

State of Minnesota



Office of the State Auditor

Julie Blaha
State Auditor

Watsonwan County St. James, Minnesota

Year Ended December 31, 2022

Description of the Office of the State Auditor

The Office of the State Auditor (OSA) helps ensure financial integrity and accountability in local government financial activities. The OSA is the constitutional office that oversees more than \$40 billion in annual financial activity by local governments and approximately \$20 billion of federal funding financial activity.

The OSA performs around 90 financial and compliance audits per year and has oversight responsibilities for over 3,300 local units of government throughout the state. The office maintains the following seven divisions:

- **Audit Practice:** Helps ensure fiscal integrity by conducting financial and compliance audits of local governments and the federal compliance audit of the State of Minnesota.
- **Constitution:** Connects with the public via external communication, media relations, legislative coordination, and public engagements for the State Auditor.

This division also supports the State Auditor's service on the State Executive Council, State Board of Investment, Land Exchange Board, Public Employees Retirement Association Board, Minnesota Housing Finance Agency, the Minnesota Historical Society, and the Rural Finance Authority Board.

- **Government Information:** Collects, analyzes, and shares local government financial data to assist in policy and spending decisions; administers and supports financial tools including the Small Cities and Towns Accounting System (CTAS) software and infrastructure comparison tools.
- **Legal/Special Investigations:** Provides legal analysis and counsel to the OSA and responds to outside inquiries about Minnesota local law relevant to local government finances; investigates local government financial records in response to specific allegations of theft, embezzlement, or unlawful use of public funds or property.
- **Operations:** Ensures the office runs efficiently by providing fiscal management and technology support to the office.
- **Pension:** Analyzes investment, financial, and actuarial reporting for Minnesota's local public pension plans and monitors pension plan operations.
- **Tax Increment Financing (TIF):** Promotes compliance and accountability in local governments' use of tax increment financing through education, reporting, and compliance reviews.

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www.osa.state.mn.us

Watonwan County St. James, Minnesota

Year Ended December 31, 2022



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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Introductory Section

Watonwan County St. James, Minnesota

Organization 2022

Office	Name	Term Expires
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)	Jodie Geerdes	Indefinite
Coroner	Dr. Lindy Eatwell	January 2023
Highway Engineer	Vacant	Vacant
Probation Officer	Sarah Eischens	Indefinite
Veterans Service Officer	Deb Grote	Indefinite
Human Services Director	Amy Pluym	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, 2022, 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, 2022, and the respective changes in financial position thereof and the 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 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 15, 2023, 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

/s/Chad Struss

Julie Blaha
State Auditor

Chad Struss, CPA
Deputy State Auditor

September 15, 2023

Management's Discussion and Analysis

Watonwan County St. James, Minnesota

Management's Discussion and Analysis December 31, 2022 (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, 2022. 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 2022 by \$76,040,382. Of this amount, \$3,482,116 (unrestricted net position) may be used to meet Watonwan County's ongoing obligations to citizens and creditors.
- Watonwan County's total net position increased by \$2,616,208 in 2022.
- At the close of 2022, Watonwan County's governmental funds reported combined ending fund balances of \$19,371,217, of which \$7,041,411 is unassigned and is available for spending at the County's discretion.
- At the close of 2022, unassigned fund balance for the General Fund was \$8,772,962, or 103.81 percent, of total General Fund expenditures.
- Watonwan County's total bonds payable increased by \$7,060,000. There were payments of \$55,000 on the G.O. Capital Improvement Plan Crossover Refunding Bonds, Series 2012A; and \$75,000 on the G.O. Capital Improvement Plan Refunding Bonds, Series 2021A. In addition, Series 2022A G.O. Ditch Bonds were issued for \$7,190,000 to finance improvements to Judicial Ditch 9 and Judicial Ditch 18. Payments for the ditch bonds are made from special assessment collections.

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 four major funds and three nonmajor funds. The major funds are the General Fund, Road and Bridge Special Revenue Fund, Human Services Special Revenue Fund, and County Ditch Special Revenue Fund. The nonmajor funds are the County Library Special Revenue Fund, Solid Waste Special Revenue Fund, and Debt Service 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 D-1 and D-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 \$76,040,382 at the close of 2022. The largest portion of Watonwan County's net position (90.2 percent) reflects its investment in capital assets (for example, land, buildings, and equipment), less any related debt used to acquire those assets that is still outstanding. However, it should be noted that these assets are not available for future spending.

Net Position			
		Governmental Activities	
		2021	2022
Assets			
Current and other assets	\$	23,783,483	\$ 27,284,729
Capital assets		65,864,498	69,808,468
Total Assets	\$	89,647,981	\$ 97,093,197
Deferred Outflows of Resources	\$	3,909,607	\$ 4,312,817
Liabilities			
Long-term liabilities outstanding	\$	7,702,061	\$ 20,847,366
Other liabilities		6,316,197	3,625,096
Total Liabilities	\$	14,018,258	\$ 24,472,462
Deferred Inflows of Resources	\$	6,115,156	\$ 893,170
Net Position			
Net investment in capital assets	\$	64,209,628	\$ 68,617,732
Restricted		3,591,126	3,940,534
Unrestricted		5,623,420	3,482,116
Total Net Position	\$	73,424,174	\$ 76,040,382

The unrestricted net position amount of \$3,482,116 as of December 31, 2022, 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 2022.

Changes in Net Position		
	Governmental Activities	
	2021	2022
Revenues		
Program revenues		
Charges for services	\$ 3,179,517	\$ 3,346,788
Operating grants and contributions	10,471,652	10,494,084
Capital grants and contributions	357	120,472
General revenues		
Property taxes	10,543,795	10,806,060
Other	1,184,812	3,336,646
Total Revenues	\$ 25,380,133	\$ 28,104,050
Expenses		
General government	\$ 4,468,918	\$ 4,447,512
Public safety	2,513,450	3,279,416
Highways and streets	6,195,144	3,755,422
Sanitation	298,630	325,999
Human services	5,924,863	6,494,410
Health	841,254	742,906
Culture and recreation	901,413	954,165
Conservation of natural resources	2,473,308	5,219,967
Economic development	134,649	144,606
Interest	40,324	123,439
Total Expenses	\$ 23,791,953	\$ 25,487,842
Change in Net Position	\$ 1,588,180	\$ 2,616,208
Net Position – January 1	71,835,994	73,424,174
Net Position – December 31	\$ 73,424,174	\$ 76,040,382

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 \$19,371,217. Of this amount, \$7,041,411 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 \$8,772,962, while the total fund balance was \$12,007,109. 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

103.81 percent of total General Fund expenditures for 2022, while total fund balance represents 142.07 percent of total General Fund expenditures. In 2022, the total fund balance in the General Fund increased by \$3,077,637, with unassigned fund balance increasing by \$3,344,406, restricted fund balances increasing by \$251,231, and nonspendable fund balance decreasing by \$518,000.

In 2022, the Road and Bridge Special Revenue Fund showed excess revenues over expenditures of \$458,904 and an increase in inventories of \$20,262 for a net increase in fund balance of \$479,166. Revenues were over budget by \$1,063,714. The most significant variance was in intergovernmental revenues of \$922,780. Expenditures were also over budget by \$604,810. The most significant variance was maintenance and construction expenditures due to continued increased cost of materials and labor.

In 2022, the Human Services Special Revenue Fund's fund balance increased by \$257,988. Revenues were over budget by \$31,048. The most significant revenue variance was in intergovernmental revenues at \$94,039 over budget. Expenditures were under budget by \$226,940. The most significant expenditure variance was income maintenance expenditures at \$662,186 under budget.

In 2022, the County Ditch Special Revenue Fund's fund balance increased by \$3,074,691 to (\$176,343). Improvement projects for Judicial Ditch 9 and Judicial Ditch 18 were bonded for in 2022. The fund will collect special assessments in future years to cover the deficit fund balance.

General Fund Budgetary Highlights

There were variances in operational revenues and expenditures in the General Fund. Total revenues exceeded budget by \$2,510,454, or 28.19 percent. Intergovernmental revenues exceeded budget by \$2,128,838. The significant variance is revenue earned from the American Rescue Plan Act of \$1,852,545. Total expenditures were under budget by \$400,900, or 4.53 percent.

Capital Assets and Debt Administration

Capital Assets

The County's investment in capital assets for its governmental activities as of December 31, 2022, amounts to \$69,808,468 (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 \$3,943,970.

Governmental Capital Assets (Net of Depreciation)

	2021	2022
Land	\$ 717,067	\$ 717,067
Construction in progress	454,548	262,043
Land improvements	2,043,034	2,113,317
Buildings	4,542,043	4,410,306
Machinery, furniture, and equipment	3,676,584	4,454,873
Infrastructure	54,431,222	57,850,862
Total	<u>\$ 65,864,498</u>	<u>\$ 69,808,468</u>

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

Long-Term Debt

At the end of the current fiscal year, the County had total general obligation bonds outstanding of \$8,380,000, which is backed by the full faith and credit of the government.

	Outstanding Debt	
	Governmental Activities	
	2021	2022
General obligation bonds	\$ 1,320,000	\$ 8,380,000

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 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 2022, Watonwan County is well below the three percent debt limit imposed by state statutes.

Economic Factors and Next Year's Budgets

- Watonwan County's unemployment rate was 3.0 percent as of the end of 2022, lower than the state-wide rate of 3.2 percent.
- The total tax capacity of the County had an increase for 2022 due to strong residential and agricultural sales.

At the end of 2022, Watonwan County set its 2023 revenue and expenditure budgets, budgeting revenues and expenditures of \$25,211,872 and \$25,236,453, 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

Government-Wide Financial Statements

**Watonwan County
St. James, Minnesota**

Exhibit 1

**Statement of Net Position
Governmental Activities
December 31, 2022**

Assets

Cash and pooled investments	\$ 22,005,182
Taxes receivable	
Delinquent	127,290
Special assessments receivable	
Delinquent	18,160
Noncurrent	2,082,514
Accounts receivable – net	286,821
Accrued interest receivable	62,329
Due from other governments	2,435,745
Inventories	266,688
Capital assets	
Non-depreciable	979,110
Depreciable – net of accumulated depreciation	<u>68,829,358</u>
Total Assets	<u>\$ 97,093,197</u>

Deferred Outflows of Resources

Deferred other postemployment benefits outflows	\$ 25,468
Deferred pension outflows	<u>4,287,349</u>
Total Deferred Outflows of Resources	<u>\$ 4,312,817</u>

Liabilities

Accounts payable	\$ 225,665
Salaries payable	408,787
Contracts payable	439,865
Due to other governments	364,573
Accrued interest payable	117,490
Unearned revenue	2,068,716
Long-term liabilities	
Due within one year	823,063
Due in more than one year	9,465,406
Other postemployment benefits liability	386,741
Net pension liability	<u>10,172,156</u>
Total Liabilities	<u>\$ 24,472,462</u>

Deferred Inflows of Resources

Advanced allotments	\$ 593,712
Deferred other postemployment benefits inflows	101,577
Deferred pension inflows	<u>197,881</u>
Total Deferred Inflows of Resources	<u>\$ 893,170</u>

**Watonwan County
St. James, Minnesota**

Exhibit 1
(Continued)

**Statement of Net Position
Governmental Activities
December 31, 2022**

Net Position

Net investment in capital assets	\$ 68,617,732
Restricted for	
General government	630,069
Public safety	437,833
Highways and streets	1,333,795
Culture and recreation	565,151
Conservation of natural resources	663,238
Economic development	5,703
Debt service	240,701
Opioid remediation activities	64,044
Unrestricted	<u>3,482,116</u>
Total Net Position	<u>\$ 76,040,382</u>

**Watonwan County
St. James, Minnesota**

Exhibit 2

**Statement of Activities
Governmental Activities
For the Year Ended December 31, 2022**

			Program Revenues		Net (Expense)
		Fees, Charges, Fines, and Other	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
	Expenses				
Functions/Programs					
Primary government					
Governmental activities					
General government	\$ 4,447,512	\$ 1,110,412	\$ 610,871	\$ -	\$ (2,726,229)
Public safety	3,279,416	228,361	313,210	-	(2,737,845)
Highways and streets	3,755,422	527,056	5,935,877	120,472	2,827,983
Sanitation	325,999	180,701	72,440	-	(72,858)
Human services	6,494,410	762,975	3,088,745	-	(2,642,690)
Health	742,906	48,559	291,576	-	(402,771)
Culture and recreation	954,165	9,244	13,861	-	(931,060)
Conservation of natural resources	5,219,967	393,609	167,504	-	(4,658,854)
Economic development	144,606	85,871	-	-	(58,735)
Interest	123,439	-	-	-	(123,439)
Total Governmental Activities	\$ 25,487,842	\$ 3,346,788	\$ 10,494,084	\$ 120,472	\$ (11,526,498)
General Revenues					
Property taxes					\$ 10,806,060
Mortgage registry and deed tax					15,952
Wheelage tax					181,598
Grants and contributions not restricted to specific programs					2,726,937
Unrestricted investment earnings					412,159
Total general revenues					\$ 14,142,706
Change in net position					\$ 2,616,208
Net Position – January 1					73,424,174
Net Position – December 31					\$ 76,040,382

Fund Financial Statements

Governmental Funds

**Watonwan County
St. James, Minnesota**

**Balance Sheet
Governmental Funds
December 31, 2022**

	<u>General</u>	<u>Road and Bridge</u>
<u>Assets</u>		
Cash and pooled investments	\$ 11,106,149	\$ 1,719,997
Taxes receivable		
Delinquent	69,780	18,400
Special assessments receivable		
Delinquent	6,489	-
Noncurrent	732,841	-
Accounts receivable – net	26,970	5,075
Accrued interest receivable	62,329	-
Due from other funds	12,819	13,566
Due from other governments	94,985	1,780,313
Advances to other funds	1,608,284	-
Inventories	-	266,688
Total Assets	<u>\$ 13,720,646</u>	<u>\$ 3,804,039</u>
 <u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>		
Liabilities		
Accounts payable	\$ 28,379	\$ 6,194
Salaries payable	192,615	47,879
Contracts payable	-	141,429
Due to other funds	17,285	47
Due to other governments	8,734	413
Unearned revenue	684,922	-
Advances from other funds	-	-
Total Liabilities	<u>\$ 931,935</u>	<u>\$ 195,962</u>
 Deferred Inflows of Resources		
Advanced allotments	\$ -	\$ 593,712
Unavailable revenue	781,602	1,534,192
Total Deferred Inflows of Resources	<u>\$ 781,602</u>	<u>\$ 2,127,904</u>

Exhibit 3

Human Services	County Ditch	Nonmajor Governmental Funds	Total Governmental Funds
\$ 3,785,495	\$ 3,383,563	\$ 2,009,978	\$ 22,005,182
28,673	-	10,437	127,290
-	553	11,118	18,160
-	1,349,673	-	2,082,514
254,776	-	-	286,821
-	-	-	62,329
6,307	-	-	32,692
556,001	4,446	-	2,435,745
-	-	-	1,608,284
-	-	-	266,688
\$ 4,631,252	\$ 4,738,235	\$ 2,031,533	\$ 28,925,705
\$ 145,123	\$ 44,075	\$ 1,894	\$ 225,665
151,721	-	16,572	408,787
-	298,436	-	439,865
7,038	1,313	7,009	32,692
126,976	228,450	-	364,573
-	1,383,794	-	2,068,716
-	1,608,284	-	1,608,284
\$ 430,858	\$ 3,564,352	\$ 25,475	\$ 5,148,582
\$ -	\$ -	\$ -	\$ 593,712
132,186	1,350,226	13,988	3,812,194
\$ 132,186	\$ 1,350,226	\$ 13,988	\$ 4,405,906

**Watonwan County
St. James, Minnesota**

**Balance Sheet
Governmental Funds
December 31, 2022**

	<u>General</u>	<u>Road and Bridge</u>
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u> (Continued)		
Fund Balances		
Nonspendable		
Inventories	\$ -	\$ 266,688
Advances to other funds	1,608,284	-
Restricted for		
Law library	44,904	-
Recorder's equipment	195,771	-
Technology fees	150,956	-
E-911	315,025	-
Carry permit administration	113,572	-
Sheriff's contingency	9,236	-
HRA special benefit levy	5,703	-
Invasive species	116,492	-
Individual Sewage Treatment System (ISTS) loan repayments	294,187	-
Donations – veterans' van	29,389	-
Capital projects	141,579	-
Transit system	209,049	-
Highway projects	-	41,585
Opioid remediation	-	-
Ditch maintenance and construction	-	-
Library operations from donations	-	-
Debt service	-	-
Committed for library operations	-	-
Assigned to		
Road and bridge	-	1,171,900
Human services	-	-
Solid waste	-	-
Unassigned	8,772,962	-
Total Fund Balances	\$ 12,007,109	\$ 1,480,173
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 13,720,646	\$ 3,804,039

Exhibit 3
(Continued)

<u>Human Services</u>	<u>County Ditch</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ -	\$ 266,688
-	-	-	1,608,284
-	-	-	44,904
-	-	-	195,771
-	-	-	150,956
-	-	-	315,025
-	-	-	113,572
-	-	-	9,236
-	-	-	5,703
-	-	-	116,492
-	-	-	294,187
-	-	-	29,389
-	-	-	141,579
-	-	-	209,049
-	-	-	41,585
64,044	-	-	64,044
-	1,555,208	-	1,555,208
-	-	565,151	565,151
-	-	240,701	240,701
-	-	772,478	772,478
-	-	-	1,171,900
4,004,164	-	-	4,004,164
-	-	413,740	413,740
-	(1,731,551)	-	7,041,411
<u>\$ 4,068,208</u>	<u>\$ (176,343)</u>	<u>\$ 1,992,070</u>	<u>\$ 19,371,217</u>
<u>\$ 4,631,252</u>	<u>\$ 4,738,235</u>	<u>\$ 2,031,533</u>	<u>\$ 28,925,705</u>

**Watonwan County
St. James, Minnesota**

Exhibit 4

**Reconciliation of the Fund Balances of
Governmental Funds to the Statement of Net Position
December 31, 2022**

Fund balances – total governmental funds (Exhibit 3)	\$ 19,371,217
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.	69,808,468
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.	3,812,194
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	25,468
Deferred inflows related to other postemployment benefits	(101,577)
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	4,287,349
Deferred inflows related to pensions	(197,881)
Governmental funds do not report a liability for accrued interest on long-term liabilities until due and payable.	(117,490)
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	\$ (8,380,000)
Premium on bonds	(231,619)
Loans payable	(724,365)
Other postemployment benefits liability	(386,741)
Net pension liability	(10,172,156)
Compensated absences	(952,485)
	<u>(20,847,366)</u>
Net Position of Governmental Activities (Exhibit 1)	<u>\$ 76,040,382</u>

**Watonwan County
St. James, Minnesota**

**Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2022**

	<u>General</u>	<u>Road and Bridge</u>
Revenues		
Taxes	\$ 6,087,660	\$ 1,775,818
Special assessments	157,609	-
Licenses and permits	15,698	-
Intergovernmental	3,464,529	5,843,120
Settlements	-	-
Charges for services	887,211	294,428
Fines and forfeits	675	-
Gifts and contributions	906	-
Investment earnings	412,159	-
Miscellaneous	389,838	232,628
	<u> </u>	<u> </u>
Total Revenues	\$ 11,416,285	\$ 8,145,994
Expenditures		
Current		
General government	\$ 4,160,963	\$ -
Public safety	3,012,279	-
Highways and streets	-	7,317,974
Sanitation	-	-
Human services	-	-
Health	-	-
Culture and recreation	267,708	-
Conservation of natural resources	690,088	-
Economic development	142,814	-
Intergovernmental		
Highways and streets	-	369,116
Capital outlay		
General government	79,794	-
Debt service		
Principal	97,539	-
Interest	184	-
Bond issuance costs	-	-
Administrative charges	-	-
	<u> </u>	<u> </u>
Total Expenditures	\$ 8,451,369	\$ 7,687,090
Excess of Revenues Over (Under) Expenditures	\$ 2,964,916	\$ 458,904

Exhibit 5

Human Services	County Ditch	Nonmajor Governmental Funds	Total Governmental Funds
\$ 2,388,263	\$ -	\$ 844,112	\$ 11,095,853
-	195,045	167,134	519,788
-	-	-	15,698
3,913,630	-	142,178	13,363,457
64,074	-	-	64,074
530,464	-	16,282	1,728,385
-	-	2,071	2,746
-	-	1,592	2,498
-	-	-	412,159
271,604	5,574	-	899,644
\$ 7,168,035	\$ 200,619	\$ 1,173,369	\$ 28,104,302
\$ -	\$ -	\$ -	\$ 4,160,963
-	-	-	3,012,279
-	-	-	7,317,974
-	-	318,563	318,563
6,200,596	-	-	6,200,596
709,451	-	-	709,451
-	-	755,020	1,022,728
-	4,377,694	-	5,067,782
-	-	-	142,814
-	-	-	369,116
-	-	-	79,794
-	-	130,000	227,539
-	-	14,192	14,376
-	172,332	-	172,332
-	-	1,426	1,426
\$ 6,910,047	\$ 4,550,026	\$ 1,219,201	\$ 28,817,733
\$ 257,988	\$ (4,349,407)	\$ (45,832)	\$ (713,431)

**Watonwan County
St. James, Minnesota**

**Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2022**

	<u>General</u>	<u>Road and Bridge</u>
Other Financing Sources (Uses)		
Transfers in	\$ -	\$ -
Transfers out	(8,996)	-
Proceeds from loan	121,717	-
Bonds issued	-	-
Premium on bonds issued	-	-
	<u> </u>	<u> </u>
Total Other Financing Sources (Uses)	\$ 112,721	\$ -
Net Change in Fund Balances	\$ 3,077,637	\$ 458,904
Fund Balances – January 1	8,929,472	1,001,007
Increase (decrease) in inventories	-	20,262
	<u> </u>	<u> </u>
Fund Balances – December 31	\$ 12,007,109	\$ 1,480,173
	<u> </u>	<u> </u>

Exhibit 5
(Continued)

Human Services	County Ditch	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 8,996	\$ 8,996
-	-	-	(8,996)
-	-	-	121,717
-	7,190,000	-	7,190,000
-	234,098	-	234,098
<u>\$ -</u>	<u>\$ 7,424,098</u>	<u>\$ 8,996</u>	<u>\$ 7,545,815</u>
\$ 257,988	\$ 3,074,691	\$ (36,836)	\$ 6,832,384
3,810,220	(3,251,034)	2,028,906	12,518,571
-	-	-	20,262
<u>\$ 4,068,208</u>	<u>\$ (176,343)</u>	<u>\$ 1,992,070</u>	<u>\$ 19,371,217</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, 2022**

Net change in fund balances – total governmental funds (Exhibit 5) **\$ 6,832,384**

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	\$ 3,812,194	
Unavailable revenue – January 1	<u>(3,844,739)</u>	(32,545)

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

Capital outlay expenditures	\$ 6,700,072	
Depreciation expense	<u>(2,756,102)</u>	3,943,970

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	\$ (7,545,815)	
Repayment of debt principal	227,539	
Amortization of premium on debt	<u>3,652</u>	(7,314,624)

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	\$ 20,262	
Change in net pension asset	(25,726)	
Change in deferred other postemployment benefits outflows	(36,470)	
Change in deferred pension outflows	439,680	
Change in accrued interest payable	(111,289)	
Change in compensated absences	20,125	
Change in other postemployment benefits liability	(12,857)	
Change in net pension liability	(5,837,949)	
Change in deferred other postemployment benefits inflows	37,023	
Change in deferred pension inflows	<u>4,694,224</u>	<u>(812,977)</u>

Change in Net Position of Governmental Activities (Exhibit 2) **\$ 2,616,208**

**Watonwan County
St. James, Minnesota**

Exhibit 7

**Budgetary Comparison Statement
General Fund
For the Year Ended December 31, 2022**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	\$ 6,062,396	\$ 6,062,396	\$ 6,087,660	\$ 25,264
Special assessments	96,000	96,000	157,609	61,609
Licenses and permits	15,650	15,650	15,698	48
Intergovernmental	1,335,691	1,335,691	3,464,529	2,128,838
Charges for services	915,235	915,235	887,211	(28,024)
Fines and forfeits	-	-	675	675
Gifts and contributions	500	500	906	406
Investment earnings	165,000	165,000	412,159	247,159
Miscellaneous	325,487	315,359	389,838	74,479
Total Revenues	\$ 8,915,959	\$ 8,905,831	\$ 11,416,285	\$ 2,510,454
Expenditures				
Current				
General government				
County commissioners	\$ 252,432	\$ 252,432	\$ 243,371	\$ 9,061
Court administrator	50,900	50,900	18,869	32,031
Law library	7,000	7,000	6,993	7
County auditor/treasurer	380,504	380,504	333,972	46,532
License center	159,180	159,180	171,953	(12,773)
Personnel	134,976	134,976	135,304	(328)
Central services	254,760	254,760	250,370	4,390
Elections	60,400	60,400	130,321	(69,921)
Information technology	410,631	410,631	301,872	108,759
County attorney	339,320	339,320	343,391	(4,071)
Attorney's contingent	7,500	7,500	-	7,500
County recorder	250,229	250,229	253,540	(3,311)
County assessor	457,650	457,650	425,825	31,825
Building maintenance	351,871	351,871	332,433	19,438
Veterans service	154,924	154,924	141,501	13,423
Motor pool	54,000	54,000	24,640	29,360
Public transit	555,600	555,600	449,827	105,773
Other general government	653,176	653,176	596,781	56,395
Total general government	\$ 4,535,053	\$ 4,535,053	\$ 4,160,963	\$ 374,090

**Watonwan County
St. James, Minnesota**

Exhibit 7
(Continued)

**Budgetary Comparison Statement
General Fund
For the Year Ended December 31, 2022**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Expenditures				
Current (Continued)				
Public safety				
County sheriff	\$ 1,700,110	\$ 1,700,110	\$ 1,920,045	\$ (219,935)
Sheriff's contingent	5,000	5,000	-	5,000
Jail	762,842	762,842	725,843	36,999
E-911 and radio maintenance	65,000	65,000	91,712	(26,712)
County coroner	25,000	25,000	25,595	(595)
Court services	279,985	279,985	171,463	108,522
Emergency management	84,895	84,895	66,292	18,603
Public Health Emergency Preparedness	22,585	22,585	11,329	11,256
Total public safety	\$ 2,945,417	\$ 2,945,417	\$ 3,012,279	\$ (66,862)
Culture and recreation				
County parks	\$ 68,000	\$ 68,000	\$ 222,208	\$ (154,208)
Historical society	45,500	45,500	45,500	-
Total culture and recreation	\$ 113,500	\$ 113,500	\$ 267,708	\$ (154,208)
Conservation of natural resources				
Environmental services	\$ 508,376	\$ 508,376	\$ 438,299	\$ 70,077
County extension	123,159	123,159	117,959	5,200
Agricultural society/fair grounds	88,500	88,500	66,189	22,311
Soil and water conservation	105,000	105,000	-	105,000
Local water plan block grant	65,817	65,817	67,641	(1,824)
Total conservation of natural resources	\$ 890,852	\$ 890,852	\$ 690,088	\$ 200,764
Economic development				
Employment and training	\$ 88,247	\$ 88,247	\$ 86,564	\$ 1,683
Economic development	58,200	58,200	56,250	1,950
Total economic development	\$ 146,447	\$ 146,447	\$ 142,814	\$ 3,633

**Watonwan County
St. James, Minnesota**

Exhibit 7
(Continued)

**Budgetary Comparison Statement
General Fund
For the Year Ended December 31, 2022**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
Expenditures (Continued)				
Capital outlay				
General government	\$ 125,000	\$ 125,000	\$ 79,794	\$ 45,206
Debt service				
Principal	\$ 94,000	\$ 94,000	\$ 97,539	\$ (3,539)
Interest	2,000	2,000	184	1,816
Total debt service	\$ 96,000	\$ 96,000	\$ 97,723	\$ (1,723)
Total Expenditures	\$ 8,852,269	\$ 8,852,269	\$ 8,451,369	\$ 400,900
Excess of Revenues Over (Under)				
Expenditures	\$ 63,690	\$ 53,562	\$ 2,964,916	\$ 2,911,354
Other Financing Sources (Uses)				
Transfers out	\$ -	\$ -	\$ (8,996)	\$ (8,996)
Proceeds from loan	80,000	80,000	121,717	41,717
Total Other Financing Sources (Uses)	\$ 80,000	\$ 80,000	\$ 112,721	\$ 32,721
Net Change in Fund Balance	\$ 143,690	\$ 133,562	\$ 3,077,637	\$ 2,944,075
Fund Balance – January 1	8,929,472	8,929,472	8,929,472	-
Fund Balance – December 31	\$ 9,073,162	\$ 9,063,034	\$ 12,007,109	\$ 2,944,075

**Watonwan County
St. James, Minnesota**

Exhibit 8

**Budgetary Comparison Statement
Road and Bridge Special Revenue Fund
For the Year Ended December 31, 2022**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	\$ 1,813,940	\$ 1,813,940	\$ 1,775,818	\$ (38,122)
Intergovernmental	4,920,340	4,920,340	5,843,120	922,780
Charges for services	235,000	235,000	294,428	59,428
Miscellaneous	113,000	113,000	232,628	119,628
Total Revenues	\$ 7,082,280	\$ 7,082,280	\$ 8,145,994	\$ 1,063,714
Expenditures				
Current				
Highways and streets				
Administration	\$ 296,540	\$ 296,540	\$ 258,794	\$ 37,746
Maintenance and construction	4,815,375	4,815,375	5,204,437	(389,062)
Equipment maintenance and shop	1,712,365	1,712,365	1,854,743	(142,378)
Other	3,000	3,000	-	3,000
Total highways and streets	\$ 6,827,280	\$ 6,827,280	\$ 7,317,974	\$ (490,694)
Intergovernmental				
Highways and streets	255,000	255,000	369,116	(114,116)
Total Expenditures	\$ 7,082,280	\$ 7,082,280	\$ 7,687,090	\$ (604,810)
Net Change in Fund Balance	\$ -	\$ -	\$ 458,904	\$ 458,904
Fund Balance – January 1	1,001,007	1,001,007	1,001,007	-
Increase (decrease) in inventories	-	-	20,262	20,262
Fund Balance – December 31	\$ 1,001,007	\$ 1,001,007	\$ 1,480,173	\$ 479,166

**Watonwan County
St. James, Minnesota**

Exhibit 9

**Budgetary Comparison Statement
Human Services Special Revenue Fund
For the Year Ended December 31, 2022**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	\$ 2,432,496	\$ 2,432,496	\$ 2,388,263	\$ (44,233)
Intergovernmental	3,819,591	3,819,591	3,913,630	94,039
Settlements	-	-	64,074	64,074
Charges for services	538,400	538,400	530,464	(7,936)
Miscellaneous	346,500	346,500	271,604	(74,896)
Total Revenues	\$ 7,136,987	\$ 7,136,987	\$ 7,168,035	\$ 31,048
Expenditures				
Current				
Human services				
Income maintenance	\$ 2,008,313	\$ 2,008,313	\$ 1,346,127	\$ 662,186
Social services	4,438,348	4,438,348	4,854,469	(416,121)
Total human services	\$ 6,446,661	\$ 6,446,661	\$ 6,200,596	\$ 246,065
Health				
Community health services	690,326	690,326	709,451	(19,125)
Total Expenditures	\$ 7,136,987	\$ 7,136,987	\$ 6,910,047	\$ 226,940
Net Change in Fund Balance	\$ -	\$ -	\$ 257,988	\$ 257,988
Fund Balance – January 1	3,810,220	3,810,220	3,810,220	-
Fund Balance – December 31	\$ 3,810,220	\$ 3,810,220	\$ 4,068,208	\$ 257,988

Fiduciary Funds

**Watonwan County
St. James, Minnesota**

Exhibit 10

**Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2022**

	Social Welfare Private-Purpose Trust Fund	Custodial Funds
<u>Assets</u>		
Cash and pooled investments	\$ 28,481	\$ 905,022
Due from other governments	-	125,098
Taxes receivable for other governments	-	182,540
Special assessments receivable for other governments	-	20,944
Accounts receivable	-	8,534
Accrued interest receivable	-	146
Total Assets	\$ 28,481	\$ 1,242,284
<u>Liabilities</u>		
Due to others	\$ -	\$ 20,429
Due to other governments	-	292,083
Total Liabilities	\$ -	\$ 312,512
<u>Net Position</u>		
Restricted for individuals, organizations, and other governments	\$ 28,481	\$ 929,772

**Watonwan County
St. James, Minnesota**

Exhibit 11

**Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended December 31, 2022**

	Social Welfare Private-Purpose Trust Fund	Custodial Funds
<u>Additions</u>		
Contributions from individuals	\$ 238,319	\$ 313,053
Interest earnings	-	625
Property tax collections for other governments	-	8,516,267
Fees collected for state	-	3,764,999
Payments from state	-	364,349
Payments from other entities	-	214,175
Total Additions	<u>\$ 238,319</u>	<u>\$ 13,173,468</u>
<u>Deductions</u>		
Beneficiary payments to individuals	\$ 224,443	\$ -
Payments of property tax to other governments	-	8,512,112
Payments to the state	-	4,079,556
Payments to other entities	-	419,423
Total Deductions	<u>\$ 224,443</u>	<u>\$ 13,011,091</u>
Change in Net Position	<u>\$ 13,876</u>	<u>\$ 162,377</u>
Net Position – January 1	<u>\$ 14,605</u>	<u>\$ 767,395</u>
Net Position – December 31	<u><u>\$ 28,481</u></u>	<u><u>\$ 929,772</u></u>

Watonwan County St. James, Minnesota

Notes to the Financial Statements As of and for the Year Ended December 31, 2022

Note 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, 2022. 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.

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 and jointly-governed organizations as described in Note 5 – Summary of Significant Contingencies and Other Items.

Basic Financial Statements

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 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.

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

Watonwan County St. James, Minnesota

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.

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.

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 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.

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.

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.

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

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extent that they have matured. Proceeds of long-term debt and acquisitions under 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.

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

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, 2022. 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 2022 were \$412,159.

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.

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 2017 through 2022 and noncurrent special assessments payable in 2023 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.

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-

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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.

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:

Estimated Useful Lives of Capital Assets	
Assets	Years
Buildings	25-40
Improvements other than buildings	30
Machinery, furniture, and equipment	5-15
Infrastructure	50-75

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.

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

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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.

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 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 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.

Pension Plan

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

Unearned Revenue

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

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.

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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.

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.

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.

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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.

Note 2 – Stewardship, Compliance, and Accountability

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.

Excess of Expenditures Over Budget

The funds shown below had expenditures in excess of budget for the year ended December 31, 2022.

Excess of Expenditures Over Budget			
	Expenditures	Budget	Excess
Road and Bridge Special Revenue Fund	\$ 7,687,090	\$ 7,082,280	\$ 604,810
County Library Special Revenue Fund	755,020	753,607	1,413
Solid Waste Special Revenue Fund	318,563	313,170	5,393

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

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Deficit Fund Equity – County Ditch Special Revenue Fund

The County Ditch Special Revenue Fund has a deficit fund balance of \$176,343. The deficit will be eliminated with future special assessment levies against the benefited properties. The following is a summary of the individual ditch systems:

Individual Ditch System Fund Balance	
30 ditches with positive fund balances	\$ 1,555,208
8 ditches with deficit fund balances	<u>(1,731,551)</u>
Total Fund Balance	<u>\$ (176,343)</u>

Note 3 – Detailed Notes

Assets

Deposits and Investments

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

Reconciliation of the County's Total Cash and Investments to the Basic Financial Statements as of December 31, 2022

Governmental funds	
Cash and pooled investments	\$ 22,005,182
Fiduciary funds	
Cash and pooled investments	<u>933,503</u>
Total Cash and Investments	<u>\$ 22,938,685</u>

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

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security interest in pledged collateral from the financial institutions. As of December 31, 2022, the County's deposits were not exposed to custodial credit risk.

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, 2022, all County investments, valued at \$1,744,088, were in the Minnesota Association of Governments Investing for Counties (MAGIC) Fund.

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

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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.

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, 2022, 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, 2022, all of the County's investments were in the MAGIC Fund.

Receivables

Receivables as of December 31, 2022, for the County are as follows:

Governmental Activities' Receivables as of December 31, 2022

	Receivable	Less: Allowance for Uncollectible Accounts	Net Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Taxes – delinquent	\$ 127,290	\$ -	\$ 127,290	\$ -
Special assessments – delinquent	18,160	-	18,160	-
Special assessments – noncurrent	2,082,514	-	2,082,514	1,905,965
Accounts	568,559	(281,738)	286,821	-
Accrued interest receivable	62,329	-	62,329	-
Due from other governments	2,435,745	-	2,435,745	-
Total Governmental Activities	<u>\$ 5,294,597</u>	<u>\$ (281,738)</u>	<u>\$ 5,012,859</u>	<u>\$ 1,905,965</u>

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Capital Assets

Capital asset activity for the year ended December 31, 2022, was as follows:

Changes in Capital Assets for the Year Ended December 31, 2022

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 717,067	\$ -	\$ -	\$ 717,067
Construction in progress	454,548	18,383	210,888	262,043
Total capital assets not depreciated	\$ 1,171,615	\$ 18,383	\$ 210,888	\$ 979,110
Capital assets depreciated				
Buildings	\$ 9,387,679	\$ 82,284	\$ -	\$ 9,469,963
Land improvements	2,315,106	124,754	-	2,439,860
Machinery, furniture, and equipment	8,801,025	1,434,583	402,850	9,832,758
Infrastructure	81,975,031	5,250,956	-	87,225,987
Total capital assets depreciated	\$ 102,478,841	\$ 6,892,577	\$ 402,850	\$ 108,968,568
Less: accumulated depreciation for				
Buildings	\$ 4,845,636	\$ 214,021	\$ -	\$ 5,059,657
Land improvements	272,072	54,471	-	326,543
Machinery, furniture, and equipment	5,124,441	656,294	402,850	5,377,885
Infrastructure	27,543,809	1,831,316	-	29,375,125
Total accumulated depreciation	\$ 37,785,958	\$ 2,756,102	\$ 402,850	\$ 40,139,210
Total capital assets depreciated, net	\$ 64,692,883	\$ 4,136,475	\$ -	\$ 68,829,358
Total Capital Assets, Net	\$ 65,864,498	\$ 4,154,858	\$ 210,888	\$ 69,808,468

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

Depreciation Expense Charged to Functions/Programs

General government	\$ 282,685
Public safety	179,893
Highways and streets, including depreciation of infrastructure assets	2,157,728
Sanitation	7,436
Human services	68,657
Culture and recreation	53,702
Conservation of natural resources	6,001
Total Depreciation Expense	<u>\$ 2,756,102</u>

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Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2022, is as follows:

Due To/From Other Funds

Due To/From Other Funds as of December 31, 2022

Receivable Fund	Payable Fund	Amount	Purpose
General Fund	Road and Bridge Special Revenue Fund	\$ 47	Reimbursement for services and fuel
	Human Services Special Revenue Fund	6,310	Reimbursement for software and services
	Solid Waste Special Revenue Fund	6,462	Reimbursement of salaries
	Total due to General Fund	\$ 12,819	
Road and Bridge Special Revenue Fund	General Fund	\$ 10,978	Reimbursement for services and fuel
	Human Services Special Revenue Fund	728	Reimbursement for vehicle maintenance and snow removal
	County Ditch Special Revenue Fund	1,313	Reimbursement for services
	Solid Waste Special Revenue Fund	547	Reimbursement for services
Total due to Road and Bridge Special Revenue Fund		\$ 13,566	
Human Services Special Revenue Fund	General Fund	\$ 6,307	Shared expenses for employee
Total Due To/From Other Funds		\$ 32,692	

The interfund receivables and payables are expected to be paid within one year of December 31, 2022.

Advances From/To Other Funds

Advances From/To Other Funds as of December 31, 2022

Receivable Fund	Payable Fund	Amount
General Fund	County Ditch Special Revenue Fund	\$ 1,608,284

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.

Interfund Transfers

Interfund transfers for the year ended December 31, 2022, consisted of the following:

Interfund Transfers as of December 31, 2022

Transfers to County Library Fund from General Fund	\$ 8,996	Interest distribution
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Liabilities and Deferred Inflows of Resources

Long-Term Debt

Bonds

Bonds Payable as of December 31, 2022

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2022
G.O. Capital Improvement Crossover Refunding Bonds, Series 2012A	2026	\$50,000-\$55,000	1.55-2.60	\$ 625,000	\$ 220,000
G.O. Capital Improvement Plan Refunding Bonds, Series 2021A	2034	\$75,000-\$85,000	0.20-1.20	1,045,000	970,000
G.O. Ditch Bonds, Series 2022A	2043	\$145,000-\$495,000	3.00-5.00	7,190,000	7,190,000
Total				<u>\$ 8,860,000</u>	<u>\$ 8,380,000</u>
Plus: unamortized premium					231,619
Total General Obligation Bonds, Net					<u><u>\$ 8,611,619</u></u>

Capital improvement bonds are being retired by the Debt Service Fund. Ditch bonds are repaid from future special assessment collections in the County Ditch Special Revenue Fund.

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.

Loans Payable as of December 31, 2022

Type of Indebtedness	Final Maturity	Installment Amount	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2022
Watonwan Ag Best Management Loan Program	2034	\$2,873-\$57,027	-	<u>\$ 1,043,393</u>	<u>\$ 724,365</u>

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Debt Service Requirements

Debt service requirements at December 31, 2022, were as follows:

Debt Service Requirements as of December 31, 2022					
Year Ending December 31	General Obligation Bonds		Loans Payable		
	Principal	Interest	Principal	Interest	
2023	\$ 130,000	\$ 247,602	\$ 65,368	\$ -	
2024	280,000	275,030	107,665	-	
2025	385,000	263,408	109,144	-	
2026	400,000	248,703	107,035	-	
2027	360,000	233,883	105,357	-	
2028-2032	2,020,000	945,430	229,796	-	
2033-2037	2,080,000	629,174	-	-	
2038-2042	2,230,000	294,534	-	-	
2043	495,000	9,281	-	-	
Total	<u>\$ 8,380,000</u>	<u>\$ 3,147,045</u>	<u>\$ 724,365</u>	<u>\$ -</u>	

Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2022, was as follows:

Changes in Long-Term Liabilities for the Year Ended December 31, 2022					
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
G.O. Capital Improvement Refunding Bonds, Series 2012A	\$ 275,000	\$ -	\$ 55,000	\$ 220,000	\$ 55,000
G.O. Capital Improvement Plan Refunding Bonds, Series 2021A	1,045,000	-	75,000	970,000	75,000
G.O. Ditch Bonds, Series 2022A	-	7,190,000	-	7,190,000	-
Plus: unamortized premium on bonds	1,173	234,098	3,652	231,619	-
Total bonds payable	\$ 1,321,173	\$ 7,424,098	\$ 133,652	\$ 8,611,619	\$ 130,000
Loans payable	700,187	121,717	97,539	724,365	65,368
Compensated absences	972,610	790,757	810,882	952,485	627,695
Total Long-Term Liabilities	<u>\$ 2,993,970</u>	<u>\$ 8,336,572</u>	<u>\$ 1,042,073</u>	<u>\$ 10,288,469</u>	<u>\$ 823,063</u>

Unavailable Revenue

Unavailable revenue as of December 31, 2022, for the County's governmental funds are as follows:

Unavailable Revenue as of December 31, 2022	
Taxes and special assessments, delinquent and noncurrent	\$ 2,162,005
Highway allotments that do not provide current financial resources	1,523,852
Charges for services, grants, and reimbursements	126,337
Total Governmental Funds	<u>\$ 3,812,194</u>

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Construction and Other Commitments

The County has one active construction project and one other commitment as of December 31, 2022. The open project is as follows:

Active Construction Projects and Other Commitments as of December 31, 2022

	Spent-to-Date	Remaining Commitment
Precision Farm Draining & Excavating JD 18	\$ 1,387,973	\$ 1,223,572

Other Postemployment Benefits (OPEB)

Plan Description

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

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

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

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

As of the January 1, 2021, actuarial valuation, the following employees were covered by the benefit terms:

Employees Covered by the OPEB Benefit Terms As of the January 1, 2021, Actuarial Valuation

Inactive employees or beneficiaries currently receiving benefit payments	4
Active plan participants	153
Total	157

Total OPEB Liability

The County's total OPEB liability of \$386,741 was determined by an actuarial valuation as of January 1, 2021, which was rolled forward to a measurement date of January 1, 2022. The OPEB liability is liquidated through the General Fund and other governmental funds that have personal services.

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The total OPEB liability in the fiscal year-end December 31, 2022, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

OPEB Actuarial Assumptions and Other Inputs

Inflation	2.00 percent
Salary increases	Graded by service years and contract group 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	6.25 percent in 2022, grading to 5.00 percent over five years and then to 4.00 percent over the next 48 years

The current year discount rate is 2.00 percent, which is the same as the prior year rate. For the current valuation, the discount rate is based on the estimated yield of 20-year AA-rated municipal bonds.

Mortality rates are based on Pub-2010 Public Retirement Plans Headcount – Weighted Mortality Tables (General, Safety) with MP-2020 Generational Improvement Scale.

Economic assumptions are based on input from a variety of published sources of historical and projected future financial data.

Changes in the Total OPEB Liability

Changes in the Total OPEB Liability For the Year Ended December 31, 2022

	Total OPEB Liability
Balance at December 31, 2021	<u>\$ 373,884</u>
Changes for the year	
Service cost	\$ 54,227
Interest	8,070
Benefit payments	<u>(49,440)</u>
Net change	<u>\$ 12,857</u>
Balance at December 31, 2022	<u>\$ 386,741</u>

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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 one percentage point lower or one percentage point higher than the current discount rate:

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate as of December 31, 2022

	Discount Rate	Total OPEB Liability
1% Decrease	1.00%	\$ 414,730
Current	2.00%	386,741
1% Increase	3.00%	360,188

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 one percentage point lower or one percentage point higher than the current health care cost trend rate:

Sensitivity of the Total OPEB Liability to Changes in the Health Care Trend Rates as of December 31, 2022

	Health Care Trend Rate	Total OPEB Liability
1% Decrease	5.25% Decreasing to 4.00%	\$ 340,877
Current	6.25% Decreasing to 5.00%	386,741
1% Increase	7.25% Decreasing to 6.00%	441,364

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

For the year ended December 31, 2022, the County recognized OPEB expense of \$28,399. The County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB as of December 31, 2022

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in actuarial assumptions	\$ 9,373	\$ 14,315
Difference between actual and expected results	-	87,262
Contributions made subsequent to the measurement date	16,095	-
Total	\$ 25,468	\$ 101,577

The \$16,095 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, 2023. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

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Schedule of Amortization of Deferred Outflows and Inflows of Resources Related to OPEB As of December 31, 2022

Year Ended December 31	OPEB Expense Amount
2023	\$ (33,898)
2024	(33,895)
2025	(6,057)
2026	(9,180)
2027	(9,174)

Changes in Actuarial Assumptions

There were no changes in actuarial assumptions that occurred in 2022.

Pension Plans

Defined Benefit Pension Plans

Plan Description

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

The General Employees Plan (accounted for in the General Employees Fund) has multiple benefit structures with members belonging to the Coordinated Plan, the Basic Plan, or the Minneapolis Employees Retirement Fund. Coordinated Plan members are covered by Social Security, and the Basic Plan and Minneapolis Employees Retirement Fund members are not. The Basic Plan was closed to new members in 1967. The Minneapolis Employees Retirement Fund was closed to new members during 1978 and merged into the General Employees Plan in 2015. All new members must participate in the Coordinated Plan, for which benefits vest after five years of credited service. No Watonwan County employees belong to either the Basic Plan or the Minneapolis Employees Retirement Fund.

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

Local government employees of a county-administered facility who are responsible for the direct security, custody, and control of the 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

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with 50 percent after five years and increasing ten percent for each year of service until fully vested after ten years.

Benefits Provided

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

General Employees Plan benefit recipients will receive a post-retirement increase equal to 50 percent of the cost-of-living adjustment announced by the Social Security Administration, with a minimum increase of at least 1.00 percent and maximum of 1.50 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under the Rule of 90 are exempt from the delay to normal retirement.

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

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

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

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

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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.

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 2021.

Member and Employer Required Contribution Rates

	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%

Employer Contributions for the Year Ended December 31, 2022

General Employees Plan	\$ 521,026
Police and Fire Plan	125,121
Correctional Plan	30,874

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

Pension Costs

General Employees Plan

At December 31, 2022, the County reported a liability of \$7,286,430 for its proportionate share of the General Employees Plan's net pension liability. The net pension liability was measured as of June 30, 2022, 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, 2021, through June 30, 2022, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2022, the County's proportion was 0.0920 percent. It was 0.0926 percent measured as of June 30, 2021. The County recognized pension expense of \$1,100,691 for its proportionate share of the General Employees Plan's pension expense.

Legislation requires the State of Minnesota to contribute \$16 million to the General Employees Plan annually until September 15, 2031. The County recognized an additional \$31,920 as grant revenue and pension expense for its proportionate share of the State of Minnesota's pension expense related to the special funding situation.

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General Employees Plan Employer's Share of the Net Pension Liability and the State's Related Liability As of December 31, 2022

The County's proportionate share of the net pension liability	\$ 7,286,430
State of Minnesota's proportionate share of the net pension liability associated with the County	<u>213,623</u>
Total	<u>\$ 7,500,053</u>

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

General Employees Plan Deferred Outflows of Resources and Deferred Inflows of Resources As of December 31, 2022

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 60,862	\$ 78,019
Changes in actuarial assumptions	1,659,481	28,443
Difference between projected and actual investment earnings	96,994	-
Changes in proportion	157,928	19,217
Contributions paid to PERA subsequent to the measurement date	<u>259,328</u>	<u>-</u>
Total	<u>\$ 2,234,593</u>	<u>\$ 125,679</u>

The \$259,328 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, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

General Employees Plan Schedule of Amortization of Deferred Outflows and Inflows of Resources As of December 31, 2022

Year Ended December 31	Pension Expense Amount
2023	\$ 718,442
2024	716,856
2025	(244,661)
2026	658,949

Police and Fire Plan

At December 31, 2022, the County reported a liability of \$2,354,218 for its proportionate share of the Police and Fire Plan's net pension liability. The net pension liability was measured as of June 30, 2022, 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

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the measurement period for employer payroll paid dates from July 1, 2021, through June 30, 2022, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2022, the County's proportion was 0.0541 percent. It was 0.0492 percent measured as of June 30, 2021. The County recognized pension expense of \$178,671 for its proportionate share of the Police and Fire Plan's pension expense.

The State of Minnesota also contributed \$18 million to the Police and Fire Plan in the plan fiscal year ended June 30, 2022. 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 each year until full funding is reached, or July 1, 2048, whichever is earlier. The County recognized an additional \$19,962 as grant revenue and pension expense for its proportionate share of the State of Minnesota's pension expense related to the special funding situation.

Police and Fire Plan Employer's Share of the Net Pension Liability and the State's Related Liability As of December 31, 2022

The County's proportionate share of the net pension liability	\$ 2,354,218
State of Minnesota's proportionate share of the net pension liability associated with the County	102,912
Total	<u>\$ 2,457,130</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 \$4,869 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.

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:

Police and Fire Plan Deferred Outflows of Resources and Deferred Inflows of Resources As of December 31, 2022

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 139,262	\$ -
Changes in actuarial assumptions	1,341,348	13,851
Difference between projected and actual investment earnings	88,360	-
Changes in proportion	42,319	39,341
Contributions paid to PERA subsequent to the measurement date	65,605	-
Total	<u>\$ 1,676,894</u>	<u>\$ 53,192</u>

The \$65,605 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

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ended December 31, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Police and Fire Plan Schedule of Amortization of Deferred Outflows and Inflows of Resources As of December 31, 2022	
Year Ended December 31	Pension Expense Amount
2023	\$ 307,917
2024	303,802
2025	271,182
2026	473,016
2027	202,180

Correctional Plan

At December 31, 2022, the County reported a liability of \$531,508 for its proportionate share of the Correctional Plan's net pension liability. The net pension liability was measured as of June 30, 2022, 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, 2021, through June 30, 2022, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2022, the County's proportion was 0.1599 percent. It was 0.1566 percent measured as of June 30, 2021. The County recognized pension expense of \$184,181 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:

Correctional Plan Deferred Outflows of Resources and Deferred Inflows of Resources As of December 31, 2022		
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 17,452
Changes in actuarial assumptions	341,957	789
Difference between projected and actual investment earnings	18,201	-
Changes in proportion	270	769
Contributions paid to PERA subsequent to the measurement date	15,434	-
Total	<u>\$ 375,862</u>	<u>\$ 19,010</u>

The \$15,434 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, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

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Correctional Plan Schedule of Amortization of Deferred Outflows and Inflows of Resources As of December 31, 2022

Year Ended December 31	Pension Expense Amount
2023	\$ 153,514
2024	158,648
2025	(13,443)
2026	42,699

Total Pension Expense

The total pension expense for all plans recognized by the County for the year ended December 31, 2022, was \$1,463,543.

Actuarial Assumptions

The total pension liability in the June 30, 2022, actuarial valuation was determined using the individual entry-age normal actuarial cost method and the following additional actuarial assumptions:

Actuarial Assumptions for the Year Ended June 30, 2022

	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%

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 per year through December 31, 2054, and 1.50 percent per year thereafter. 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, 2022, valuations 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 July 12, 2022, 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.

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Pension Plan Investment Target Allocation and Best Estimates of Geometric Real Rates of Return for Each Major Asset Class

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

Discount Rate

The discount rate used to measure the total pension liability was 6.50 percent for the General Employees Plan in 2022, which remained consistent with 2021. 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 position of the General Employees Plan was 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.

In the Police and Fire Plan and Correctional Plan, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members through June 30, 2060, and June 30, 2061, respectively. Beginning in fiscal year ended June 30, 2061, for the Police and Fire Plan and June 30, 2062, for the Correctional Plan, projected benefit payments exceed the funds' projected fiduciary net position. Benefit payments projected after were discounted at the municipal bond rate of 3.69 percent, based on the weekly rate closest to but not later than the measurement date of the Fidelity 20-Year Municipal GO AA Index. An equivalent single discount rate of 5.40 percent for the Police and Fire Plan and 5.42 percent for the Correctional Plan was determined that produced approximately the same present value of projected benefits when applied to all years of projected benefits as the present value of projected benefits using 6.50 percent applied to all years of projected benefits to the point of asset depletion and 3.69 percent thereafter.

Changes in Actuarial Assumptions and Plan Provisions

The following changes in actuarial assumptions occurred in 2022:

General Employees Plan

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

Police and Fire Plan

- The single discount rate changed from 6.50 percent to 5.40 percent.
- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

Correctional Plan

- The single discount rate changed from 6.50 percent to 5.42 percent.

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- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.
- The benefit increase assumption was changed from 2.00 percent per annum to 2.00 percent per annum through December 31, 2054, and 1.50 percent per annum thereafter.

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:

Sensitivity of the Employer's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate As of December 31, 2022

	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%	\$ 11,509,298	4.40%	\$ 3,562,807	4.42%	\$ 936,224
Current	6.50%	7,286,430	5.40%	2,354,218	5.42%	531,508
1% Increase	7.50%	3,823,027	6.40%	1,377,146	6.42%	213,310

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.

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.

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**Total Contributions by Dollar Amount and
Percentage of Covered Payroll Made by the Employer
For the Year Ended December 31, 2022**

	Employee	Employer
Contribution amount	\$ 6,839	\$ 6,839
Percentage of covered payroll	5.00%	5.00%

Note 4 – 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 2022 and 2023. 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.

Note 5 – Summary of Significant Contingencies and Other Items

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.

Nonexchange Financial Guarantees

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

Watonwan County St. James, Minnesota

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, 2022, the outstanding principal balance for the issuance was \$835,000.

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 2022. Current financial statements are not available.

Red Rock Rural Water System

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

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

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

Rural Minnesota Energy Board

The Rural Minnesota Energy Board was established in 2005 under the authority of Minn. Stat. § 471.59. The Board includes Blue Earth, Brown, Cottonwood, Faribault, Freeborn, Jackson, Lincoln, Lyon, Martin, Mower, Murray,

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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.

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 2022, the County paid \$1,500 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 2022.

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

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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 2022, 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.

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 \$6,299 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 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 \$200 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 \$128,633 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 \$3,630 to the Network.

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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 2022.

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 2022, Watonwan County made payments of \$4,778 to Immtrack.

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 2022 is \$105,393. The proportionate share of the counties may change for years 2023 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.

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 2022.

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Opioid Settlement Funds

Watonwan County is a participating government in the opioid settlement with pharmaceutical manufacturers, distributors, and pharmacy chains. The County is expected to receive \$552,666 over the next 18 years. The majority of the funds are intended for opioid abatement. The *Minnesota Opioids State-Subdivision Memorandum of Agreement* (MOA) identifies the requirements for Minnesota governments participating in the settlement. Pursuant to the terms of the MOA the county created a special revenue fund. The County has combined the Opioid Settlement Fund with the Human Service Special Revenue Fund for their financial statements. Funds are restricted until expended. The MOA requires that the County recognize the settlement revenues when the annual distribution is made to the participating governments. Therefore, the County does not record a receivable for the settlement. For the year ended December 21, 2022, the County received \$64,074 as part of the settlement.

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, 2022**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability					
Service cost	\$ 54,227	\$ 52,648	\$ 45,637	\$ 39,758	\$ 49,676
Interest	8,070	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>(49,440)</u>	<u>(23,888)</u>	<u>(141,563)</u>	<u>(59,019)</u>	<u>(8,648)</u>
Net change in total OPEB liability	\$ 12,857	\$ (22,807)	\$ (60,727)	\$ (165,416)	\$ 61,064
Total OPEB Liability – Beginning	<u>373,884</u>	<u>396,691</u>	<u>457,418</u>	<u>622,834</u>	<u>561,770</u>
Total OPEB Liability – Ending	<u>\$ 386,741</u>	<u>\$ 373,884</u>	<u>\$ 396,691</u>	<u>\$ 457,418</u>	<u>\$ 622,834</u>
 Covered-employee payroll	 \$ 7,735,654	 \$ 7,510,344	 \$ 7,189,059	 \$ 6,979,669	 \$ 6,600,642
 Total OPEB liability (asset) as a percentage of covered-employee payroll	 5.00%	 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, 2022**

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
2022	0.0920 %	\$ 7,286,430	\$ 213,623	\$ 7,500,053	\$ 6,894,355	105.69 %	76.67 %
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.

N/A – Not Applicable

**Watonwan County
St. James, Minnesota**

Exhibit A-3

**Schedule of Contributions
PERA General Employees Retirement Plan
December 31, 2022**

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)
2022	\$ 521,026	\$ 521,026	\$ -	\$ 6,947,024	7.50 %
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, 2022**

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
2022	0.0541 %	\$ 2,354,218	\$ 102,912	\$ 2,457,130	\$ 657,144	358.25 %	70.53 %
2021	0.0492	379,722	17,070	396,792	581,268	65.33	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, 2022**

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)
2022	\$ 125,121	\$ 125,121	\$ -	\$ 706,989	17.70 %
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, 2022**

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
2022	0.1599 %	\$ 531,508	\$ 351,220	151.33 %	74.58 %
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, 2022**

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)
2022	\$ 30,874	\$ 30,874	\$ -	\$ 352,844	8.75 %
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, 2022

Note 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.

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

The following changes in actuarial assumptions occurred:

2022

- There were no changes in actuarial assumptions.

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.
- The actuarial cost method was changed from projected unit credit to entry age as prescribed by GASB 75.

Watonwan County St. James, Minnesota

Note 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

2022

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

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.
- 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

Watonwan County St. James, Minnesota

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.

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.

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

Watonwan County St. James, Minnesota

\$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.

Public Employees Police and Fire Plan

2022

- The single discount rate changed from 6.50 percent to 5.40 percent.
- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

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 MP-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

- 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.

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.

2017

- The assumed salary increases were changed as recommended in the June 30, 2016, experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates.
- The assumed rates of retirement were changed, resulting in fewer retirements.
- The CSA load was 30 percent for vested and non-vested, deferred members. The CSA load has been changed to 33 percent for vested members and 2.00 percent for non-vested members.
- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality table assumed for healthy retirees.

Watonwan County St. James, Minnesota

- The assumed termination rates were decreased to 3.00 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- The assumed percentage of married female members was decreased from 65 percent to 60 percent.
- The assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.
- The assumed percentage of female members electing joint and survivor annuities was increased.
- The assumed post-retirement benefit increase rate was changed from 1.00 percent for all years to 1.00 percent per year through 2064 and 2.50 percent thereafter.
- The single discount rate was changed from 5.60 percent per annum to 7.50 percent per annum.

2016

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

Public Employees Local Government Correctional Service Retirement Plan

2022

- The single discount rate changed from 6.50 percent to 5.42 percent.
- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.
- The benefit increase assumption was changed from 2.00 percent per annum to 2.00 percent per annum through December 31, 2054, and 1.50 percent per annum thereafter.

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 MP-2020.

Watonwan County St. James, Minnesota

- 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.

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

Watonwan County St. James, Minnesota

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.

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

Watonwan County St. James, Minnesota

Nonmajor Governmental Funds

Nonmajor Special Revenue Funds

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

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

Nonmajor Debt Service Fund

Debt Service – accounts 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

**Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2022**

	<u>Special Revenue Funds</u>			<u>Debt Service Fund</u>	<u>Total Nonmajor Governmental Funds (Exhibit 3)</u>
	<u>County Library</u>	<u>Solid Waste</u>	<u>Total</u>		
<u>Assets</u>					
Cash and pooled investments	\$ 1,351,478	\$ 418,504	\$ 1,769,982	\$ 239,996	\$ 2,009,978
Taxes receivable – delinquent	8,131	194	8,325	2,112	10,437
Special assessments receivable – delinquent	-	11,118	11,118	-	11,118
Total Assets	\$ 1,359,609	\$ 429,816	\$ 1,789,425	\$ 242,108	\$ 2,031,533
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>					
Liabilities					
Accounts payable	\$ 1,326	\$ 568	\$ 1,894	\$ -	\$ 1,894
Salaries payable	16,017	555	16,572	-	16,572
Due to other funds	-	7,009	7,009	-	7,009
Total Liabilities	\$ 17,343	\$ 8,132	\$ 25,475	\$ -	\$ 25,475
Deferred Inflows of Resources					
Unavailable revenue	\$ 4,637	\$ 7,944	\$ 12,581	\$ 1,407	\$ 13,988
Fund Balances					
Restricted for					
Library operations from donations	\$ 565,151	\$ -	\$ 565,151	\$ -	\$ 565,151
Debt service	-	-	-	240,701	240,701
Committed for library operations	772,478	-	772,478	-	772,478
Assigned to solid waste	-	413,740	413,740	-	413,740
Total Fund Balances	\$ 1,337,629	\$ 413,740	\$ 1,751,369	\$ 240,701	\$ 1,992,070
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 1,359,609	\$ 429,816	\$ 1,789,425	\$ 242,108	\$ 2,031,533

**Watonwan County
St. James, Minnesota**

Exhibit B-2

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended December 31, 2022**

	Special Revenue Funds			Debt Service Fund	Total Nonmajor Governmental Funds (Exhibit 5)
	County Library	Solid Waste	Total		
Revenues					
Taxes	\$ 690,279	\$ 16,198	\$ 706,477	\$ 137,635	\$ 844,112
Special assessments	-	167,134	167,134	-	167,134
Intergovernmental	66,022	73,700	139,722	2,456	142,178
Charges for services	4,278	12,004	16,282	-	16,282
Fines and forfeits	2,071	-	2,071	-	2,071
Gifts and contributions	1,592	-	1,592	-	1,592
Total Revenues	\$ 764,242	\$ 269,036	\$ 1,033,278	\$ 140,091	\$ 1,173,369
Expenditures					
Current					
Sanitation	\$ -	\$ 318,563	\$ 318,563	\$ -	\$ 318,563
Culture and recreation	755,020	-	755,020	-	755,020
Debt service					
Principal	-	-	-	130,000	130,000
Interest	-	-	-	14,192	14,192
Administrative - fiscal charges	-	-	-	1,426	1,426
Total Expenditures	\$ 755,020	\$ 318,563	\$ 1,073,583	\$ 145,618	\$ 1,219,201
Excess of Revenues Over (Under) Expenditures	\$ 9,222	\$ (49,527)	\$ (40,305)	\$ (5,527)	\$ (45,832)
Other Financing Sources (Uses)					
Transfers in	8,996	-	8,996	-	8,996
Net Change in Fund Balances	\$ 18,218	\$ (49,527)	\$ (31,309)	\$ (5,527)	\$ (36,836)
Fund Balances – January 1	1,319,411	463,267	1,782,678	246,228	2,028,906
Fund Balances – December 31	\$ 1,337,629	\$ 413,740	\$ 1,751,369	\$ 240,701	\$ 1,992,070

**Watonwan County
St. James, Minnesota**

Exhibit B-3

**Budgetary Comparison Schedule
County Library Special Revenue Fund
For the Year Ended December 31, 2022**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	\$ 703,173	\$ 703,173	\$ 690,279	\$ (12,894)
Intergovernmental	41,434	41,434	66,022	24,588
Charges for services	3,000	3,000	4,278	1,278
Fines and forfeits	1,500	1,500	2,071	571
Gifts and contributions	1,000	1,000	1,592	592
Investment earnings	3,000	3,000	-	(3,000)
Miscellaneous	500	500	-	(500)
Total Revenues	\$ 753,607	\$ 753,607	\$ 764,242	\$ 10,635
Expenditures				
Current				
Culture and recreation				
County library	753,607	753,607	755,020	(1,413)
Excess of Revenues Over (Under)				
Expenditures	\$ -	\$ -	\$ 9,222	\$ 9,222
Other Financing Sources (Uses)				
Transfers in	-	-	8,996	8,996
Net Change in Fund Balance	\$ -	\$ -	\$ 18,218	\$ 18,218
Fund Balance – January 1	1,319,411	1,319,411	1,319,411	-
Fund Balance – December 31	\$ 1,319,411	\$ 1,319,411	\$ 1,337,629	\$ 18,218

**Watonwan County
St. James, Minnesota**

Exhibit B-4

**Budgetary Comparison Schedule
Solid Waste Special Revenue Fund
For the Year Ended December 31, 2022**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	\$ 16,526	\$ 16,526	\$ 16,198	\$ (328)
Special assessments	170,000	170,000	167,134	(2,866)
Intergovernmental	69,974	69,974	73,700	3,726
Charges for services	15,000	15,000	12,004	(2,996)
Total Revenues	\$ 271,500	\$ 271,500	\$ 269,036	\$ (2,464)
Expenditures				
Current				
Sanitation				
SCORE	313,170	313,170	318,563	(5,393)
Net Change in Fund Balance	\$ (41,670)	\$ (41,670)	\$ (49,527)	\$ (7,857)
Fund Balance – January 1	463,267	463,267	463,267	-
Fund Balance – December 31	\$ 421,597	\$ 421,597	\$ 413,740	\$ (7,857)

**Watonwan County
St. James, Minnesota**

Exhibit B-5

**Budgetary Comparison Schedule
Debt Service Fund
For the Year Ended December 31, 2022**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	\$ 140,000	\$ 140,000	\$ 137,635	\$ (2,365)
Intergovernmental	-	-	2,456	2,456
Total Revenues	\$ 140,000	\$ 140,000	\$ 140,091	\$ 91
Expenditures				
Debt service				
Principal	\$ 130,000	\$ 130,000	\$ 130,000	\$ -
Interest	14,192	14,192	14,192	-
Administrative charges	2,130	2,130	1,426	704
Total Expenditures	\$ 146,322	\$ 146,322	\$ 145,618	\$ 704
Net Change in Fund Balance	\$ (6,322)	\$ (6,322)	\$ (5,527)	\$ 795
Fund Balance – January 1	246,228	246,228	246,228	-
Fund Balance – December 31	\$ 239,906	\$ 239,906	\$ 240,701	\$ 795

Watonwan County St. James, Minnesota

Fiduciary Funds

Custodial Funds

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

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

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

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

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

Vision for Family and Community Custodial Fund – accounts for the fund of the County/multi-school district families service collaborative.

**Watonwan County
St. James, Minnesota**

**Combining Statement of Fiduciary Net Position
Fiduciary Funds – Custodial Funds
December 31, 2022**

	<u>Taxes and Penalties</u>	<u>State Revenue</u>
<u>Assets</u>		
Cash and pooled investments	\$ 163,014	\$ 73,697
Due from other governments	-	-
Taxes receivable for other governments	182,540	-
Special assessments receivable for other governments	20,944	-
Accounts receivable	-	8,534
Accrued interest receivable	-	-
Total Assets	<u>\$ 366,498</u>	<u>\$ 82,231</u>
<u>Liabilities</u>		
Due to others	\$ -	\$ -
Due to other governments	163,014	82,231
Total Liabilities	<u>\$ 163,014</u>	<u>\$ 82,231</u>
<u>Net Position</u>		
Restricted for individuals, organizations, and other governments	<u>\$ 203,484</u>	<u>\$ -</u>

Exhibit C-1

Soil and Water Conservation	Jail Canteen	Cemetery	Vision for Family and Community	Total Custodial Funds
\$ 432,204	\$ 216	\$ 57,215	\$ 178,676	\$ 905,022
105,000	-	-	20,098	125,098
-	-	-	-	182,540
-	-	-	-	20,944
-	-	-	-	8,534
-	-	146	-	146
\$ 537,204	\$ 216	\$ 57,361	\$ 198,774	\$ 1,242,284
\$ 19,800	\$ -	\$ -	\$ 629	\$ 20,429
46,838	-	-	-	292,083
\$ 66,638	\$ -	\$ -	\$ 629	\$ 312,512
\$ 470,566	\$ 216	\$ 57,361	\$ 198,145	\$ 929,772

**Watonwan County
St. James, Minnesota**

**Combining Statement of Changes in Fiduciary Net Position
Fiduciary Funds – Custodial Funds
For the Year Ended December 31, 2022**

	<u>Taxes and Penalties</u>	<u>State Revenue</u>
<u>Additions</u>		
Contributions from individuals	\$ -	\$ 313,053
Interest earnings	-	-
Property tax collections for other governments	8,516,267	-
Fees collected for state	-	3,764,999
Payments from state	-	-
Payments from other entities	-	-
Total Additions	<u>\$ 8,516,267</u>	<u>\$ 4,078,052</u>
<u>Deductions</u>		
Payments of property tax to other governments	\$ 8,512,112	\$ -
Payments to the state	-	4,078,052
Payments to other entities	-	-
Total Deductions	<u>\$ 8,512,112</u>	<u>\$ 4,078,052</u>
Change in Net Position	<u>\$ 4,155</u>	<u>\$ -</u>
Net Position – January 1	<u>\$ 199,329</u>	<u>\$ -</u>
Net Position – December 31	<u><u>\$ 203,484</u></u>	<u><u>\$ -</u></u>

Exhibit C-2

Soil and Water Conservation	Jail Canteen	Cemetery	Vision for Family and Community	Total Custodial Funds
\$ -	\$ -	\$ -	\$ -	\$ 313,053
107	-	518	-	625
-	-	-	-	8,516,267
-	-	-	-	3,764,999
277,879	-	-	86,470	364,349
117,044	41,076	-	56,055	214,175
\$ 395,030	\$ 41,076	\$ 518	\$ 142,525	\$ 13,173,468
\$ -	\$ -	\$ -	\$ -	\$ 8,512,112
1,504	-	-	-	4,079,556
280,824	41,814	401	96,384	419,423
\$ 282,328	\$ 41,814	\$ 401	\$ 96,384	\$ 13,011,091
\$ 112,702	\$ (738)	\$ 117	\$ 46,141	\$ 162,377
\$ 357,864	\$ 954	\$ 57,244	\$ 152,004	\$ 767,395
\$ 470,566	\$ 216	\$ 57,361	\$ 198,145	\$ 929,772

Schedules

**Watonwan County
St. James, Minnesota**

Exhibit D-1

**Schedule of Intergovernmental Revenue
For the Year Ended December 31, 2022**

Appropriations and Shared Revenue

State

Aquatic invasive species prevention aid	\$ 31,945
County program aid	631,922
Disparity reduction aid	5,064
Enhanced 911	165,629
Highway users tax	5,428,972
Market value credit	190,393
PERA aid	24,458
Police aid	73,454
SCORE	<u>72,440</u>

Total appropriations and shared revenue	<u>\$ 6,624,277</u>
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Reimbursement for Services

State

Minnesota Department of Human Services	<u>\$ 1,003,819</u>
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Payments

Local

Local contributions	<u>\$ 12,269</u>
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Grants

State

Minnesota Department/Board of	
Corrections	\$ 36,101
Health	204,081
Human Services	906,600
Natural Resources	39,566
Public Safety	7,467
Transportation	421,322
Water and Soil Resources	109,729
Pollution Control Agency	25,830
Secretary of State	<u>26,702</u>

Total state	<u>\$ 1,777,398</u>
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Federal

Department/Institute of	
Agriculture	\$ 279,927
Education	2,100
Health and Human Services	1,391,524
Homeland Security	16,896
Transportation	402,702
Treasury	<u>1,852,545</u>

Total federal	<u>\$ 3,945,694</u>
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Total state and federal grants	<u>\$ 5,723,092</u>
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Total Intergovernmental Revenue	<u><u>\$ 13,363,457</u></u>
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**Watonwan County
St. James, Minnesota**

Exhibit D-2

**Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2022**

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	222MN004W1003	\$ 139,583
Passed Through Minnesota Department of Human Services SNAP Cluster			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	222MN101S2514	139,587
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (Total State Administrative Matching Grants for the Supplemental Nutrition Assistance Program 10.561 \$140,344)	10.561	222MN127Q7503	757
Total U.S. Department of Agriculture			\$ 279,927
U.S. Department of Transportation			
Passed Through Minnesota Department of Transportation Highway Planning and Construction Cluster			
Highway Planning and Construction	20.205	00083	\$ 125,187
COVID-19 – Highway Planning and Construction (Total Highway Planning and Construction 20.205 \$289,993)	20.205	00083	164,806
COVID-19 – Formula Grants for Rural Areas and Tribal Transit Program	20.509	CRRSSA: MN-2021-038-00	104,774
Passed Through Blue Earth County, Minnesota Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	Not Provided	5,634
Highway Safety Cluster National Priority Safety Programs	20.616	Not Provided	2,301
Total U.S. Department of Transportation			\$ 402,702
U.S. Department of the Treasury			
Direct COVID-19 – Coronavirus State and Local Fiscal Recovery Funds	21.027		\$ 1,852,545
U.S. Department of Education			
Passed Through Minnesota Department of Health Special Education – Grants for Infants and Families	84.181	NGA B04MC32551	\$ 2,100
U.S. Department of Health and Human Services			
Passed Through Minnesota Department of Health Public Health Emergency Preparedness	93.069	NU90TP922026	\$ 38,499
Early Hearing Detection and Intervention	93.251	H61MC00035	375
Immunization Cooperative Agreements	93.268	NH23IP922628	11,057
COVID-19 – Immunization Cooperative Agreements (Total Immunization Cooperative Agreements 93.268 \$30,328)	93.268	NH23IP922628	19,271
COVID-19 – Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	NU50CK000508	22,179
Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response	93.354	NU90TP922188	2,772
Temporary Assistance for Needy Families	93.558	NGA 2017G996115	4,522
Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families 93.558 \$123,723)	93.558	NGA 1801MNTANF	9,719
Maternal and Child Health Services Block Grant to the States	93.994	NGA B04MC32551	15,517

**Watonwan County
St. James, Minnesota**

Exhibit D-2
(Continued)

**Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2022**

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 (Continued)			
Passed Through Minnesota Department of Human Services			
Promoting Safe and Stable Families	93.556	2101MNFPS	1,511
Temporary Assistance for Needy Families	93.558	2201MNTANF	109,482
(Total Temporary Assistance for Needy Families 93.558 \$123,723)			
Child Support Enforcement	93.563	2201MNCSES	58,395
Child Support Enforcement	93.563	2201MNCES	216,555
(Total Child Support Enforcement 93.563 \$274,950)			
Refugee and Entrant Assistance – State Administered Programs	93.566	2201MNRMA	235
CCDF Cluster			
Child Care and Development Block Grant	93.575	2201MNCDF	3,177
Community-Based Child Abuse Prevention Grants	93.590	2102MNBCAP	5,522
Stephanie Tubbs Jones Child Welfare Services Program	93.645	2101MNCWSS	1,376
Foster Care – Title IV-E	93.658	2201MNFOS	101,998
Social Services Block Grant	93.667	2201MNSOSR	96,641
Child Abuse and Neglect State Grants	93.669	2101MNNCAN	3,475
John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674	2201MNCILP	13,066
COVID-19 – John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674	2101MNCILC	10,774
(Total John H. Chafee Foster Care Program for Successful Transition to Adulthood 93.674 \$23,840)			
Children's Health Insurance Program	93.767	2205MN5021	721
Medicaid Cluster			
Medical Assistance Program	93.778	2205MN5ADM	610,124
Medical Assistance Program	93.778	2205MN5MAP	6,677
(Total Medical Assistance Program 93.778 \$616,801)			
Total U.S. Department of Health and Human Services			\$ 1,363,640
U.S. Department of Homeland Security			
Passed Through Minnesota Department of Public Safety			
Emergency Management Performance Grants	97.042	EMC-202-EP-00006	\$ 16,896
Total Federal Awards			\$ 3,917,810
Totals by Cluster			
Total expenditures for SNAP Cluster			\$ 140,344
Total expenditures for Highway Planning and Construction Cluster			289,993
Total expenditures for Highway Safety Cluster			2,301
Total expenditures for CCDF Cluster			3,177
Total expenditures for Medicaid Cluster			616,801

The County did not pass any federal awards through to subrecipients during the year ended December 31, 2022.

Watonwan County

St. James, Minnesota

Notes to the Schedule of Expenditures of Federal Awards As of and for the Year Ended December 31, 2022

Note 1 – Summary of Significant Accounting Policies

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.

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, 2022. 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.

Note 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.

Note 3 – Reconciliation to Schedule of Intergovernmental Revenue

Reconciliation to Schedule of Intergovernmental Revenue	
Federal grant revenue per Schedule of Intergovernmental Revenue	\$ 3,945,694
Grants received more than 60 days after year-end, unavailable in 2022	
Community-Based Child Abuse Prevention Grants (AL No. 93.590)	3,600
Unavailable in 2021, recognized as revenue in 2022	
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)
Expenditures per Schedule of Expenditures of Federal Awards	<u>\$ 3,917,810</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, 2022, 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 15, 2023.

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

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, nothing came to our attention that caused us to believe that Watonwan County failed to comply with the provisions of the contracting – bid laws, 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*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, 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.

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

September 15, 2023

/s/Chad Struss

Chad Struss, CPA
Deputy State Auditor



**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 the Major Federal Program

Opinion on the 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 Watonwan County's major federal program for the year ended December 31, 2022. Watonwan County's major federal program is 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 its major federal program for the year ended December 31, 2022.

Basis for Opinion on the 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 the 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 the 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.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or 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.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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.

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 15, 2023

/s/Chad Struss

Chad Struss, CPA
Deputy State Auditor

Watonwan County St. James, Minnesota

Schedule of Findings and Questioned Costs For the Year Ended December 31, 2022

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report the auditor issued on whether the financial statements audited were prepared in accordance with generally accepted accounting principles: **Unmodified**

Internal control over financial reporting:

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

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

Federal Awards

Internal control over the major federal program:

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

Type of auditor’s report issued on compliance for the major federal program: **Unmodified**

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? **No**

Identification of the major federal program:

Assistance Listing Number	Name of Federal Program or Cluster
21.027	COVID-19 — Coronavirus State and Local Fiscal Recovery Funds

The threshold used to distinguish between Type A and B programs was \$750,000.

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

Section II – Financial Statement Findings

None.

Section III – Federal Award Findings and Questioned Costs

None.

Kelly Pauling
Watonwan County Auditor/Treasurer/Coordinator

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Representation of Watonwan County
St. James, Minnesota
Summary Schedule of Prior Audit Findings
For the Year Ended December 31, 2022

Finding Number: 2021-001
Year of Finding Origination: 2021
Finding Title: Audit Adjustments

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

Summary of Corrective Action Previously Reported: Implementing new procedures to review balances and properly classify revenue.

Status: Fully Corrected. Corrective action was taken.

Corrective action taken was not significantly different than the action previously reported.

Finding Number: 2021-002
Year of Finding Origination: 2021
Finding Title: Eligibility
Program: 93.778 Medical Assistance Program

Summary of Condition: The Minnesota Department of Human Services (DHS) maintains the computer systems, MAXIS and METS, which are used by Watonwan County to support the eligibility determination process. 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:

- 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.

Summary of Corrective Action Previously Reported: 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.

Status: Fully Corrected. Corrective action was taken.

Corrective action taken was not significantly different than the action previously reported.

Finding Number: 2021-003

Year of Finding Origination: 2021

Finding Title: Reporting

Program: 93.778 Medical Assistance Program

Summary of 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.

Summary of Corrective Action Previously Reported: 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.

Status: Fully Corrected. Corrective action was taken.

Corrective action taken was not significantly different than the action previously reported.

Finding Number: 2021-004

Year of Finding Origination: 2021

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

Summary of 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.

Summary of Corrective Action Previously Reported: 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.

Status: Fully Corrected. Corrective action was taken.

Corrective action taken was not significantly different than the action previously reported.