediation activities	327,761
Unrestricted	<u>5,623,420</u>
Total Net Position	<u><u>\$ 73,424,174</u></u>

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

EXHIBIT 2

**STATEMENT OF ACTIVITIES
GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Program Revenues			Net (Expense)
Expenses	Fees, Charges, Fines, and Other	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
<u>Functions/Programs</u>				
Primary government				
Governmental activities				
General government	\$ 4,468,918	\$ 911,554	\$ 590,776	\$ -
Public safety	2,513,450	240,953	350,760	-
Highways and streets	6,195,144	366,289	5,247,367	357
Sanitation	298,630	185,746	71,066	-
Human services	5,924,863	714,925	3,103,714	-
Health	841,254	45,974	1,010,203	-
Culture and recreation	901,413	8,678	3,703	-
Conservation of natural resources	2,473,308	615,687	94,063	-
Economic development	134,649	89,711	-	-
Interest	40,324	-	-	-
Total Governmental Activities	\$ 23,791,953	\$ 3,179,517	\$ 10,471,652	\$ 357
General Revenues				
Property taxes				\$ 10,543,795
Mortgage registry and deed tax				12,397
Wheelage tax				187,922
Grants and contributions not restricted to specific programs				873,209
Unrestricted investment earnings				111,284
Total general revenues				\$ 11,728,607
Change in net position				\$ 1,588,180
Net Position – January 1				71,835,994
Net Position – December 31				\$ 73,424,174

FUND FINANCIAL STATEMENTS

GOVERNMENTAL FUNDS

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2021**

	General	Road and Bridge
<u>Assets</u>		
Cash and pooled investments	\$ 8,710,866	\$ 3,880,943
Taxes receivable – delinquent	53,836	13,732
Special assessments receivable		
Delinquent	7,351	-
Noncurrent	607,667	-
Accounts receivable – net	22,595	-
Accrued interest receivable	5,898	-
Due from other funds	9,707	12,988
Due from other governments	112,019	1,502,980
Advances to other funds	2,126,284	-
Inventories	-	246,426
	\$ 11,656,223	\$ 5,657,069
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>		
Liabilities		
Accounts payable	\$ 53,693	\$ 72,764
Salaries payable	150,427	40,699
Contracts payable	24,488	2,094,594
Due to other funds	25,845	379
Due to other governments	206,834	3,718
Unearned revenue	1,578,788	164,806
Advances from other funds	-	-
	\$ 2,040,075	\$ 2,376,960
Deferred Inflows of Resources		
Advanced allotments	\$ -	\$ 1,084,451
Unavailable revenue	686,676	1,194,651
	\$ 686,676	\$ 2,279,102

EXHIBIT 3

<u>Human Services</u>	<u>County Ditch</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 3,456,427	\$ 331,099	\$ 245,641	\$ 1,798,635	\$ 18,423,611
22,403	-	1,998	6,406	98,375
-	505	-	9,431	17,287
-	1,519,582	-	-	2,127,249
479,404	-	-	-	501,999
-	-	-	-	5,898
13,512	-	-	-	36,207
721,785	128	-	-	2,336,912
-	-	-	-	2,126,284
-	-	-	-	246,426
<u>\$ 4,693,531</u>	<u>\$ 1,851,314</u>	<u>\$ 247,639</u>	<u>\$ 1,814,472</u>	<u>\$ 25,920,248</u>
\$ 137,882	\$ 56,143	\$ -	\$ 7,729	\$ 328,211
128,945	-	-	13,929	334,000
-	-	-	-	2,119,082
9,328	655	-	-	36,207
75,829	1,498,728	-	-	1,785,109
-	-	-	-	1,743,594
-	2,126,284	-	-	2,126,284
<u>\$ 351,984</u>	<u>\$ 3,681,810</u>	<u>\$ -</u>	<u>\$ 21,658</u>	<u>\$ 8,472,487</u>
\$ -	\$ -	\$ -	\$ -	\$ 1,084,451
531,327	1,420,538	1,411	10,136	3,844,739
<u>\$ 531,327</u>	<u>\$ 1,420,538</u>	<u>\$ 1,411</u>	<u>\$ 10,136</u>	<u>\$ 4,929,190</u>

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2021**

	General	Road and Bridge
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u> (Continued)		
Fund Balances		
Nonspendable		
Inventories	\$ -	\$ 246,426
Advances to other funds	2,126,284	-
Restricted for		
Law library	42,085	-
Recorder's equipment	175,831	-
Technology fees	135,508	-
E-911	230,835	-
Carry permit administration	111,111	-
Sheriff's contingency	8,561	-
HRA special benefit levy	6,086	-
Invasive species	105,296	-
Individual Sewage Treatment System (ISTS) loan repayments	230,228	-
Donations – veterans' van	26,142	-
Capital projects	141,579	-
Transit system	161,370	-
Highway projects	-	1,500,538
Ditch maintenance and repair	-	-
Debt service	-	-
Library operations from donations	-	-
Committed for library operations	-	-
Assigned to		
Human services	-	-
Solid waste	-	-
Unassigned	5,428,556	(745,957)
Total Fund Balances	\$ 8,929,472	\$ 1,001,007
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 11,656,223	\$ 5,657,069

**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>
\$ -	\$ -	\$ -	\$ -	\$ 246,426
-	-	-	-	2,126,284
-	-	-	-	42,085
-	-	-	-	175,831
-	-	-	-	135,508
-	-	-	-	230,835
-	-	-	-	111,111
-	-	-	-	8,561
-	-	-	-	6,086
-	-	-	-	105,296
-	-	-	-	230,228
-	-	-	-	26,142
-	-	-	-	141,579
-	-	-	-	161,370
-	-	-	-	1,500,538
-	198,946	-	-	198,946
-	-	246,228	-	246,228
-	-	-	440,029	440,029
-	-	-	879,382	879,382
3,810,220	-	-	-	3,810,220
-	-	-	463,267	463,267
<u>-</u>	<u>(3,449,980)</u>	<u>-</u>	<u>-</u>	<u>1,232,619</u>
\$ 3,810,220	\$ (3,251,034)	\$ 246,228	\$ 1,782,678	\$ 12,518,571
\$ 4,693,531	\$ 1,851,314	\$ 247,639	\$ 1,814,472	\$ 25,920,248

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

EXHIBIT 4

**RECONCILIATION OF THE FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2021**

Fund balances – total governmental funds (Exhibit 3)		\$ 12,518,571
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.		65,864,498
Net pension assets are not financial resources and, therefore, are not report in the governmental funds.		25,726
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.		3,844,739
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		61,938
Deferred inflows related to other postemployment benefits		(138,600)
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		3,847,669
Deferred inflows related to pensions		(4,892,105)
Governmental funds do not report a liability for accrued interest on long-term liabilities until due and payable.		(6,201)
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	\$ (1,320,000)	
Premium on bonds	(1,173)	
Loans payable	(700,187)	
Other postemployment benefits liability	(373,884)	
Net pension liability	(4,334,207)	
Compensated absences	(972,610)	
	(7,702,061)	(7,702,061)
Net Position of Governmental Activities (Exhibit 1)		\$ 73,424,174

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021**

	General	Road and Bridge
Revenues		
Taxes	\$ 6,010,147	\$ 1,705,632
Special assessments	125,281	-
Licenses and permits	21,186	-
Intergovernmental	1,510,592	7,074,622
Charges for services	885,608	193,686
Fines and forfeits	725	-
Gifts and contributions	2,952	-
Investment earnings	111,284	-
Miscellaneous	338,871	172,604
	\$ 9,006,646	\$ 9,146,544
Expenditures		
Current		
General government	\$ 4,378,058	\$ -
Public safety	2,860,997	-
Highways and streets	-	9,417,850
Sanitation	-	-
Human services	-	-
Health	-	-
Culture and recreation	140,328	-
Conservation of natural resources	709,379	-
Economic development	138,641	-
Intergovernmental		
Highways and streets	-	246,875
Capital outlay		
General government	117,419	-
Debt service		
Principal	94,962	-
Interest	875	-
Bond issuance costs	-	-
Administrative charges	-	-
	\$ 8,440,659	\$ 9,664,725
Excess of Revenues Over (Under) Expenditures	\$ 565,987	\$ (518,181)

EXHIBIT 5

<u>Human Services</u>	<u>County Ditch</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 2,330,107	\$ -	\$ 144,345	\$ 689,872	\$ 10,880,103
-	550,603	-	169,893	845,777
-	-	-	-	21,186
3,909,948	-	2,530	130,349	12,628,041
446,407	-	-	22,262	1,547,963
-	-	-	2,040	2,765
-	-	-	1,218	4,170
-	-	-	-	111,284
311,744	1,424	540	10	825,193
\$ 6,998,206	\$ 552,027	\$ 147,415	\$ 1,015,644	\$ 26,866,482
\$ -	\$ -	\$ -	\$ -	\$ 4,378,058
-	-	-	-	2,860,997
-	-	-	-	9,417,850
-	-	-	297,684	297,684
5,978,568	-	-	-	5,978,568
845,465	-	-	-	845,465
-	-	-	737,374	877,702
-	1,821,581	-	-	2,530,960
-	-	-	-	138,641
-	-	-	-	246,875
-	-	-	-	117,419
-	-	360,000	-	454,962
-	-	35,078	-	35,953
-	-	37,975	-	37,975
-	-	940	-	940
\$ 6,824,033	\$ 1,821,581	\$ 433,993	\$ 1,035,058	\$ 28,220,049
\$ 174,173	\$ (1,269,554)	\$ (286,578)	\$ (19,414)	\$ (1,353,567)

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021**

	General	Road and Bridge
Other Financing Sources (Uses)		
Transfers in	\$ -	\$ -
Transfers out	(6,221)	-
Proceeds from loan	195,986	-
Bonds issued	-	-
Debt service – principal	-	-
	\$ 189,765	\$ -
Net Change in Fund Balances	\$ 755,752	\$ (518,181)
Fund Balances – January 1	8,173,720	1,547,178
Increase (decrease) in inventories	-	(27,990)
	\$ 8,929,472	\$ 1,001,007
Fund Balances – December 31	\$ 8,929,472	\$ 1,001,007

**EXHIBIT 5
(Continued)**

<u>Human Services</u>	<u>County Ditch</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ -	\$ 6,221	\$ 6,221
-	-	-	-	(6,221)
-	-	-	-	195,986
-	-	1,045,000	-	1,045,000
-	-	(1,005,000)	-	(1,005,000)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 40,000</u>	<u>\$ 6,221</u>	<u>\$ 235,986</u>
\$ 174,173	\$ (1,269,554)	\$ (246,578)	\$ (13,193)	\$ (1,117,581)
3,636,047	(1,981,480)	492,806	1,795,871	13,664,142
-	-	-	-	(27,990)
<u>\$ 3,810,220</u>	<u>\$ (3,251,034)</u>	<u>\$ 246,228</u>	<u>\$ 1,782,678</u>	<u>\$ 12,518,571</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, 2021**

Net change in fund balances – total governmental funds (Exhibit 5) \$ (1,117,581)

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

In the funds, under the modified accrual basis, receivables not available for expenditure are deferred. In the statement of activities, those revenues are recognized when earned. The adjustment to revenue between the fund statements and the statement of activities is the increase or decrease in revenue deferred as unavailable.

Unavailable revenue – December 31	\$ 3,844,739	
Unavailable revenue – January 1	<u>(5,324,694)</u>	(1,479,955)

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	\$ 5,689,290	
Depreciation expense	(2,307,579)	
Net book value of assets sold or disposed	<u>(4,831)</u>	3,376,880

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 – general obligation bonds and loans payable	\$ (1,240,986)	
Repayment of debt principal	1,459,962	
Amortization of premium/discount on debt	<u>17,441</u>	236,417

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

***EXHIBIT 6
(Continued)***

**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, 2021**

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	\$	(27,990)	
Change in net pension asset		25,726	
Change in deferred other postemployment benefits outflows		22,427	
Change in deferred pension outflows		2,901,891	
Change in accrued interest payable		17,103	
Change in compensated absences		(58,243)	
Change in other postemployment benefits liability		22,807	
Change in net pension liability		1,689,822	
Change in deferred other postemployment benefits inflows		(27,231)	
Change in deferred pension inflows		(3,993,893)	572,419
Change in Net Position of Governmental Activities (Exhibit 2)			\$ 1,588,180

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

EXHIBIT 7

**BUDGETARY COMPARISON STATEMENT
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 5,980,878	\$ 5,980,878	\$ 6,010,147	\$ 29,269
Special assessments	85,965	85,965	125,281	39,316
Licenses and permits	10,650	10,650	21,186	10,536
Intergovernmental	1,125,749	1,125,749	1,510,592	384,843
Charges for services	858,665	858,665	885,608	26,943
Fines and forfeits	-	-	725	725
Gifts and contributions	900	900	2,952	2,052
Investment earnings	175,000	175,000	111,284	(63,716)
Miscellaneous	288,202	288,202	338,871	50,669
Total Revenues	\$ 8,526,009	\$ 8,526,009	\$ 9,006,646	\$ 480,637
Expenditures				
Current				
General government				
County commissioners	\$ 241,869	\$ 241,869	\$ 268,879	\$ (27,010)
Court administrator	55,900	55,900	28,784	27,116
Law library	7,000	7,000	11,592	(4,592)
County auditor/treasurer	361,881	361,881	313,815	48,066
License center	144,541	144,541	160,014	(15,473)
Personnel	133,252	133,252	136,268	(3,016)
Central services	371,408	371,408	346,045	25,363
Elections	5,000	5,000	4,942	58
Information technology	366,593	366,593	308,150	58,443
County attorney	328,296	328,296	339,607	(11,311)
Attorney's contingent	7,500	7,500	-	7,500
County recorder	249,776	249,776	230,081	19,695
County assessor	425,436	425,436	419,224	6,212
Building maintenance	341,727	341,727	319,437	22,290
Veterans service	147,931	147,931	149,728	(1,797)
Motor pool	52,000	52,000	2,274	49,726
Public transit	436,720	436,720	431,638	5,082
Other general government	634,996	634,996	907,580	(272,584)
Total general government	\$ 4,311,826	\$ 4,311,826	\$ 4,378,058	\$ (66,232)

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

**EXHIBIT 7
(Continued)**

**BUDGETARY COMPARISON STATEMENT
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Current (Continued)				
Public safety				
County sheriff	\$ 1,699,342	\$ 1,699,342	\$ 1,705,700	\$ (6,358)
Sheriff's contingent	5,000	5,000	-	5,000
Jail	725,483	725,483	749,763	(24,280)
E-911 and radio maintenance	65,000	65,000	65,644	(644)
County coroner	25,000	25,000	52,477	(27,477)
Court services	287,661	287,661	202,839	84,822
Emergency management	90,431	90,431	71,552	18,879
Public Health Emergency Preparedness	17,311	17,311	13,022	4,289
Total public safety	\$ 2,915,228	\$ 2,915,228	\$ 2,860,997	\$ 54,231
Culture and recreation				
County parks	\$ 81,000	\$ 81,000	\$ 92,328	\$ (11,328)
Historical society	48,000	48,000	48,000	-
Total culture and recreation	\$ 129,000	\$ 129,000	\$ 140,328	\$ (11,328)
Conservation of natural resources				
Environmental services	\$ 479,675	\$ 479,675	\$ 357,750	\$ 121,925
County extension	114,420	114,420	97,499	16,921
Agricultural society/fair grounds	80,000	80,000	81,050	(1,050)
Soil and water conservation	100,000	100,000	105,000	(5,000)
Local water plan block grant	94,029	94,029	68,080	25,949
Total conservation of natural resources	\$ 868,124	\$ 868,124	\$ 709,379	\$ 158,745
Economic development				
Employment and training	\$ 90,177	\$ 90,177	\$ 81,641	\$ 8,536
Economic development	58,200	58,200	57,000	1,200
Total economic development	\$ 148,377	\$ 148,377	\$ 138,641	\$ 9,736

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

**EXHIBIT 7
(Continued)**

**BUDGETARY COMPARISON STATEMENT
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures (Continued)				
Capital outlay				
General government	\$ 125,000	\$ 125,000	\$ 117,419	\$ 7,581
Debt service				
Principal	\$ 84,300	\$ 84,300	\$ 94,962	\$ (10,662)
Interest	2,000	2,000	875	1,125
Total debt service	<u>\$ 86,300</u>	<u>\$ 86,300</u>	<u>\$ 95,837</u>	<u>\$ (9,537)</u>
Total Expenditures	<u>\$ 8,583,855</u>	<u>\$ 8,583,855</u>	<u>\$ 8,440,659</u>	<u>\$ 143,196</u>
Excess of Revenues Over (Under) Expenditures	<u>\$ (57,846)</u>	<u>\$ (57,846)</u>	<u>\$ 565,987</u>	<u>\$ 623,833</u>
Other Financing Sources (Uses)				
Transfers out	\$ -	\$ -	\$ (6,221)	\$ (6,221)
Proceeds from loan	80,000	80,000	195,986	115,986
Total Other Financing Sources (Uses)	<u>\$ 80,000</u>	<u>\$ 80,000</u>	<u>\$ 189,765</u>	<u>\$ 109,765</u>
Net Change in Fund Balance	\$ 22,154	\$ 22,154	\$ 755,752	\$ 733,598
Fund Balance – January 1	<u>8,173,720</u>	<u>8,173,720</u>	<u>8,173,720</u>	<u>-</u>
Fund Balance – December 31	<u><u>\$ 8,195,874</u></u>	<u><u>\$ 8,195,874</u></u>	<u><u>\$ 8,929,472</u></u>	<u><u>\$ 733,598</u></u>

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

EXHIBIT 8

**BUDGETARY COMPARISON STATEMENT
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 1,725,856	\$ 1,725,856	\$ 1,705,632	\$ (20,224)
Intergovernmental	6,021,099	6,021,099	7,074,622	1,053,523
Charges for services	317,000	317,000	193,686	(123,314)
Miscellaneous	107,100	107,100	172,604	65,504
Total Revenues	\$ 8,171,055	\$ 8,171,055	\$ 9,146,544	\$ 975,489
Expenditures				
Current				
Highways and streets				
Administration	\$ 281,642	\$ 281,642	\$ 282,494	\$ (852)
Maintenance and construction	5,915,503	5,915,503	7,433,582	(1,518,079)
Equipment maintenance and shop	1,196,910	1,196,910	1,197,682	(772)
Other	547,000	547,000	504,092	42,908
Total highways and streets	\$ 7,941,055	\$ 7,941,055	\$ 9,417,850	\$ (1,476,795)
Intergovernmental				
Highways and streets	230,000	230,000	246,875	(16,875)
Total Expenditures	\$ 8,171,055	\$ 8,171,055	\$ 9,664,725	\$ (1,493,670)
Net Change in Fund Balance	\$ -	\$ -	\$ (518,181)	\$ (518,181)
Fund Balance – January 1	1,547,178	1,547,178	1,547,178	-
Increase (decrease) in inventories	-	-	(27,990)	(27,990)
Fund Balance – December 31	\$ 1,547,178	\$ 1,547,178	\$ 1,001,007	\$ (546,171)

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

EXHIBIT 9

**BUDGETARY COMPARISON STATEMENT
HUMAN SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 2,371,043	\$ 2,371,043	\$ 2,330,107	\$ (40,936)
Intergovernmental	3,730,077	3,730,077	3,909,948	179,871
Charges for services	499,700	499,700	446,407	(53,293)
Miscellaneous	354,600	354,600	311,744	(42,856)
Total Revenues	\$ 6,955,420	\$ 6,955,420	\$ 6,998,206	\$ 42,786
Expenditures				
Current				
Human services				
Income maintenance	\$ 1,929,309	\$ 1,929,309	\$ 1,285,968	\$ 643,341
Social services	4,232,430	4,232,430	4,692,600	(460,170)
Total human services	\$ 6,161,739	\$ 6,161,739	\$ 5,978,568	\$ 183,171
Health				
Community health services	793,681	793,681	845,465	(51,784)
Total Expenditures	\$ 6,955,420	\$ 6,955,420	\$ 6,824,033	\$ 131,387
Net Change in Fund Balance	\$ -	\$ -	\$ 174,173	\$ 174,173
Fund Balance – January 1	3,636,047	3,636,047	3,636,047	-
Fund Balance – December 31	\$ 3,636,047	\$ 3,636,047	\$ 3,810,220	\$ 174,173

FIDUCIARY FUNDS

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

EXHIBIT 10

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2021**

	Social Welfare Private-Purpose Trust Fund	Custodial Funds
<u>Assets</u>		
Cash and pooled investments	\$ 14,605	\$ 843,540
Due from other governments	-	123,294
Taxes receivable for other governments	-	198,989
Special assessments receivable for other governments	-	340
Accounts receivable	-	5,365
Accrued interest receivable	-	37
Total Assets	\$ 14,605	\$ 1,171,565
<u>Liabilities</u>		
Due to others	\$ -	\$ 40,854
Due to other governments	-	363,316
Total Liabilities	\$ -	\$ 404,170
<u>Net Position</u>		
Restricted for individuals, organizations, and other governments	\$ 14,605	\$ 767,395

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

EXHIBIT 11

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021**

<u>Additions</u>	<u>Social Welfare Private-Purpose Trust Fund</u>	<u>Custodial Funds</u>
Contributions from individuals	\$ 193,183	\$ 209,281
Interest earnings	-	1,386
Property tax collections for other governments	-	8,054,638
Fees collected for state	-	4,024,239
Payments from state	-	287,757
Payments from other entities	-	201,052
Miscellaneous	-	1,000
Total Additions	\$ 193,183	\$ 12,779,353
<u>Deductions</u>		
Beneficiary payments to individuals	\$ 188,764	\$ -
Payments of property tax to other governments	-	8,233,307
Payments to the state	-	4,288,577
Payments to other entities	-	484,028
Total Deductions	\$ 188,764	\$ 13,005,912
Change in Net Position	\$ 4,419	\$ (226,559)
Net Position – January 1	\$ 10,186	\$ 993,954
Net Position – December 31	\$ 14,605	\$ 767,395

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2021**

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, 2021. 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**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

1. County-Wide Statements (Continued)

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

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

2. Fund Financial Statements

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

The County reports the following major governmental funds:

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

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

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

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

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

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

Additionally, the County reports the following fund types:

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

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**

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, 2021. 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 2021 were \$111,284.

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

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

1. Summary of Significant Accounting Policies

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

2. Receivables and Payables

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

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

Property taxes are levied as of January 1 on property values assessed as of the same date. The tax levy notice is mailed in March with the first half payment due 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 2016 through 2021 and noncurrent special assessments payable in 2022 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**

1. Summary of Significant Accounting Policies

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

4. Capital Assets

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

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

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

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

5. Compensated Absences

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

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

1. Summary of Significant Accounting Policies

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

6. Long-Term Obligations

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

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

7. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents consumption of net assets 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 assets that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The County has four types of deferred inflows. The County reports advanced allotments for state aid received by the County not yet appropriated by the State of Minnesota. These amounts arise under both the modified accrual and the full accrual basis of accounting and are reported in both the governmental funds balance sheet and the statement of net position. The governmental funds report unavailable revenue from delinquent taxes and special assessments receivable, grant

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

1. Summary of Significant Accounting Policies

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

7. Deferred Outflows/Inflows of Resources (Continued)

receivables, and other long-term receivables. Unavailable 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 asset, 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.

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.

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

1. Summary of Significant Accounting Policies

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

10. Classification of Net Position (Continued)

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.

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.

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

1. Summary of Significant Accounting Policies

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

11. Classification of Fund Balances (Continued)

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.

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.

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

2. Stewardship, Compliance, and Accountability

A. Budgetary Information

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

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

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

B. Excess of Expenditures Over Budget

The funds shown below had expenditures in excess of budget for the year ended December 31, 2021.

	<u>Expenditures</u>	<u>Final Budget</u>	<u>Excess</u>
Road and Bridge Special Revenue Fund	\$ 9,664,725	\$ 8,171,055	\$ 1,493,670
Debt Service Fund	433,993	362,130	71,863

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 \$3,251,034. The deficit will be eliminated with future special assessment levies against the benefited properties. The following is a summary of the individual ditch systems:

30 ditches with positive fund balances	\$ 198,946
9 ditches with deficit fund balances	(3,449,980)
Total Fund Balance	\$ (3,251,034)

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

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	\$ 18,423,611
Fiduciary funds	
Cash and pooled investments	<u>858,145</u>
 Total Cash and Investments	 <u><u>\$ 19,281,756</u></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, 2021, the County's deposits were not exposed to custodial credit risk.

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

b. Investments

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

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

As of December 31, 2021, all County investments, valued at \$726,722, were in the Minnesota Association of Governments Investing for Counties (MAGIC) Fund.

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

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

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

Interest Rate Risk

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

Credit Risk

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

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities in the possession of an outside party. The County does not have a policy to mitigate custodial credit risk. At December 31, 2021, 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, 2021, all of the County's investments were in the MAGIC Fund.

2. Receivables

Receivables as of December 31, 2021, for the County are as follows:

	<u>Receivable</u>	<u>Less: Allowance for Uncollectible Accounts</u>	<u>Net Receivables</u>	<u>Amounts Not Scheduled for Collection During the Subsequent Year</u>
Taxes – delinquent	\$ 98,375	\$ -	\$ 98,375	\$ -
Special assessments – delinquent	17,287	-	17,287	-
Special assessments – noncurrent	2,127,249	-	2,127,249	1,868,418
Accounts	814,226	(312,227)	501,999	327,761
Accrued interest receivable	5,898	-	5,898	-
Due from other governments	<u>2,336,912</u>	<u>-</u>	<u>2,336,912</u>	<u>-</u>
Total	<u>\$ 5,399,947</u>	<u>\$ (312,227)</u>	<u>\$ 5,087,720</u>	<u>\$ 2,196,179</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, 2021, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 686,771	\$ 30,296	\$ -	\$ 717,067
Construction in progress	1,875,961	302,441	1,723,854	454,548
Total capital assets not depreciated	\$ 2,562,732	\$ 332,737	\$ 1,723,854	\$ 1,171,615
Capital assets depreciated				
Buildings	\$ 9,311,665	\$ 76,014	\$ -	\$ 9,387,679
Land improvements	2,315,106	-	-	2,315,106
Machinery, furniture, and equipment	8,269,015	992,528	460,518	8,801,025
Infrastructure	75,963,166	6,011,865	-	81,975,031
Total capital assets depreciated	\$ 95,858,952	\$ 7,080,407	\$ 460,518	\$ 102,478,841
Less: accumulated depreciation for				
Buildings	\$ 4,630,882	\$ 214,754	\$ -	\$ 4,845,636
Land improvements	220,468	51,604	-	272,072
Machinery, furniture, and equipment	5,018,510	561,618	455,687	5,124,441
Infrastructure	26,064,206	1,479,603	-	27,543,809
Total accumulated depreciation	\$ 35,934,066	\$ 2,307,579	\$ 455,687	\$ 37,785,958
Total capital assets depreciated, net	\$ 59,924,886	\$ 4,772,828	\$ 4,831	\$ 64,692,883
Total Capital Assets, Net	\$ 62,487,618	\$ 5,105,565	\$ 1,728,685	\$ 65,864,498

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

General government	\$ 277,636
Public safety	162,342
Highways and streets, including depreciation of infrastructure assets	1,737,015
Sanitation	6,846
Human services	70,462
Culture and recreation	50,583
Conservation of natural resources	2,695
Total Depreciation Expense	\$ 2,307,579

**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, 2021, 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 Human Services	\$ 379 9,328	Reimbursement for phone and postage Reimbursement for services, mileage, and transportation
Total due to General Fund		<u>\$ 9,707</u>	
Road and Bridge	General County Ditch	\$ 12,333 655	Reimbursement for services and salaries Reimbursement for services
Total due to Road and Bridge Fund		<u>\$ 12,988</u>	
Human Services	General	\$ 13,512	Shared expense for employee
Total Due To/From Other Funds		<u>\$ 36,207</u>	

The interfund receivables and payables are expected to be paid within one year of December 31, 2021.

2. Advances From/To Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	County Ditch	<u>\$ 2,126,284</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, 2021, consisted of the following:

Transfers to County Library Fund from General Fund \$ 6,221 Interest distribution

C. Liabilities and Deferred Inflows of Resources

1. Long-Term Debt

Bonds

<u>Type of Indebtedness</u>	<u>Final Maturity</u>	<u>Installment Amount</u>	<u>Interest Rate (%)</u>	<u>Original Issue Amount</u>	<u>Outstanding Balance December 31, 2021</u>
G.O. Capital Improvement Crossover Refunding Bonds, Series 2012A	2026	\$50,000 - \$55,000	1.55 - 2.60	\$ 625,000	\$ 275,000
G.O. Capital Improvement Plan Refunding Bonds, Series 2021A	2034	\$75,000 - \$85,000	0.20 - 1.20	<u>1,045,000</u>	<u>1,045,000</u>
Total				<u>\$ 1,670,000</u>	\$ 1,320,000
Plus: unamortized premium					<u>1,173</u>
Total General Obligation Bonds, Net					<u>\$ 1,321,173</u>

Capital improvement bonds 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, 2021
Greater Blue Earth and Des Moines River Clean Water Partnership Project, SRF0221	2022	\$17,225	2.00	\$ 310,831	\$ 18,480
Watonwan Ag Best Management Loan Program	2032	\$2,090 - \$44,705	-	921,676	681,707
Total Loans				<u>\$ 1,232,507</u>	<u>\$ 700,187</u>

2. Debt Service Requirements

Debt service requirements at December 31, 2021, were as follows:

Year Ending December 31	General Obligation Bonds		Loans Payable	
	Principal	Interest	Principal	Interest
2022	\$ 130,000	\$ 14,192	\$ 70,892	\$ 199
2023	130,000	12,720	83,161	-
2024	135,000	11,068	85,671	-
2025	135,000	9,320	84,313	-
2026	135,000	7,490	81,452	-
2027 - 2031	400,000	24,755	283,982	-
2032 - 2034	255,000	4,548	10,716	-
Total	<u>\$ 1,320,000</u>	<u>\$ 84,093</u>	<u>\$ 700,187</u>	<u>\$ 199</u>

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources (Continued)

3. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2021, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
G.O. Capital Improvement Refunding Bonds, Series 2010A	\$ 180,000	\$ -	\$ 180,000	\$ -	\$ -
G.O. Capital Improvement Crossover Refunding Bonds, Series 2012A	325,000	-	50,000	275,000	55,000
G.O. Capital Improvement Plan Bonds, Series 2013A	1,070,000	-	1,070,000	-	-
G.O. Capital Notes, Series 2014	65,000	-	65,000	-	-
G.O. Capital Improvement Plan Refunding Bonds, Series 2021A	-	1,045,000	-	1,045,000	75,000
Plus: unamortized premium on bonds	18,817	-	17,644	1,173	-
Less: unamortized discount on bonds	(203)	-	(203)	-	-
Total bonds payable	\$ 1,658,614	\$ 1,045,000	\$ 1,382,441	\$ 1,321,173	\$ 130,000
Loans payable	599,163	195,986	94,962	700,187	70,892
Compensated absences	914,367	783,015	724,772	972,610	656,418
Total Long-Term Liabilities	<u>\$ 3,172,144</u>	<u>\$ 2,024,001</u>	<u>\$ 2,202,175</u>	<u>\$ 2,993,970</u>	<u>\$ 857,310</u>

Debt Refunding

On January 5, 2021, the County issued \$1,045,000 General Obligation Capital Improvement Plan Refunding Bonds, Series 2021A. Proceeds from the sale of bonds were used to refund \$1,005,000 of the \$1,420,000 General Obligation Capital Improvement Plan Bonds, Series 2013A. Maturities 2022 through 2034, inclusive, were called for redemption on February 1, 2021, at a price of par plus accrued interest. The County refunded the Series 2013A bonds to obtain a savings of \$184,452 and an economic gain (difference between the present value of debt service payments on the old and new debt) of \$174,890.

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources (Continued)

4. Unavailable Revenue

Unavailable revenue as of December 31, 2021, for the County's governmental funds are as follows:

	Unavailable Revenue
Taxes and special assessments, delinquent and noncurrent	\$ 2,092,331
Highway allotments that do not provide current financial resources	1,186,468
Charges for services, grants, and reimbursements	565,940
Total Governmental Funds	\$ 3,844,739

5. Construction and Other Commitments

The County has two active construction projects and one other commitment as of December 31, 2021. The open projects are as follows:

	Spent-to-Date	Remaining Commitment
Tyler Technologies, Tax and CAMA System	\$ 213,010	\$ 45,519
City of Saint James, SAP 083-654-004	1,614,772	1,968,504

The remaining commitment for highway projects are state-funded and, therefore, are not obligations of the County at December 31, 2021.

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**

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, 2021, actuarial valuation, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	4
Active plan participants	<u>153</u>
Total	<u>157</u>

Total OPEB Liability

The County's total OPEB liability of \$373,884 was measured as of January 1, 2021, and was determined by an actuarial valuation as of that date. The OPEB liability is liquidated through the General Fund and other governmental funds that have personal services.

The total OPEB liability in the fiscal year-end December 31, 2021, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

3. Detailed Notes on All Funds

D. Other Postemployment Benefits (OPEB)

Total OPEB Liability (Continued)

Inflation	2.00 percent
Salary increases	Graded by service years ranging from 10.25 percent for one year of service to 3.00 percent for 27 or more years of service
Health care cost trend	6.50 percent in 2021, grading to 5.00 percent over six years and then to 4.00 percent over the next 48 years

The current year discount rate is 2.00 percent, which is a change from the prior year rate of 2.90 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 Pub-2010 Public Retirement Plans Headcount – Weighted Mortality Tables with MP-2020 Generational Improvement Scale.

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance at December 31, 2020	\$ 396,691
Changes for the year	
Service cost	\$ 52,648
Interest	12,687
Assumption changes	(17,049)
Differences between expected and actual experience	(47,205)
Benefit payments	<u>(23,888)</u>
Net change	\$ <u>(22,807)</u>
Balance at December 31, 2021	\$ <u>373,884</u>

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

3. Detailed Notes on All Funds

D. Other Postemployment Benefits (OPEB) (Continued)

OPEB Liability Sensitivity

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

	Discount Rate		Total OPEB Liability
1% Decrease	1.00%	\$	398,494
Current	2.00		373,884
1% Increase	3.00		350,435

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

	Health Care Trend Rate		Total OPEB Liability
1% Decrease	5.50% Decreasing to 4.00%	\$	336,238
Current	6.50% Decreasing to 5.00%		373,884
1% Increase	7.50% Decreasing to 6.00%		418,364

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

For the year ended December 31, 2021, the County recognized OPEB expense of \$31,437. 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	\$ 12,498	\$ 17,820
Difference between actual and expected results	-	120,780
Contributions made subsequent to the measurement date	49,440	-
Total	\$ 61,938	\$ 138,600

The \$49,440 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, 2022. 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
2022	\$ (33,898)
2023	(33,898)
2024	(33,895)
2025	(6,057)
2026	(9,180)
Thereafter	(9,174)

Changes in Actuarial Assumptions

The following changes in actuarial assumptions occurred in 2021:

- The health care trend rates, mortality rates, and salary increase rates were all updated.
- The retirement and withdrawal rates for non-public safety employees were updated.

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

3. Detailed Notes on All Funds

D. Other Postemployment Benefits (OPEB)

Changes in Actuarial Assumptions (Continued)

- The inflation rate was changed from 2.50 percent to 2.00 percent.
- The discount rate used changed from 2.90 percent to 2.00 percent.

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.

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans

a. Plan Description (Continued)

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

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

b. Benefits Provided

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

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

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans

b. Benefits Provided (Continued)

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 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

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans

b. Benefits Provided (Continued)

Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Coordinated Plan member is 1.20 percent of average salary for each of the first ten years of service and 1.70 percent of average salary for each remaining year. Under Method 2, the annuity accrual rate is 1.70 percent for Coordinated Plan members for each year of service. Only Method 2 is used for members hired after June 30, 1989. For Police and Fire Plan members, the annuity accrual rate is 3.00 percent of average salary for each year of service. For Correctional Plan members, the annuity accrual rate is 1.90 percent of average salary for each year of service.

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

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. Rates did not change from 2020.

In 2021, the County and members were required to contribute the following percentages of annual covered salary:

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans

c. Contributions (Continued)

	Member Required Contribution	Employer Required Contribution
General Employees Plan – Coordinated Plan members	6.50%	7.50%
Police and Fire Plan	11.80	17.70
Correctional Plan	5.83	8.75

The County’s contributions for the year ended December 31, 2021, to the pension plans were:

General Employees Plan	\$	509,807
Police and Fire Plan		108,614
Correctional Plan		30,907

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

d. Pension Costs

General Employees Plan

At December 31, 2021, the County reported a liability of \$3,954,435 for its proportionate share of the General Employees Plan’s net pension liability. The net pension liability was measured as of June 30, 2021, 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, 2020, through June 30, 2021, relative to the total employer contributions received from all of PERA’s participating employers. At June 30, 2021, the County’s proportion was 0.0926 percent. It was 0.0883 percent measured as of June 30, 2020. The County recognized pension expense of \$138,739 for its proportionate share of the General Employees Plan’s pension expense.

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs

General Employees Plan (Continued)

The County also recognized \$9,741 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.

The County's proportionate share of the net pension liability	\$	3,954,435
State of Minnesota's proportionate share of the net pension liability associated with the County		120,725
Total	\$	4,075,160

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	\$ 22,616	\$ 120,367
Changes in actuarial assumptions	2,414,496	82,781
Difference between projected and actual investment earnings	-	3,435,501
Changes in proportion	270,822	-
Contributions paid to PERA subsequent to the measurement date	255,379	-
Total	\$ 2,963,313	\$ 3,638,649

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs

General Employees Plan (Continued)

The \$255,379 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, 2022. 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
2022	\$ (53,044)
2023	29,006
2024	27,420
2025	(934,097)

Police and Fire Plan

At December 31, 2021, the County reported a liability of \$379,772 for its proportionate share of the Police and Fire Plan's net pension liability. The net pension liability was measured as of June 30, 2021, 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, 2020, through June 30, 2021, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2021, the County's proportion was 0.0492 percent. It was 0.0521 percent measured as of June 30, 2020. The County recognized pension expense of (\$39,896) for its proportionate share of the Police and Fire Plan's pension expense.

**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 State of Minnesota also contributed \$18 million to the Police and Fire Plan in the plan fiscal year ended June 30, 2021. The contribution consisted of \$9 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 requires the State of Minnesota to pay direct state aid of \$9 million on October 1, 2020, 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 \$3,109 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	\$ 379,772
State of Minnesota's proportionate share of the net pension liability associated with the County	<u>17,070</u>
Total	<u>\$ 396,842</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 \$4,428 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	\$ 74,295	\$ -
Changes in actuarial assumptions	558,165	217,101
Difference between projected and actual investment earnings	-	721,946
Changes in proportion	18,225	90,462
Contributions paid to PERA subsequent to the measurement date	56,799	-
Total	\$ 707,484	\$ 1,029,509

The \$56,799 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, 2022. 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
2022	\$ (305,965)
2023	(49,277)
2024	(53,392)
2025	(86,012)
2026	115,822

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs (Continued)

Correctional Plan

At December 31, 2021, the County reported an asset of \$25,726 for its proportionate share of the Correctional Plan's net pension asset. The net pension asset was measured as of June 30, 2021, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date. The County's proportion of the net pension asset was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2020, through June 30, 2021, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2021, the County's proportion was 0.1566 percent. It was 0.1596 percent measured as of June 30, 2020. The County recognized pension expense of (\$55,781) for its proportionate share of the Correctional Plan's pension expense.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Differences between expected and actual economic experience	\$ -	\$ 14,830
Changes in actuarial assumptions	161,040	2,415
Difference between projected and actual investment earnings	-	206,013
Changes in proportion	540	689
Contributions paid to PERA subsequent to the measurement date	<u>15,292</u>	<u>-</u>
Total	<u>\$ 176,872</u>	<u>\$ 223,947</u>

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs

Correctional Plan (Continued)

The \$15,292 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, 2022. 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
2022	\$ (8,391)
2023	(1,485)
2024	3,651
2025	(56,142)

Total Pension Expense

The total pension expense for all plans recognized by the County for the year ended December 31, 2021, was \$43,062.

e. Actuarial Assumptions

The total pension liability in the June 30, 2021, 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	2.25% per year	2.25% per year
Active Member Payroll Growth	3.00% per year	3.00% per year	3.00% per year
Investment Rate of Return	6.50%	6.50%	6.50%

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans

e. Actuarial Assumptions (Continued)

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants were based on the Pub-2010 General Employee Mortality Table for the General Employees Plan and the Pub-2010 Public Safety Employee 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, 2021, 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 July 14, 2020. The experience study for the Correctional Plan was dated July 10, 2020. For all plans a review of inflation and investment assumptions dated June 24, 2021, was utilized.

The long-term expected rate of return on pension plan investments is 6.50 percent. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans

e. Actuarial Assumptions (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equities	33.50%	5.10%
International equities	16.50	5.30
Fixed income	25.00	0.75
Private markets	25.00	5.90

f. Discount Rate

The discount rate used to measure the total pension liability was 6.50 percent in 2021, which is a decrease of one percent from 2020. 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 2021:

General Employees Plan

- The investment return and single discount rates were changed from 7.50 percent to 6.50.
- The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans

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

Police and Fire Plan

- The investment return and single discount rates were changed from 7.50 to 6.50 percent.
- The inflation assumption was changed from 2.50 percent to 2.25 percent.
- The payroll growth assumption was changed from 3.25 percent to 3.00 percent.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 Public Safety Mortality table. The mortality improvement scale was changed from Scale MP-2019 to Scale MN-2020.
- The base mortality table for disabled annuitants was changed from the RP-2014 Healthy Annuitant Mortality table (with future mortality improvement according to Scale MP-2019) to the Pub-2010 Public Safety Disabled Annuitant Mortality table (with future mortality improvement according to Scale MP-2020).
- Assumed rates of salary increase were modified as recommended in the July 14, 2020, experience study. The overall impact is a decrease in gross salary increase rates
- Assumed rates of retirement were changed as recommended in the July 14, 2020, experience study. The changes result in slightly more unreduced retirements and fewer assumed early retirements.
- Assumed rates of withdrawal were changed from select and ultimate rates to service-based rates. The changes result in more assumed terminations.

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans

g. Changes in Actuarial Assumptions and Plan Provisions

Police and Fire Plan (Continued)

- Assumed rates of disability were increased for ages 25-44 and decreased for ages over 49. Overall, proposed rates result in more projected disabilities.
- Assumed percent married for active female members was changed from 60 percent to 70 percent. Minor changes to form of payment assumptions were applied.

Correctional Plan

- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent.
- The inflation assumption was changed from 2.50 percent to 2.25 percent.
- The payroll growth assumption was changed from 3.25 percent to 3.00 percent.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 Public Safety Mortality table. The mortality improvement scale was changed from Scale MP-2019 to Scale MN-2020.
- The base mortality table for disabled annuitants was changed from the RP-2014 Healthy Annuitant Mortality table (with future mortality improvement according to Scale MP-2019) to the Pub-2010 Public Safety Disabled Annuitant Mortality table (with future mortality improvement according to Scale MP-2020).

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans

g. Changes in Actuarial Assumptions and Plan Provisions

Correctional Plan (Continued)

- Assumed rates of salary increase were modified as recommended in the July 10, 2020, experience study. The overall impact is a decrease in gross salary increase rates.
- Assumed rates of retirement were changed as recommended in the July 10, 2020, experience study. The changes result in slightly more unreduced retirements and fewer assumed early retirements.
- Assumed rates of withdrawal were changed as recommended in the July 10, 2020, experience study. The new rates predict more terminations, both in the three-year select period (based on service) and the ultimate rates (based on age).
- Assumed rates of disability were lowered.
- Assumed percent married for active members was lowered from 85 percent to 75 percent.
- Minor changes to form of payment assumptions were applied.

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	5.50%	\$ 8,065,028	5.50%	\$ 1,205,711	5.50%	\$ 267,741
Current	6.50	3,954,435	6.50	379,772	6.50	(25,726)
1% Increase	7.50	581,442	7.50	(297,294)	7.50	(258,623)

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.

2. Defined Contribution Plan

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

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

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

3. Detailed Notes on All Funds

E. Pension Plans

2. Defined Contribution Plan (Continued)

Total contributions by dollar amount and percentage of covered payroll made by Watonwan County during the year ended December 31, 2021, were:

	<u>Employee</u>	<u>Employer</u>
Contribution amount	\$ 6,979	\$ 6,979
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 2021 and 2022. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

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

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

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 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 \$1,600,000 G.O. Water Revenue Refunding Bonds, Series 2009, on January 1, 2019. Scheduled bond payments for this issuance began 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, 2021, the outstanding principal balance for the issuance was \$915,000.

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

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

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 2021. Current financial statements are not available.

Red Rock Rural Water System

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

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

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

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

C. Joint Ventures (Continued)

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.

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.

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

C. Joint Ventures

South Central Minnesota Regional Emergency Communications Board (Continued)

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 2021, the County paid \$4,848 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 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 2021.

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

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

C. Joint Ventures

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

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 2021, Watonwan County made \$14,820 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.

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.

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

C. Joint Ventures (Continued)

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 2021, 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.

D. Jointly-Governed Organizations

Greater Blue Earth River Basin Alliance

The Greater Blue Earth River Basin Alliance (GBERBA) 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, the County paid \$5,624 to the GBERBA.

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

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

D. Jointly-Governed Organizations

Region Five – Southwest Minnesota Homeland Security Emergency Management Organization (Continued)

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 \$106,664 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 \$1,560 to the Network.

South Central Community-Based Initiative Joint Powers Board

The South Central Community-Based Initiative Joint Powers Board was established pursuant to Minn. Stat. §§ 471.59 and 245.4661 and a joint powers agreement, effective June 20, 2008. The purpose of this joint powers agreement is to provide services to persons with mental illness in the most clinically-appropriate, person-centered, least restrictive, and cost effective ways. The focus is on improved access and outcomes for persons with mental illness as a result of the collaboration between state-operated services programs and community-based treatment. The membership of the Board is comprised of one representative appointed by Blue Earth, Brown, Faribault, Freeborn, Le Sueur, Martin, Nicollet, Rice, Sibley, and Watonwan Counties. Watonwan County did not contribute to the Joint Powers Board in 2021.

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

D. Jointly-Governed Organizations (Continued)

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 2021, Watonwan County made payments of \$2,588 to Immtrack.

E. Special Benefit Tax Levy

In 1993, the South Central Minnesota Multi-County Housing Authority issued \$20,315,000 of revenue bonds to construct housing units in Watonwan County and four surrounding counties. The Authority has since defaulted on these bonds. In 2000, the counties entered into a settlement agreement where each of the counties will approve a special benefit tax levy on behalf of the Authority from 2001 through 2024 to cover the operating deficits based on each county's proportionate share of housing units constructed. Watonwan County's proportionate share of the operating deficit for 2021 is \$103,326. The proportionate share of the counties may change for years 2022 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.

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

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

F. Property Assessed Clean Energy (MinnPACE) Loan Program

The County has entered into an agreement with the Saint Paul Port Authority to facilitate the implementation and administration of the MinnPACE loan program. Through this program, qualifying commercial building owners within the County can receive loans from the Port Authority for the purpose of financing energy efficiency and conservation building improvement projects. While the County is not liable for the repayment of the loans in any manner, it does have certain responsibilities under the agreement. By participating, the County has agreed to: (1) levy assessments against the related properties in accordance with the loan agreements between the Port Authority and property owners, (2) collect scheduled assessment payments, and (3) transfer all collections to the Port Authority. The County has met those responsibilities for 2021.

G. Subsequent Events

During 2022, final settlement agreements were reached with pharmaceutical companies and distributors as part of the National Prescription Opiate Litigation. For Watonwan County, the amount to be received as a result of this litigation is \$327,761, to be received over 18 years, which has been recorded as accounts receivable in the current year. The Minnesota Opioids State-Subdivision Memorandum of Agreement was signed January 24, 2022.

On September 15, 2022, the County issued \$7,190,000 of General Obligation Ditch Bonds, Series 2022A. The proceeds will be used to finance improvements to Judicial Ditches 9 and 18 and to pay costs associated with the issuance of the Bonds.

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, 2021**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability				
Service cost	\$ 52,648	\$ 45,637	\$ 39,758	\$ 49,676
Interest	12,687	16,451	20,900	20,036
Differences between expected and actual experience	(47,205)	-	(160,641)	-
Changes of assumption or other inputs	(17,049)	18,748	(6,414)	-
Benefit payments	<u>(23,888)</u>	<u>(141,563)</u>	<u>(59,019)</u>	<u>(8,648)</u>
Net change in total OPEB liability	\$ (22,807)	\$ (60,727)	\$ (165,416)	\$ 61,064
Total OPEB Liability – Beginning	<u>396,691</u>	<u>457,418</u>	<u>622,834</u>	<u>561,770</u>
Total OPEB Liability – Ending	<u><u>\$ 373,884</u></u>	<u><u>\$ 396,691</u></u>	<u><u>\$ 457,418</u></u>	<u><u>\$ 622,834</u></u>
Covered-employee payroll	\$ 7,510,344	\$ 7,189,059	\$ 6,979,669	\$ 6,600,642
Total OPEB liability (asset) as a percentage of covered-employee	4.98%	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, 2021**

Measurement Date	Employer's Proportion of the Net Pension Liability / Asset	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability Associated with Watonwan County (b)	Employer's Proportionate Share of the Net Pension Liability and the State's Related Share of the Net Pension Liability (Asset) (a + b)	Covered Payroll (c)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2021	0.0926 %	\$ 3,954,435	\$ 120,725	\$ 4,075,160	\$ 6,652,784	59.44 %	87.00 %
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, 2021**

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b - a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
2021	\$ 509,807	\$ 509,807	\$ -	\$ 6,797,424	7.50 %
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, 2021**

Measurement Date	Employer's Proportion of the Net Pension Liability / Asset	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability Associated with Watonwan County (b)	Employer's Proportionate Share of the Net Pension Liability and the State's Related Share of the Net Pension Liability (Asset) (a + b)	Covered Payroll (c)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2021	0.0492 %	\$ 379,772	\$ 17,070	\$ 396,842	\$ 581,268	65.34 %	93.66 %
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, 2021**

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b - a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
2021	\$ 108,614	\$ 108,614	\$ -	\$ 613,639	17.70 %
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, 2021**

Measurement Date	Employer's Proportion of the Net Pension Liability / Asset	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	Covered Payroll (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2021	0.1566 %	\$ (25,726)	\$ 346,224	(7.43) %	101.61 %
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, 2021**

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b - a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
2021	\$ 30,907	\$ 30,907	\$ -	\$ 353,227	8.75 %
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, 2021

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:

2021

- The health care trend rates, mortality rates, and salary increase rates were all updated.
- The retirement and withdrawal rates for non-public safety employees were updated.
- The inflation rate was changed from 2.50 percent to 2.00 percent.
- The discount rate used changed from 2.90 percent to 2.00 percent.

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.

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

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

2018 (Continued)

- 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:

General Employees Retirement Plan

2021

- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent.
- The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

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.

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

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

General Employees Retirement Plan

2020 (Continued)

- 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.
- 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 Scale MP-2017 to Scale MP-2018.

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

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

General Employees Retirement Plan (Continued)

2018

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

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

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

General Employees Retirement Plan (Continued)

2017

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

2016

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

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

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

Public Employees Police and Fire Plan

2021

- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent.
- The inflation assumption was changed from 2.50 percent to 2.25 percent.
- The payroll growth assumption was changed from 3.25 percent to 3.00 percent.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 Public Safety Mortality table. The mortality improvement scale was changed from Scale MP-2019 to Scale MN-2020.
- The base mortality table for disabled annuitants was changed from the RP-2014 Healthy Annuitant Mortality table (with future mortality improvement according to Scale MP-2019) to the Pub-2010 Public Safety Disabled Annuitant Mortality table (with future mortality improvement according to Scale MP-2020).
- Assumed rates of salary increase were modified as recommended in the July 14, 2020, experience study. The overall impact is a decrease in gross salary increase rates.
- Assumed rates of retirement were changed as recommended in the July 14, 2020, experience study. The changes result in slightly more unreduced retirements and fewer assumed early retirements.
- Assumed rates of withdrawal were changed from select and ultimate rates to service-based rates. The changes result in more assumed terminations.
- Assumed rates of disability were increased for ages 25-44 and decreased for ages over 49. Overall, proposed rates result in more projected disabilities.
- Assumed percent married for active female members was changed from 60 percent to 70 percent. Minor changes to form of payment assumptions were applied.

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

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

Public Employees Police and Fire Plan (Continued)

2020

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

2019

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

2018

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

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

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

Public Employees Police and Fire Plan (Continued)

2017

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

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

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

Public Employees Police and Fire Plan

2017 (Continued)

- The assumed post-retirement benefit increase rate was changed from 1.00 percent for all years to 1.00 percent per year through 2064 and 2.50 percent thereafter.
- The single discount rate was changed from 5.60 percent per annum to 7.50 percent per annum.

2016

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

Public Employees Local Government Correctional Service Retirement Plan

2021

- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent.
- The inflation assumption was changed from 2.50 percent to 2.25 percent.
- The payroll growth assumption was changed from 3.25 percent to 3.00 percent.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 Public Safety Mortality table. The mortality improvement scale was changed from Scale MP-2019 to Scale MN-2020.

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

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

Public Employees Local Government Correctional Service Retirement Plan

2021 (Continued)

- The base mortality table for disabled annuitants was changed from the RP-2014 Healthy Annuitant Mortality table (with future mortality improvement according to Scale MP-2019) to the Pub-2010 Public Safety Disabled Annuitant Mortality table (with future mortality improvement according to Scale MP-2020).
- Assumed rates of salary increase were modified as recommended in the July 10, 2020, experience study. The overall impact is a decrease in gross salary increase rates.
- Assumed rates of retirement were changed as recommended in the July 10, 2020, experience study. The changes result in slightly more unreduced retirements and fewer assumed early retirements.
- Assumed rates of withdrawal were changed as recommended in the July 10, 2020, experience study. The new rates predict more terminations, both in the three-year select period (based on service) and the ultimate rates (based on age).
- Assumed rates of disability were lowered.
- Assumed percent married for active members was lowered from 85 percent to 75 percent.
- Minor changes to form of payment assumptions were applied.

2020

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

2019

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

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

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

Public Employees Local Government Correctional Service Retirement Plan (Continued)

2018

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

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

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

Public Employees Local Government Correctional Service Retirement Plan (Continued)

2017

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

2016

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

SUPPLEMENTARY INFORMATION

**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, 2021**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 146,000	\$ 146,000	\$ 144,345	\$ (1,655)
Intergovernmental	18,270	18,270	2,530	(15,740)
Miscellaneous	-	-	540	540
Total Revenues	\$ 164,270	\$ 164,270	\$ 147,415	\$ (16,855)
Expenditures				
Debt service				
Principal	\$ 360,000	\$ 360,000	\$ 360,000	\$ -
Interest	-	-	35,078	(35,078)
Bond issuance costs	-	-	37,975	(37,975)
Administrative charges	2,130	2,130	940	1,190
Total Expenditures	\$ 362,130	\$ 362,130	\$ 433,993	\$ (71,863)
Excess of Revenues Over (Under) Expenditures	\$ (197,860)	\$ (197,860)	\$ (286,578)	\$ (88,718)
Other Financing Sources (Uses)				
Bonds issued	-	-	1,045,000	1,045,000
Debt service – principal	-	-	(1,005,000)	(1,005,000)
Total Other Financing Sources (Uses)	\$ -	\$ -	\$ (1,005,000)	\$ 40,000
Net Change in Fund Balance	\$ (197,860)	\$ (197,860)	\$ (1,291,578)	\$ (48,718)
Fund Balance – January 1	492,806	492,806	492,806	-
Fund Balance – December 31	\$ 294,946	\$ 294,946	\$ (798,772)	\$ (48,718)

**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, 2021**

	Special Revenue Funds		Total
	County Library	Solid Waste	
<u>Assets</u>			
Cash and pooled investments	\$ 1,337,283	\$ 461,352	\$ 1,798,635
Taxes receivable – delinquent	6,253	153	6,406
Special assessments receivable – delinquent	-	9,431	9,431
Total Assets	\$ 1,343,536	\$ 470,936	\$ 1,814,472
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>			
Liabilities			
Accounts payable	\$ 6,462	\$ 1,267	\$ 7,729
Salaries payable	13,889	40	13,929
Total Liabilities	\$ 20,351	\$ 1,307	\$ 21,658
Deferred Inflows of Resources			
Unavailable revenue	\$ 3,774	\$ 6,362	\$ 10,136
Fund Balances			
Restricted for library operations from donations	\$ 440,029	\$ -	\$ 440,029
Committed for library operations	879,382	-	879,382
Assigned to solid waste	-	463,267	463,267
Total Fund Balances	\$ 1,319,411	\$ 463,267	\$ 1,782,678
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 1,343,536	\$ 470,936	\$ 1,814,472

**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, 2021**

	<u>Special Revenue Funds</u>		<u>Total</u>
	<u>County Library</u>	<u>Solid Waste</u>	
Revenues			
Taxes	\$ 673,686	\$ 16,186	\$ 689,872
Special assessments	-	169,893	169,893
Intergovernmental	57,944	72,405	130,349
Charges for services	3,606	18,656	22,262
Fines and forfeits	2,040	-	2,040
Gifts and contributions	1,218	-	1,218
Miscellaneous	10	-	10
Total Revenues	\$ 738,504	\$ 277,140	\$ 1,015,644
Expenditures			
Current			
Sanitation	\$ -	\$ 297,684	\$ 297,684
Culture and recreation	737,374	-	737,374
Total Expenditures	\$ 737,374	\$ 297,684	\$ 1,035,058
Excess of Revenues Over (Under) Expenditures	\$ 1,130	\$ (20,544)	\$ (19,414)
Other Financing Sources (Uses)			
Transfers in	6,221	-	6,221
Net Change in Fund Balances	\$ 7,351	\$ (20,544)	\$ (13,193)
Fund Balances – January 1	1,312,060	483,811	1,795,871
Fund Balances – December 31	\$ 1,319,411	\$ 463,267	\$ 1,782,678

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

EXHIBIT C-3

**BUDGETARY COMPARISON SCHEDULE
COUNTY LIBRARY SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 685,810	\$ 685,810	\$ 673,686	\$ (12,124)
Intergovernmental	34,402	34,402	57,944	23,542
Charges for services	3,500	3,500	3,606	106
Fines and forfeits	2,000	2,000	2,040	40
Gifts and contributions	1,000	1,000	1,218	218
Investment earnings	3,500	3,500	-	(3,500)
Miscellaneous	500	500	10	(490)
Total Revenues	\$ 730,712	\$ 730,712	\$ 738,504	\$ 7,792
Expenditures				
Current				
Culture and recreation				
County library	730,712	730,712	737,374	(6,662)
Excess of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ 1,130	\$ 1,130
Other Financing Sources (Uses)				
Transfers in	-	-	6,221	6,221
Net Change in Fund Balance	\$ -	\$ -	\$ 7,351	\$ 7,351
Fund Balance – January 1	1,312,060	1,312,060	1,312,060	-
Fund Balance – December 31	\$ 1,312,060	\$ 1,312,060	\$ 1,319,411	\$ 7,351

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

EXHIBIT C-4

**BUDGETARY COMPARISON SCHEDULE
SOLID WASTE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 16,426	\$ 16,426	\$ 16,186	\$ (240)
Special assessments	170,000	170,000	169,893	(107)
Intergovernmental	69,824	69,824	72,405	2,581
Charges for services	13,750	13,750	18,656	4,906
Total Revenues	\$ 270,000	\$ 270,000	\$ 277,140	\$ 7,140
Expenditures				
Current				
Sanitation				
SCORE	300,151	300,151	297,684	2,467
Net Change in Fund Balance	\$ (30,151)	\$ (30,151)	\$ (20,544)	\$ 9,607
Fund Balance – January 1	483,811	483,811	483,811	-
Fund Balance – December 31	\$ 453,660	\$ 453,660	\$ 463,267	\$ 9,607

**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 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, 2021**

	Taxes and Penalties	State Revenue
<u>Assets</u>		
Cash and pooled investments	\$ 241,008	\$ 75,596
Due from other governments	-	-
Taxes receivable for other governments	198,989	-
Special assessments receivable for other governments	340	-
Accounts receivable	-	5,365
Accrued interest receivable	-	-
	\$ 440,337	\$ 80,961
<u>Liabilities</u>		
Due to others	\$ -	\$ -
Due to other governments	241,008	80,961
	\$ 241,008	\$ 80,961
<u>Net Position</u>		
Restricted for individuals, organizations, and other governments	\$ 199,329	\$ -

EXHIBIT D-1

<u>Soil and Water Conservation</u>	<u>Jail Canteen</u>	<u>Cemetery</u>	<u>Vision for Family and Community</u>	<u>Total Custodial Funds</u>
\$ 334,638	\$ 954	\$ 57,207	\$ 134,137	\$ 843,540
105,000	-	-	18,294	123,294
-	-	-	-	198,989
-	-	-	-	340
-	-	-	-	5,365
-	-	37	-	37
<u>\$ 439,638</u>	<u>\$ 954</u>	<u>\$ 57,244</u>	<u>\$ 152,431</u>	<u>\$ 1,171,565</u>
\$ 40,427	\$ -	\$ -	\$ 427	\$ 40,854
41,347	-	-	-	363,316
<u>\$ 81,774</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 427</u>	<u>\$ 404,170</u>
<u>\$ 357,864</u>	<u>\$ 954</u>	<u>\$ 57,244</u>	<u>\$ 152,004</u>	<u>\$ 767,395</u>

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS – CUSTODIAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>Taxes and Penalties</u>	<u>State Revenue</u>
<u>Additions</u>		
Contributions from individuals	\$ -	\$ 209,281
Interest earnings	-	-
Property tax collections for other governments	8,054,638	-
Fees collected for state	482,769	3,541,470
Payments from state	-	-
Payments from other entities	-	-
Miscellaneous	-	-
	<hr/>	<hr/>
Total Additions	\$ 8,537,407	\$ 3,750,751
<u>Deductions</u>		
Payments of property tax to other governments	\$ 8,233,307	\$ -
Payments to the state	481,853	3,806,037
Payments to other entities	-	-
	<hr/>	<hr/>
Total Deductions	\$ 8,715,160	\$ 3,806,037
Change in Net Position	\$ (177,753)	\$ (55,286)
Net Position – January 1	\$ 377,082	\$ 55,286
Net Position – December 31	\$ 199,329	\$ -

EXHIBIT D-2

<u>Soil and Water Conservation</u>	<u>Jail Canteen</u>	<u>Cemetery</u>	<u>Vision for Family and Community</u>	<u>Total Custodial Funds</u>
\$ -	\$ -	\$ -	\$ -	\$ 209,281
947	-	439	-	1,386
-	-	-	-	8,054,638
-	-	-	-	4,024,239
206,395	-	-	81,362	287,757
118,713	28,248	-	54,091	201,052
-	-	1,000	-	1,000
<u>\$ 326,055</u>	<u>\$ 28,248</u>	<u>\$ 1,439</u>	<u>\$ 135,453</u>	<u>\$ 12,779,353</u>
\$ -	\$ -	\$ -	\$ -	\$ 8,233,307
687	-	-	-	4,288,577
<u>321,110</u>	<u>27,459</u>	<u>562</u>	<u>134,897</u>	<u>484,028</u>
<u>\$ 321,797</u>	<u>\$ 27,459</u>	<u>\$ 562</u>	<u>\$ 134,897</u>	<u>\$ 13,005,912</u>
<u>\$ 4,258</u>	<u>\$ 789</u>	<u>\$ 877</u>	<u>\$ 556</u>	<u>\$ (226,559)</u>
<u>\$ 353,606</u>	<u>\$ 165</u>	<u>\$ 56,367</u>	<u>\$ 151,448</u>	<u>\$ 993,954</u>
<u>\$ 357,864</u>	<u>\$ 954</u>	<u>\$ 57,244</u>	<u>\$ 152,004</u>	<u>\$ 767,395</u>

SCHEDULES

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

EXHIBIT E-1

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2021**

Appropriations and Shared Revenue

State	
Aquatic invasive species prevention aid	\$ 32,030
County program aid	657,737
Disparity reduction aid	5,064
Enhanced 911	123,334
Highway users tax	6,062,677
Market value credit	193,130
PERA aid	23,672
Police aid	71,242
SCORE	71,066
	71,066
Total appropriations and shared revenue	\$ 7,239,952

Reimbursement for Services

State	
Minnesota Department of Human Services	\$ 716,464
	\$ 716,464

Payments

Local	
Local contributions	\$ 2,485
	\$ 2,485

Grants

State	
Minnesota Department/Board of	
Corrections	\$ 60,574
Health	262,860
Human Services	1,038,914
Natural Resources	48,070
Public Safety	102,032
Transportation	873,230
Veterans Affairs	15,000
Water and Soil Resources	37,380
Pollution Control Agency	24,653
	24,653
Total state	\$ 2,462,713

Federal

Department/Institute of	
Agriculture	\$ 253,694
Education	4,200
Health and Human Services	1,509,209
Homeland Security	289,933
Justice	95,000
Transportation	54,391
	54,391
Total federal	\$ 2,206,427

Total state and federal grants	\$ 4,669,140
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Total Intergovernmental Revenue	\$ 12,628,041
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**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

EXHIBIT E-2

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2021**

Federal Grantor Pass-Through Agency Program or Cluster Title	Assistance Listing Number	Pass-Through Grant Numbers	Expenditures
U.S. Department of Agriculture			
Passed Through Minnesota Department of Health Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	202MN004W1003	\$ 128,263
Passed Through Minnesota Department of Human Services SNAP Cluster			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	212MN101S2514	125,288
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (Total State Administrative Matching Grants for the Supplemental Nutrition Assistance Program 10.561 \$125,431)	10.561	212MN127Q7503	143
			<hr/>
Total U.S. Department of Agriculture			\$ 253,694
U.S. Department of Justice			
Passed Through Minnesota Department of Public Safety COVID-19 – Coronavirus Emergency Supplemental Funding Program	16.034	A-CESF-2021- WATONWSD-00062	\$ 95,000
U.S. Department of Transportation			
Passed Through Minnesota Department of Transportation Highway Planning and Construction Cluster			
Highway Planning and Construction	20.205	00083	\$ 357
COVID-19 – Formula Grants for Rural Areas and Tribal Transit Program	20.509	AGR#1035607	54,034
			<hr/>
Total U.S. Department of Transportation			\$ 54,391
U.S. Department of Education			
Passed Through Minnesota Department of Health Special Education – Grants for Infants and Families	84.181	NGA B04MC32551	\$ 4,200
U.S. Department of Health and Human Services			
Passed Through Minnesota Department of Health Public Health Emergency Preparedness	93.069	NU90TP922026	\$ 36,393
Immunization Cooperative Agreements	93.268	NH23IP922628	7,244
COVID-19 – Immunization Cooperative Agreements (Total Immunization Cooperative Agreements 93.268 \$107,377)	93.268	NH23IP922628	100,133
Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response	93.354	NU90TP922188	1,522
Temporary Assistance for Needy Families	93.558	NGA 2017G996115	30,119
Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families 93.558 \$175,876)	93.558	NGA 1801MNTANF	39,657
Maternal and Child Health Services Block Grant to the States	93.994	NGA B04MC32551	15,395
Passed Through Minnesota Department of Human Services Promoting Safe and Stable Families	93.556	2101MNFSS	4,874
Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families 93.558 \$175,876)	93.558	2101MNTANF	106,100

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

**EXHIBIT E-2
(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2021**

Federal Grantor Pass-Through Agency Program or Cluster Title	Assistance Listing Number	Pass-Through Grant Numbers	Expenditures
U.S. Department of Health and Human Services			
Passed Through Minnesota Department of Human Services (Continued)			
Child Support Enforcement	93.563	2101MNCSES	65,279
Child Support Enforcement (Total Child Support Enforcement 93.563 \$276,549)	93.563	2001MNCEST	211,270
Refugee and Entrant Assistance – State Administered Programs CCDF Cluster	93.566	2101MNRCSMA	244
Child Care and Development Block Grant	93.575	2101MNCCDF	1,825
Community-Based Child Abuse Prevention Grants	93.590	1901MNBCAP	439
Stephanie Tubbs Jones Child Welfare Services Program	93.645	2001MNCWSS	2,469
COVID-19 – Stephanie Tubbs Jones Child Welfare Services Program (Total Stephanie Tubbs Jones Child Welfare Services Program 93.645 \$4,657)	93.645	2001MNCWC3	2,188
Foster Care – Title IV-E	93.658	2101MNFOST	155,583
Social Services Block Grant	93.667	2101MNSOSR	86,276
John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674	2101MNCILP	26,054
Children's Health Insurance Program Medicaid Cluster	93.767	2105MN5021	588
Medical Assistance Program	93.778	2105MN5ADM	620,158
Medical Assistance Program (Total Medical Assistance Program 93.778 \$627,803)	93.778	2105MN5MAP	7,645
Total U.S. Department of Health and Human Services			\$ 1,521,455
U.S. Department of Homeland Security			
Passed Through Minnesota Department of Public Safety			
Disaster Grants – Public Assistance (Presidentially Declared Disasters)	97.036	4442DRMNP00000001	\$ 289,933
Total Federal Awards			\$ 2,218,673
Totals by Cluster			
Total expenditures for SNAP Cluster			\$ 125,431
Total expenditures for Highway Planning and Construction Cluster			357
Total expenditures for CCDF Cluster			1,825
Total expenditures for Medicaid Cluster			627,803

The County did not pass any federal awards through to subrecipients during the year ended December 31, 2021.

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2021

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, 2021. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Watonwan County, it is not intended to and does not present the financial position or changes in net position of Watonwan County.

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

2. De Minimis Cost Rate

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

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

3. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	\$ 2,206,427
Grants received more than 60 days after year-end, unavailable in 2021	
Temporary Assistance for Needy Families (AL No. 93.558)	25,952
Community-Based Child Abuse Prevention Grants (AL No. 93.590)	158
John H. Chafee Foster Care Program for Successful Transition to Adulthood (AL No. 93.674)	4,975
Children's Health Insurance Program (AL No. 93.767)	399
Unavailable in 2020, recognized as revenue in 2021	
Temporary Assistance for Needy Families (AL No. 93.558)	<u>(19,238)</u>
 Expenditures Per Schedule of Expenditures of Federal Awards	 <u>\$ 2,218,673</u>

MANAGEMENT AND COMPLIANCE SECTION



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *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, 2021, 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 19, 2022.

Report on 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 a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs as item 2021-001 that we consider to be a material weakness.

Report on 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 contracting – bid laws 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 2021-004. 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 depositories of public funds and public investments, conflicts of interest, public indebtedness, claims and disbursements, 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 Findings

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

Purpose of This Report

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

/s/Julie Blaha

JULIE BLAHA
STATE AUDITOR

/s/Dianne Syverson

DIANNE SYVERSON, CPA
DEPUTY STATE AUDITOR

September 19, 2022



**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

Independent Auditor's Report

Board of County Commissioners
Watonwan County
St. James, Minnesota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Watonwan County's compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of Watonwan County's major federal programs for the year ended December 31, 2021. 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.

In our opinion, Watonwan County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2021.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Watonwan County and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Watonwan County's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Watonwan County's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Watonwan County's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Watonwan County's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit;
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Watonwan County's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances; and
- obtain an understanding of Watonwan County's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Watonwan County's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance, and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2021-002 and 2021-003. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on Watonwan County's responses to the noncompliance findings identified in our audit described in the accompanying Schedule of Findings and Questioned Costs. Watonwan County's responses were not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2021-002 and 2021-003, to be significant deficiencies.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on Watonwan County's responses to the internal control over compliance findings identified in our audit described in the accompanying Schedule of Findings and Questioned Costs. Watonwan County's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

/s/Julie Blaha

JULIE BLAHA
STATE AUDITOR

September 19, 2022

/s/Dianne Syverson

DIANNE SYVERSON, CPA
DEPUTY STATE AUDITOR

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Internal control over financial reporting:

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

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

Federal Awards

Internal control over major programs:

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

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

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

The major federal programs are:

Assistance Listing Number	Name of Federal Program or Cluster
93.563	Child Support Enforcement
93.778	Medicaid Cluster

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, 2021**

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

2021-001 Audit Adjustments

Prior Year Finding Number: N/A

Repeat Finding Since: N/A

Type of Finding: Internal Control Over Financial Reporting

Severity of Deficiency: Material Weakness

Criteria: A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements of the financial statements on a timely basis. Auditing standards define a material weakness as a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected, on a timely basis.

Condition: Material audit adjustments were identified that resulted in significant changes to the County's financial statements.

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

Effect: The following audit adjustments were reviewed and approved by management and are reflected in the financial statements.

- The Road and Bridge Special Revenue Fund required an adjustment of \$164,806 to increase unearned revenue to account for grant funds received in 2021, but not expended before year-end. In addition, an adjustment of \$191,786 was required to increase contracts payable to account for construction work that was completed in 2021, but not paid for until after year-end.
- The County Ditch Special Revenue Fund required an adjustment of \$99,204 to recognize current year special assessments collected in the first 60 days of 2022 as revenue rather than unavailable revenue.

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2021**

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

Recommendation: We recommend the County review internal controls currently in place and design and implement procedures to improve internal controls over financial reporting which will prevent, or detect and correct, misstatements in the financial statements. The updated controls should include review of the balances and supporting documentation by a qualified individual to identify potential misstatements.

View of Responsible Official: Acknowledge

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

2021-002 Eligibility

Prior Year Finding Number: N/A

Repeat Finding Since: N/A

Type of Finding: Internal Control Over Compliance and Compliance

Severity of Deficiency: Significant Deficiency and Other Matter

Federal Agency: U.S. Department of Health and Human Services

Program: 93.778 Medical Assistance Program

Award Number and Year: 2105MN5ADM, 2021

Pass-Through Agency: Minnesota Department of Human Services (DHS)

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

Condition: Minnesota DHS maintains the computer systems, MAXIS and METS, which are used by Watonwan County to support the eligibility determination process. While periodic supervisory case reviews are performed to monitor compliance with grant requirements for eligibility, not all documentation was available, updated, or input correctly to support participant eligibility. The following exceptions were noted in the sample of 40 MAXIS and 40 METS case files tested:

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2021**

- Two MAXIS case files included amounts for client accounts (assets) that were not properly updated and/or substantiated for the most recent application/application prior to being automatically renewed during the COVID-19 pandemic.
- For two METS case files, income calculated and entered into the system did not match the supporting documentation provided by the participant.

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

Context: The State of Minnesota and the County split the eligibility determination process. The County performs the “intake function” needed (meeting with the social services client to determine income and categorical eligibility), while the State maintains the MAXIS and METS systems, which supports the eligibility determination and actually pays the benefits to participants.

The sample sizes were based on the guidance from Chapter 11 of the AICPA Audit Guide, *Government Auditing Standards and Single Audits*.

Effect: The improper input or updating of information into MAXIS or METS and the lack of verification or follow-up of eligibility-determining factors increases the risk that a program participant will receive benefits when they are not eligible.

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

Recommendation: We recommend Watonwan County implement additional procedures to provide reasonable assurance that all necessary documentation to support eligibility determinations is properly input or updated in MAXIS and METS and issues are followed up on in a timely manner.

View of Responsible Official: Acknowledge

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2021**

2021-003 Reporting

Prior Year Finding Number: N/A

Repeat Finding Since: N/A

Type of Finding: Internal Control Over Compliance and Compliance

Severity of Deficiency: Significant Deficiency and Other Matter

Federal Agency: U.S. Department of Health and Human Services

Program: 93.778 Medical Assistance Program

Award Number and Year: 2105MN5ADM, 2021

Pass-Through Agency: Minnesota Department of Human Services (DHS)

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.

For County federal awards received from the Minnesota Department of Human Services (DHS), internal control should be established and maintained to provide assurance that program reports submitted to DHS are completed accurately and in accordance with DHS reporting instructions. As part of the County's reporting requirements, the County submits the DHS Social Services DHS-2556 report and the Local Collaborative Time Study (LCTS) Cost Schedule DHS-3220 reports on a quarterly basis.

Condition: The following errors were noted in samples tested for 2021 quarterly reporting:

- Administrative costs allocated to the Social Services Department were reported on the DHS Social Services DHS-2556 report as Other Expenses rather than the specific applicable category for the activity. Based on DHS instructions, allocated costs should be reported in the specific applicable category for the activity (e.g. Personal Services, Services and Charges, Direct Materials and Supplies, etc.).
- The portion of administrative costs allocated to LCTS participants and reported on the LCTS Cost Schedule DHS-3220 reports was not calculated accurately.
- Federal grant offset amounts reported on the LCTS Costs Schedule DHS-3220 reports did not take into account administrative costs allocated to the federal grants.

Questioned Costs: None.

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2021**

Context: DHS relies on accurate reporting of program costs to ensure that resulting grant funds paid to the County are for applicable federal program activities/costs, and provide detailed information necessary for maintaining proper oversight over federal programs. For quarters where the deadline for amendments has not been passed, revised reports have since been submitted by the County to correct for the errors identified in the audit.

The sample sizes were based on the guidance from Chapter 11 of the AICPA Audit Guide, *Government Auditing Standards and Single Audits*.

Effect: Errors in the submission of costs on the quarterly reports can impair DHS's ability to provide required oversight over federal programs, and can result in the County receiving either more or less federal funds than can be justified based on the actual underlying activity. For the 2021 DHS-2556 reports, approximately \$356,000 in Personal Services, \$121,000 in Services and Charges, and \$25,000 in Direct Materials and Supplies were misclassified as Other Expenses. For the 2021 DHS-3220 reports, expenditures reported were understated approximately \$30,000 while federal grant offset amounts were also understated approximately \$46,000.

Cause: The County's controls over preparation of the quarterly reports were not sufficient to identify the reporting errors.

Recommendation: We recommend Watonwan County implement controls that ensure that DHS reports are completed accurately and in accordance with DHS guidance.

View of Responsible Official: Acknowledge

IV. OTHER FINDINGS AND RECOMMENDATIONS

2021-004 **Withholding Affidavit for Contractors (Form IC-134)**

Prior Year Finding Number: N/A

Repeat Finding Since: N/A

Type of Finding: Compliance

Severity of Deficiency: Minnesota Legal Compliance

**WATONWAN COUNTY
ST. JAMES, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2021**

Criteria: Minnesota Statutes, Section 270C.66, states that, before making final settlement with any contractor under a contract requiring the employment of employees for wages by the contractor and by subcontractors, the County is required to obtain a certificate from the Commissioner of Revenue that the contractor or subcontractor has complied with the withholding requirements of Minn. Stat. § 290.92.

Condition: During our review of seven contracts, which included the employment of individuals for wages by the contractor and where final payment had been made, in five contracts, the final payment was issued prior to receiving a Minnesota Department of Revenue approved Form IC-134, which requires the reporting of employee withholdings, from the contractor.

Context: Individual County departments are responsible for overseeing the contracting and bidding process for their own projects, and for obtaining the required certificate prior to submitting the final payment for processing.

Effect: Noncompliance with Minn. Stat. § 270C.66.

Cause: Staff from the County's individual departments were not aware of all of the contract requirements.

Recommendation: We recommend the County obtain the required IC-134 Withholding Affidavit Form before final payment is made to contractors and subcontracts on all contracts requiring the employment of employees for wages.

View of Responsible Official: Acknowledge

Kelly Pauling
Watonwan County Auditor/Treasurer

PO BOX 518
710 SECOND AVENUE SOUTH
ST. JAMES, MN 56081
PHONE (507) 375-1210
FAX (507) 375-3547



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

**CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED DECEMBER 31, 2021**

Finding Number: 2021-001
Finding Title: Audit Adjustments

Name of Contact Person Responsible for Corrective Action:
Kelly Pauling

Corrective Action Planned:
Implementing new procedures to review balances and properly classify revenue.

Anticipated Completion Date:
December 31, 2022

Finding Number: 2021-002
Finding Title: Eligibility
Program: Medical Assistance Program (Assistance Listing # 93.778)

Name of Contact Person Responsible for Corrective Action:
Jodi Halvorson

Corrective Action Planned:
Continued training and case reviews for MAXIS cases to make sure assets are updated and verified.

Implement peer reviews. METS workers will do random reviews of their peers' cases each month. They will review the calculation of income and supporting documentation. Supervisor will review for the entry of appropriate case notes for METS cases relating to the determination of income.

Anticipated Completion Date:
December 31, 2022

Finding Number: 2021-003
Finding Title: Reporting
Program: Medical Assistance Program (Assistance Listing # 93.778)

Name of Contact Person Responsible for Corrective Action:
Erin Marks

Corrective Action Planned:

To assure compliance, WCHS (Fiscal Officer and Support Services Supervisor) has reviewed the instructional bulletins for completing both the DHS-2556 and the DHS-3220 reports to educate and retrain on reporting line items to improve accuracy and eliminate repeated deficient practices. All appropriate reports have been revised and resubmitted to DHS.

WCHS (Fiscal Officer and Support Services Supervisor) has updated and will maintain explanatory notes of reporting procedures (a.k.a. “cheat sheets” and/or guides of explanation).

Support Services Supervisor will review and initial quarterly reports before submission.

Anticipated Completion Date:
December 31, 2022

Finding Number: 2021-004
Finding Title: Withholding Affidavit for Contractors (Form IC-134)

Name of Contact Person Responsible for Corrective Action:
Kelly Pauling

Corrective Action Planned:

The County will obtain the required IC-134 Withholding Affidavit Form before final payment is made to contractors on all contracts requiring the employment of employees for wages.

Anticipated Completion Date:
December 31, 2022

Kelly Pauling
Watonwan County Auditor/Treasurer

PO BOX 518
710 SECOND AVENUE SOUTH
ST. JAMES, MN 56081
PHONE (507) 375-1210
FAX (507) 375-3547



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

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2021**

Finding Number: 2020-001

Year of Finding Origination: 2020

Finding Title: Subrecipient Monitoring

Program: U.S. Department of the Treasury's Coronavirus Relief Fund (Assistance Listing #21.019)

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

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

Summary of Corrective Action Previously Reported: 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.

Status: Fully Corrected. Corrective action was taken.

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

Yes _____ No X

Finding Number: 2020-002
Year of Finding Origination: 2020
Finding Title: Documentation for Claims

Summary of 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.

Summary of Corrective Action Previously Reported: 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.

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