State of Minnesota

Office of the State Auditor

Julie Blaha
State Auditor

Faribault County
(Including the Faribault County Economic Development Authority)
Blue Earth, 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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Faribault County
(Including the Faribault County Economic Development Authority)
Blue Earth, Minnesota

Year Ended December 31, 2022

Office of the State Auditor

Audit Practice Division
Office of the State Auditor
State of Minnesota

Faribault County
Blue Earth, Minnesota

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Introductory Section

Faribault County
Blue Earth, Minnesota

Organization
December 31, 2022

			Term Expires
Elected			
Commissioners			
Board Member	John Roper	District 1	January 2025
Chair	Greg Young	District 2	January 2027
Board Member	William Groskreutz, Jr.	District 3	January 2025
Board Member	Tom Loveall	District 4	January 2027
Vice Chair	Bruce Anderson	District 5	January 2025
Attorney	Cameron Davis		January 2027
Auditor/Treasurer/ Coordinator	Darren Esser		January 2027
Judge	Troy Timmerman		January 2027
County Recorder	Sheryl Asmus		January 2027
Registrar of Titles	Sheryl Asmus		January 2027
County Sheriff	Mike Gormley		January 2027
Appointed			
Assessor	Gertrude Paschke		December 2024
County Engineer	Mark Daly		May 1, 2024
Veterans Service Officer	Jenna Schmidtke		Indefinite
Medical Examiner	Aaron Johnson, M.D.		December 31, 2025
Economic Development Authority Board			
Commissioner	Greg Young		December 31, 2022
Commissioner	William Groskreutz, Jr.		December 31, 2022
Chair	John Herman	Wells	December 31, 2026
Vice Chair	Lars Bierly	Blue Earth	December 31, 2025
Secretary/Treasurer	Vickie Savick	Kiester	December 31, 2023
Board Member	David Roper	Blue Earth	December 31, 2022
Board Member	Tim Hynes	Winnebago	December 31, 2027

Financial Section

Julie Blaha
State Auditor

Office of the State Auditor

Suite 500
525 Park Street
Saint Paul, MN 55103

Independent Auditor's Report

Board of County Commissioners
Faribault County
Blue Earth, Minnesota

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Faribault 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, based on our audit and the report of other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Faribault County as of December 31, 2022, and the respective changes in financial position, and, where applicable, its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the Faribault County Housing and Redevelopment Authority (HRA), which is a discretely presented component unit and represents two percent, two percent, and 97 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units as of December 31, 2022, and the respective changes in financial position thereof for the year then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Faribault County HRA component unit, is based solely on the report of the other auditors.

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

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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; Budgetary Comparison Schedules for the General Fund, Public Works Special Revenue Fund, Human Services Special Revenue Fund, and Ditch Special Revenue Fund; 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 Faribault County's basic financial statements. The Budgetary Comparison Schedule for the Debt Service Fund, combining nonmajor enterprise funds and fiduciary funds financial statements, Faribault County Economic Development Authority (EDA) component unit 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 reports dated January 4, 2024, on our consideration of Faribault County's and the Faribault County EDA component unit's internal control over financial reporting and on our tests of their compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of these reports 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 Faribault County's and the Faribault County EDA component unit's internal control over financial reporting or on compliance. The reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Faribault County's and the Faribault County EDA component unit's internal control over financial reporting and compliance.

/s/Julie Blaha

Julie Blaha
State Auditor

/s/Chad Struss

Chad Struss, CPA
Deputy State Auditor

January 4, 2024

Management’s Discussion and Analysis

Faribault County
Blue Earth, Minnesota

Management's Discussion and Analysis
December 31, 2022
(Unaudited)

Faribault County's Management's Discussion and Analysis (MD&A) provides an overview of the County's financial activities for the fiscal year ended December 31, 2022. Since this information is designed to focus on the current year's activities, resulting changes, and currently known facts, it should be read in conjunction with the County's financial statements.

Financial Highlights

- Governmental activities' total net position is $82,456,662, of which $63,799,512 is the net investment in capital assets, and $18,318,907 is restricted to specific purposes.

- Business-type activities' total net position is $553,406, of which $492,357 is the net investment in capital assets.

- Faribault County's governmental activities' net position increased by $6,744,956 for the year ended December 31, 2022. The net position of the County's business-type activities decreased by $63,014.

- The net cost of governmental activities was $8,589,629 for the current fiscal year. The net cost was funded by general revenues and other items totaling $15,334,585. The net cost of business-type activities was $63,014.

- Governmental funds' fund balances increased by $2,768,342.

Overview of the Financial Statements

This MD&A is intended to serve as an introduction to the basic financial statements. Faribault County's basic financial statements consist of three parts: government-wide financial statements, fund financial statements, and notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

There are two government-wide financial statements. The Statement of Net Position and the Statement of Activities (Exhibits 1 and 2) provide information about the activities of the County as a whole and present a longer-term view of the County's finances. Fund financial statements start on Exhibit 3. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the County's operations in more detail than the government-wide statements by providing information about the County's most significant funds. The remaining statements provide financial information about activities for which the County acts solely as a trustee or agent for the benefit of those outside of the government.

Government-Wide Financial Statements—The Statement of Net Position and the Statement of Activities

Our analysis of the County as a whole begins on Exhibit 1. The Statement of Net Position and the Statement of Activities report information about the County as a whole and about its activities in a way that helps the reader determine whether the County's financial condition has improved or declined as a result of the year's activities. These statements include all assets, deferred outflows/inflows of resources, and liabilities using the full accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year’s revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the County’s net position and changes in it. You can think of the County’s net position—the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources—as one way to measure the County’s financial health or financial position. Over time, increases or decreases in the County’s net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the County’s property tax base and the condition of County roads, to assess the overall health of the County.

In the Statement of Net Position and the Statement of Activities, we divide the County into three kinds of activities:

- Governmental activities—Most of the County’s basic services are reported here, including general government, public safety, highways and streets, sanitation, human services, culture and recreation, conservation of natural resources, and economic development. Property taxes and state and federal grants finance most of these activities.

- Business-type activities—The County charges a fee to customers to help it cover all or most of the cost of the services it provides. The Huntley and Riverside Heights Service District activities are reported here.

- Component units—The County includes two separate legal entities in its report. The Faribault County Housing and Redevelopment Authority and the Faribault County Economic Development Authority are presented in separate columns. Although legally separate, these “component units” are important because the County is financially accountable for them.

Fund Financial Statements

Our analysis of the County’s major funds begins on Exhibit 3 and provides detailed information about the significant funds—not the County as a whole. Some funds are required to be established by state law and by bond covenants. However, the County Board establishes some funds to help it control and manage money for a particular purpose or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The County’s two kinds of funds—governmental and proprietary—use different accounting methods.

- Governmental funds—Most of the County’s basic services are reported in governmental funds, which focus on how money flows in and out of those funds and the balances left at year-end available for spending. These funds are reported using an accounting method called modified accrual accounting. The modified accrual basis of accounting is used in conjunction with the current financial resources measurement focus that modifies the accrual basis of accounting in two important ways: (1) revenues are not recognized until they are measurable and available, and (2) expenditures are recognized in the period in which governments in general normally liquidate the related liability rather than when that liability is first incurred (if earlier). The governmental fund statements provide a detailed short-term view of the County’s general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the County’s programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation following each governmental fund financial statement.

- Proprietary funds—When the County charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the County’s enterprise fund presents the same information as the business-type activities in the government-wide statements but provides more detail and additional information, such as cash flows.

Reporting the County's Fiduciary Responsibilities

The County is the trustee, or fiduciary, over assets that can be used only for the trust beneficiaries based on the trust arrangement. All of the County's fiduciary activities are reported in separate statements. We exclude these activities from the County's other financial statements because the County cannot use these assets to finance its operations. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

The County as a Whole

The County's combined net position increased from $76,328,126 to $83,010,068. Our analysis focuses on the net position (Table 1) and changes in net position (Table 2) of the County's governmental activities and business-type activities.

Table 1
Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2022	2021	2022	2021	2022	2021
Assets						
Current and other assets	$ 50,075,044	$ 42,479,138	$ 71,359	$ 75,951	$ 50,146,403	$ 42,555,089
Capital assets	80,803,088	69,679,840	799,357	855,469	81,602,445	70,535,309
Total Assets	$ 130,878,132	$112,158,978	$ 870,716	$ 931,420	$ 131,748,848	$113,090,398
Deferred Outflows of Resources	$ 6,439,530	$ 4,987,420	$ -	$ -	$ 6,439,530	$ 4,987,420
Liabilities						
Long-term liabilities	$ 46,225,517	$ 32,995,436	$ 307,000	$ 315,000	$ 46,532,517	$ 33,310,436
Other liabilities	8,307,310	1,866,829	10,310	-	8,317,620	1,866,829
Total Liabilities	$ 54,532,827	$ 34,862,265	$ 317,310	$ 315,000	$ 54,850,137	$ 35,177,265
Deferred Inflows of Resources	$ 328,173	$ 6,572,427	$ -	$ -	$ 328,173	$ 6,572,427
Net Position						
Net investment in capital assets	$ 63,799,512	$ 63,824,432	$ 492,357	$ 540,469	$ 64,291,869	$ 64,364,901
Restricted	18,318,907	18,725,567	-	-	18,318,907	18,725,567
Unrestricted	338,243	(6,838,293)	61,049	75,951	399,292	(6,762,342)
Total Net Position	$ 82,456,662	$ 75,711,706	$ 553,406	$ 616,420	$ 83,010,068	$ 76,328,126

The net position of the County's governmental activities increased by $6,744,956, or 8.91 percent. Unrestricted net position—the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements—changed from ($6,838,293) at December 31, 2021, to $338,243 at the end of this year. Net position of the business-type activities decreased by $63,014, or 10.22 percent.

Table 2
Change in Net Position

	Governmental Activities 2022	Governmental Activities 2021	Business-Type Activities 2022	Business-Type Activities 2021	Total Primary Government 2022	Total Primary Government 2021
Revenues						
Program revenues						
Fees, charges, fines, and other	$ 5,351,052	$ 4,446,823	$ 18,251	$ 20,002	$ 5,369,303	$ 4,466,825
Operating grants and contributions	13,643,211	10,442,079	-	-	13,643,211	10,442,079
Capital grants and contributions	480,745	416,599	-	-	480,745	416,599
General revenues						
Property taxes	12,194,186	11,834,990	-	-	12,194,186	11,834,990
Grants and contributions not restricted to specific programs	1,542,503	1,185,698	-	-	1,542,503	1,185,698
Unrestricted investment earnings	1,134,222	418,398	-	-	1,134,222	418,398
Miscellaneous and other	463,674	411,196	-	-	463,674	411,196
Total Revenues	$ 34,809,593	$ 29,155,783	$ 18,251	$ 20,002	$ 34,827,844	$ 29,175,785
Expenses						
General government	$ 7,563,327	$ 5,007,941	$ -	$ -	$ 7,563,327	$ 5,007,941
Public safety	5,246,023	3,595,803	-	-	5,246,023	3,595,803
Highways and streets	7,696,553	7,842,261	-	-	7,696,553	7,842,261
Transit	20,520	-	-	-	20,520	-
Sanitation	332,559	279,398	81,265	67,953	413,824	347,351
Human services	2,661,475	2,151,570	-	-	2,661,475	2,151,570
Culture and recreation	395,367	346,131	-	-	395,367	346,131
Conservation of natural resources	3,293,919	5,419,150	-	-	3,293,919	5,419,150
Economic development	80,658	106,180	-	-	80,658	106,180
Interest	774,236	400,759	-	-	774,236	400,759
Total Expenses	$ 28,064,637	$ 25,149,193	$ 81,265	$ 67,953	$ 28,145,902	$ 25,217,146
Changes in Net Position	$ 6,744,956	$ 4,006,590	$ (63,014)	$ (47,951)	$ 6,681,942	$ 3,958,639
Net Position – January 1	75,711,706	71,705,116	616,420	664,371	76,328,126	72,369,487
Net Position – December 31	$ 82,456,662	$ 75,711,706	$ 553,406	$ 616,420	$ 83,010,068	$ 76,328,126

Governmental Activities

Revenues for the County's governmental activities were $34,809,593, while total expenses were $28,064,637. However, as shown in the Statement of Activities (Exhibit 2), the amount that taxpayers ultimately financed for these activities through County taxes and other general revenues was $15,334,585, because some of the cost was paid by those who directly benefited from the programs ($5,351,052) or by other governments and organizations that subsidized certain programs with grants and contributions ($14,123,956). Overall, the County's governmental program revenues, including intergovernmental aid and fees for services, totaled $19,475,008. The County paid for the remaining "public benefit" portion of governmental activities with $15,334,585 in general revenues, which consisted primarily of taxes (some of which could be used only for certain programs) and other revenues, such as interest and general entitlements.

Table 3 presents the cost of each of the County's five largest program functions, as well as each function's net cost (total cost, less revenues generated by the activities). The net cost shows the financial burden that was placed on the County's taxpayers by each of these functions.

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2022	2021	2022	2021
Expenses				
Highways and streets	$ 7,696,553	$ 7,842,261	$ (2,797,340)	$ (1,941,530)
Public safety	5,246,023	3,595,803	4,451,859	2,922,439
General government	7,563,327	5,007,941	4,386,084	4,209,199
Conservation of natural resources	3,293,919	5,419,150	(1,157,232)	2,398,273
Human services	2,661,475	2,151,570	2,661,475	1,663,620
All others	1,603,340	1,132,468	1,044,783	591,691
Total Expenses	$ 28,064,637	$ 25,149,193	$ 8,589,629	$ 9,843,692

The County's Funds

As the County completed the year, its governmental funds (as presented in the Balance Sheet on Exhibit 3) reported a combined fund balance of $29,494,228, which is above last year's total of $26,725,886.

The General Fund showed a decrease of $2,653,257. The decrease was due to an increase in capital outlay expenditures for the courthouse renovations, positive variances in intergovernmental revenues, charges for services, fines and forfeits, gifts and contributions, investment earnings, and licenses and permits revenue compared to budgeted amounts. General government also saw expenditures in excess of budget.

The Public Works Special Revenue Fund showed an increase of $4,783,720 mostly due to selling debt for highway repairs and maintenance projects.

The Human Services Special Revenue Fund increased by $126,244 caused by less than anticipated payments to the Faribault – Martin County Human Services Board.

The Ditch Special Revenue Fund showed an increase of $404,933. The increase is due to collections of special assessments for projects completed in previous years and decreased project costs in the current year.

The Debt Service Fund increased by $106,702. The increase is due to the sale of bonds for State Aid Highway improvements.

The General Fund's fund balance is 53.2 percent of the total governmental funds, compared to 68.6 percent at the end of 2021.

General Fund Budgetary Highlights

At year-end 2022 revenues exceeded budgeted amounts by $2,412,393. The majority of the positive variance in revenues is the $1,591,120 positive variance in intergovernmental revenue which was from the federal grant received for the broadband project. This revenue was not included in the 2022 budget. General government expenditures were $997,804 over budget, primarily due to other general government expenditures related to the broadband project. Positive variances were seen in sanitation in the amount of $150,264, culture and recreation in the amount of $14,999, conservation of natural resources in the amount of $99,855, and economic development in the amount of $32,393.

Capital Assets and Debt Administration

Capital Assets

At the end of 2022, the County had $81,602,445 invested in a broad range of capital assets, including land, buildings, highways and streets, and equipment. (See Table 4.) This amount represents a net increase (including additions and deductions) of $11,067,136, or 15.7 percent, from last year.

Table 4
Capital Assets at Year-End
(Net of Depreciation)

	2022	2021
Governmental Activities		
Land	$ 1,965,315	$ 1,965,315
Construction in progress	4,364,185	5,172,585
Buildings and improvements	8,771,783	9,150,069
Other improvements	2,255	4,338
Machinery and equipment	3,006,767	3,529,710
Infrastructure	62,692,783	49,857,823
Total	$ 80,803,088	$ 69,679,840
Business-Type Activities		
Land	$ 27,643	$ 27,643
Machinery and equipment	-	4,665
Infrastructure	771,714	823,161
Total	$ 799,357	$ 855,469

There is more detailed information on capital assets in the notes to the financial statements.

Debt

At year-end, the County had $28,550,000 in governmental activities bonds outstanding, versus $20,070,000 for last year. Table 5 shows the outstanding debt.

Table 5
Outstanding Debt at Year-End

	2022	2021
Governmental Activities		
Bonds payable	$ 28,550,000	$ 20,070,000
Business-Type Activities		
Bonds payable	$ 307,000	$ 315,000

The County's general obligation bond rating was set at an Aa3 rating by Moody's Investors Service as rated in 2022. The state limits the amount of net debt that the County can issue to three percent of the market value of all taxable property in the County. The County's outstanding net debt is significantly below this state-imposed limit. More detailed information about the County's long-term liabilities is presented in the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

The County's elected and appointed officials considered many factors when setting the fiscal year 2023 budget, tax rates, and fees that will be charged.

- The County's General Fund expenditures for 2023 are budgeted to increase 0.68 percent from 2022. Most of this increase is for personnel cost-of-living and benefit increases and an increase in debt service expenditures for a recent bond issuance.

- Agricultural land prices have begun to increase after several years of significant increases followed by a short period of stabilization. County assessment values were projected to be steady for 2023 payable taxes but will increase for taxes payable in 2024. Agricultural land prices are a significant part of the County's tax base and are a reliable source of property tax revenue.

- Property tax levies have increased 2.9 percent for 2023. Significant decreases in the Human Services levy allowed for that relatively modest increase.

Contacting the County's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact County Auditor/Treasurer Amy Sathoff, Faribault County Courthouse, 415 North Main Street, PO Box 130, Blue Earth, Minnesota 56013.

Basic Financial Statements

Government-Wide Financial Statements

Faribault County
Blue Earth, Minnesota

Exhibit 1

Statement of Net Position
December 31, 2022

	Primary Government			Discretely Presented Component Units	
	Governmental Activities	Business-Type Activities	Total	Housing and Redevelopment Authority	Economic Development Authority
Assets					
Cash and pooled investments	$ 32,782,980	$ 53,688	$ 32,836,668	$ 100	$ 398,655
Petty cash and change funds	2,562	-	2,562	-	-
Cash with fiscal agent	-	-	-	12,335	-
Taxes receivable					
Delinquent	145,773	-	145,773	-	-
Special assessments receivable					
Delinquent	59,315	10,239	69,554	-	-
Noncurrent	9,122,986	6,530	9,129,516	-	-
Accounts receivable	80,931	-	80,931	30	-
Accrued interest receivable	135,977	-	135,977	-	-
Due from other governments	7,006,611	902	7,007,513	-	-
Advance to other governments	75,000	-	75,000	-	-
Loans receivable	36,412	-	36,412	-	241,691
Inventories	626,497	-	626,497	-	-
Capital assets					
Non-depreciable	6,329,500	27,643	6,357,143	-	-
Depreciable – net of accumulated depreciation	74,473,588	771,714	75,245,302	-	-
Total Assets	**$ 130,878,132**	**$ 870,716**	**$ 131,748,848**	**$ 12,465**	**$ 640,346**
Deferred Outflows of Resources					
Deferred other postemployment benefits outflows	$ 1,556,489	$ -	$ 1,556,489	$ -	$ -
Deferred pension outflows	4,883,041	-	4,883,041	-	-
Total Deferred Outflows of Resources	**$ 6,439,530**	**$ -**	**$ 6,439,530**	**$ -**	**$ -**

Faribault County
Blue Earth, Minnesota

Exhibit 1
(Continued)

Statement of Net Position
December 31, 2022

	Primary Government			Discretely Presented Component Units	
	Governmental Activities	**Business-Type Activities**	**Total**	**Housing and Redevelopment Authority**	**Economic Development Authority**
Liabilities					
Accounts payable	$ 1,909,371	$ 10,310	$ 1,919,681	$ -	$ -
Salaries payable	144,476	-	144,476	-	-
Contracts payable	1,344,605	-	1,344,605	-	-
Due to other governments	230,476	-	230,476	-	-
Accrued interest payable	322,416	-	322,416	-	-
Unearned revenue	2,412,084	-	2,412,084	-	-
Long-term liabilities					
Due within one year	1,943,882	-	1,943,882	-	-
Due in more than one year	29,142,398	307,000	29,449,398	-	-
Other postemployment benefits liability	8,344,634	-	8,344,634	-	-
Net pension liability	8,738,485	-	8,738,485	-	-
Total Liabilities	**$ 54,532,827**	**$ 317,310**	**$ 54,850,137**	**$ -**	**$ -**
Deferred Inflows of Resources					
Deferred other postemployment benefits inflows	$ 156,852	$ -	$ 156,852	$ -	$ -
Deferred pension inflows	171,321	-	171,321	-	-
Total Deferred Inflows of Resources	**$ 328,173**	**$ -**	**$ 328,173**	**$ -**	**$ -**
Net Position					
Net investment in capital assets	$ 63,799,512	$ 492,357	$ 64,291,869	$ -	$ -
Restricted for					
General government	767,539	-	767,539	-	-
Public safety	749,646	-	749,646	-	-
Highways and streets	10,825,622	-	10,825,622	-	-
Sanitation	1,563,300	-	1,563,300	-	-
Conservation of natural resources	1,516,808	-	1,516,808	-	-
Debt service	2,801,793	-	2,801,793	-	-
Opioid remediation activities	94,199	-	94,199	-	-
Housing assistance payments	-	-	-	8,600	-
Commercial rehabilitation loans	-	-	-	-	281,132
Unrestricted	338,243	61,049	399,292	3,865	359,214
Total Net Position	**$ 82,456,662**	**$ 553,406**	**$ 83,010,068**	**$ 12,465**	**$ 640,346**

Faribault County
Blue Earth, Minnesota

Statement of Activities
For the Year Ended December 31, 2022

		Program Revenues	
	Expenses	Fees, Charges, Fines, and Other	Operating Grants and Contributions
Functions/Programs			
Primary government			
Governmental activities			
General government	$ 7,563,327	$ 670,231	$ 2,507,012
Public safety	5,246,023	494,233	299,931
Highways and streets	7,696,553	88,894	9,924,254
Transit	20,520	-	-
Sanitation	332,559	377,620	72,440
Human services	2,661,475	-	-
Culture and recreation	395,367	66,672	41,825
Conservation of natural resources	3,293,919	3,653,402	797,749
Economic development	80,658	-	-
Interest	774,236	-	-
Total governmental activities	**$ 28,064,637**	**$ 5,351,052**	**$ 13,643,211**
Business-type activities			
Huntley Service District	$ 70,955	$ 18,251	$ -
Riverside Heights Service District	10,310	-	-
Total business-type activities	**$ 81,265**	**$ 18,251**	**$ -**
Total Primary Government	**$ 28,145,902**	**$ 5,369,303**	**$ 13,643,211**

Exhibit 2

	Net (Expense) Revenue and Changes in Net Position				
	Primary Government			Discretely Presented Component Units	
Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Housing and Redevelopment Authority	Economic Development Authority
$ -	$ (4,386,084)	$ -	$ (4,386,084)		
-	(4,451,859)	-	(4,451,859)		
480,745	2,797,340	-	2,797,340		
-	(20,520)	-	(20,520)		
-	117,501	-	117,501		
-	(2,661,475)	-	(2,661,475)		
-	(286,870)	-	(286,870)		
-	1,157,232	-	1,157,232		
-	(80,658)	-	(80,658)		
-	(774,236)	-	(774,236)		
$ 480,745	**$ (8,589,629)**	**$ -**	**$ (8,589,629)**		
$ -	$ -	$ (52,704)	$ (52,704)		
-	-	(10,310)	(10,310)		
$ -	**$ -**	**$ (63,014)**	**$ (63,014)**		
$ 480,745	**$ (8,589,629)**	**$ (63,014)**	**$ (8,652,643)**		

Faribault County
Blue Earth, Minnesota

Statement of Activities
For the Year Ended December 31, 2022

	Expenses	Program Revenues: Fees, Charges, Fines, and Other	Program Revenues: Operating Grants and Contributions
Component units			
Housing and Redevelopment Authority	$ 309,532	$ -	$ 317,795
Economic Development Authority	7,966	8,621	-
Total Component Units	**$ 317,498**	**$ 8,621**	**$ 317,795**

General Revenues
- Property taxes
- Mortgage registry and deed tax
- Payments in lieu of tax
- Wheelage tax
- Grants and contributions not restricted to specific programs
- Unrestricted investment earnings
- Miscellaneous

Total general revenues

Change in net position

Net Position – Beginning

Net Position – Ending

Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Primary Government: Governmental Activities	Business-Type Activities	Total	Discretely Presented Component Units: Housing and Redevelopment Authority	Economic Development Authority
$ -				$ 8,263	$ -
-				-	655
$ -				**$ 8,263**	**$ 655**
	$ 12,194,186	$ -	$ 12,194,186	$ -	$ -
	15,997	-	15,997	-	-
	72,171	-	72,171	-	-
	166,594	-	166,594	-	-
	1,542,503	-	1,542,503	-	-
	1,134,222	-	1,134,222	-	-
	208,912	-	208,912	-	-
	$ 15,334,585	**$ -**	**$ 15,334,585**	**$ -**	**$ -**
	$ 6,744,956	**$ (63,014)**	**$ 6,681,942**	**$ 8,263**	**$ 655**
	75,711,706	**616,420**	**76,328,126**	**4,202**	**639,691**
	$ 82,456,662	**$ 553,406**	**$ 83,010,068**	**$ 12,465**	**$ 640,346**

Fund Financial Statements

Governmental Funds

Faribault County
Blue Earth, Minnesota

Balance Sheet
Governmental Funds
December 31, 2022

	General	Public Works
Assets		
Cash and pooled investments	$ 10,150,433	$ 8,976,404
Petty cash and change funds	2,265	297
Taxes receivable		
Delinquent	89,875	14,361
Special assessments receivable		
Delinquent	45,591	-
Noncurrent	348,445	-
Accounts receivable	56,727	12,080
Accrued interest receivable	80,180	24,903
Interfund receivable	9,004,574	-
Due from other funds	1,046,948	7,717,045
Due from other governments	1,676,147	4,264,619
Advance to other governments	75,000	-
Inventories	-	626,497
Loans receivable	36,412	-
Total Assets	**$ 22,612,597**	**$ 21,636,206**
Liabilities, Deferred Inflows of Resources, and Fund Balances		
Liabilities		
Accounts payable	$ 1,635,817	$ 79,937
Salaries payable	108,196	36,280
Contracts payable	1,024,363	292,722
Interfund payable	-	-
Due to other funds	-	61,349
Due to other governments	217,895	1,721
Unearned revenue	2,412,084	-
Total Liabilities	**$ 5,398,355**	**$ 472,009**
Deferred Inflows of Resources		
Unavailable revenue	**$ 1,513,904**	**$ 4,275,968**

Exhibit 3

Human Services	Ditch	Debt Service	Total Governmental Funds
$ 2,495,228	$ -	$ 11,160,915	$ 32,782,980
-	-	-	2,562
30,535	-	11,002	145,773
-	13,724	-	59,315
-	8,774,541	-	9,122,986
-	12,124	-	80,931
-	-	30,894	135,977
-	-	-	9,004,574
-	61,349	-	8,825,342
-	1,065,845	-	7,006,611
-	-	-	75,000
-	-	-	626,497
-	-	-	36,412
$ 2,525,763	**$ 9,927,583**	**$ 11,202,811**	**$ 67,904,960**
$ -	$ 193,617	$ -	$ 1,909,371
-	-	-	144,476
-	27,520	-	1,344,605
-	9,004,574	-	9,004,574
-	-	8,763,993	8,825,342
-	10,860	-	230,476
-	-	-	2,412,084
$ -	**$ 9,236,571**	**$ 8,763,993**	**$ 23,870,928**
$ 24,211	**$ 8,717,035**	**$ 8,686**	**$ 14,539,804**

Faribault County
Blue Earth, Minnesota

Balance Sheet
Governmental Funds
December 31, 2022

	General	Public Works
Liabilities, Deferred Inflows of Resources, and Fund Balances (Continued)		
Fund Balances		
Nonspendable		
Inventories	$ -	$ 626,497
Advances	75,000	-
Restricted for		
Law library	1,563	-
Recorder's technology equipment	503,627	-
Recorder's compliance	236,983	-
E-911	413,389	-
Drug abuse resistance education (DARE)	79,957	-
Solid waste projects	1,563,300	-
Aquatic invasive species	138,452	-
Riparian aid	340,055	-
Permit to carry	194,364	-
Sheriff's contingency	5,000	-
Sheriff's forfeitures	1,378	-
Attorney's forfeitures	25,366	-
Probation	55,558	-
Capital improvements	1,046,948	-
Highway projects	-	7,108,084
State aid highway improvements	-	7,717,045
Ditch maintenance and repairs	-	-
Debt service	-	-
Opioid remediation activities	-	-
Committed for		
Human services	-	-
Assigned to		
Public Works	-	1,436,603
Unassigned	11,019,398	-
Total Fund Balances	**$ 15,700,338**	**$ 16,888,229**
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	**$ 22,612,597**	**$ 21,636,206**

Exhibit 3

(Continued)

Human Services	Ditch	Debt Service	Total Governmental Funds
$ -	$ -	$ -	$ 626,497
-	-	-	75,000
-	-	-	1,563
-	-	-	503,627
-	-	-	236,983
-	-	-	413,389
-	-	-	79,957
-	-	-	1,563,300
-	-	-	138,452
-	-	-	340,055
-	-	-	194,364
-	-	-	5,000
-	-	-	1,378
-	-	-	25,366
-	-	-	55,558
-	-	-	1,046,948
-	-	-	7,108,084
-	-	-	7,717,045
-	774,570	-	774,570
-	-	2,430,132	2,430,132
94,199	-	-	94,199
2,407,353	-	-	2,407,353
-	-	-	1,436,603
-	(8,800,593)	-	2,218,805
$ 2,501,552	**$ (8,026,023)**	**$ 2,430,132**	**$ 29,494,228**
$ 2,525,763	**$ 9,927,583**	**$ 11,202,811**	**$ 67,904,960**

Faribault County
Blue Earth, Minnesota

Exhibit 4

Reconciliation of Fund Balances of Governmental Funds to Net Position—Governmental Activities
December 31, 2022

Fund balance – total governmental funds (Exhibit 3)		**$ 29,494,228**
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.		80,803,088
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources – unavailable revenue in the governmental funds.		14,539,804
Governmental funds do not report a liability for accrued interest on long-term liabilities until due and payable.		(322,416)
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	$ (23,405,000)	
Special assessment bonds	(5,145,000)	
Bond premium	(1,468,468)	
Compensated absences payable	(1,067,812)	
Other postemployment benefits liability	(8,344,634)	
Net pension liability	(8,738,485)	(48,169,399)
Deferred outflows of resources and deferred inflows of resources resulting from changes in the components of the other postemployment benefits liability are not reported in the governmental funds.		
Deferred other postemployment benefits outflows		1,556,489
Deferred other postemployment benefits inflows		(156,852)
Deferred outflows of resources and deferred inflows of resources resulting from changes in the components of the net pension liability are not reported in the governmental funds.		
Deferred pension outflows		4,883,041
Deferred pension inflows		(171,321)
Net Position of Governmental Activities (Exhibit 1)		**$ 82,456,662**

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

Faribault County
Blue Earth, Minnesota

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

	General		Public Works	
Revenues				
Taxes	$	7,656,912	$	1,345,027
Special assessments		499,467		-
Licenses and permits		4,935		-
Intergovernmental		3,172,862		7,762,729
Settlements		-		-
Charges for services		1,166,261		72,223
Fines and forfeits		24,341		-
Gifts and contributions		63,171		-
Investment earnings		657,312		144,020
Miscellaneous		335,027		83,343
Total Revenues	**$**	**13,580,288**	**$**	**9,407,342**
Expenditures				
Current				
General government	$	6,296,058	$	-
Public safety		4,566,729		-
Highways and streets		-		14,390,191
Transit		20,520		-
Sanitation		332,559		-
Culture and recreation		180,150		215,072
Conservation of natural resources		891,942		-
Economic development		83,607		-
Intergovernmental				
Highways and streets		-		735,271
Human services		-		-
Capital outlay				
General government		3,861,980		-
Debt service				
Principal		-		-
Interest		-		-
Bond issuance costs		-		-
Administrative charges		-		-
Total Expenditures	**$**	**16,233,545**	**$**	**15,340,534**
Excess of Revenues Over (Under) Expenditures	**$**	**(2,653,257)**	**$**	**(5,933,192)**

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

Exhibit 5

Human Services	Ditch	Debt Service	Total Governmental Funds
$ 2,457,608	$ -	$ 906,588	$ 12,366,135
-	2,732,622	-	3,232,089
-	-	-	4,935
235,912	94,693	1,080,825	12,347,021
94,199	-	-	94,199
-	-	-	1,238,484
-	-	-	24,341
-	-	-	63,171
-	-	333,268	1,134,600
-	436,459	-	854,829
$ 2,787,719	**$ 3,263,774**	**$ 2,320,681**	**$ 31,359,804**
$ -	$ -	$ -	$ 6,296,058
-	-	-	4,566,729
-	-	-	14,390,191
-	-	-	20,520
-	-	-	332,559
-	-	-	395,222
-	2,363,614	-	3,255,556
-	-	-	83,607
-	-	-	735,271
2,661,475	-	-	2,661,475
-	-	-	3,861,980
-	335,000	620,000	955,000
-	159,727	423,752	583,479
-	-	203,865	203,865
-	500	3,200	3,700
$ 2,661,475	**$ 2,858,841**	**$ 1,250,817**	**$ 38,345,212**
$ 126,244	**$ 404,933**	**$ 1,069,864**	**$ (6,985,408)**

Faribault County
Blue Earth, Minnesota

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

	General	Public Works
Other Financing Sources (Uses)		
Transfers in	$ -	$ 10,959,005
Transfers out	-	-
Bonds issued	-	-
Premium on bonds issued	-	-
Total Other Financing Sources (Uses)	**$ -**	**$ 10,959,005**
Net Change in Fund Balances	**$ (2,653,257)**	**$ 5,025,813**
Fund Balances – January 1	**18,353,595**	**12,104,509**
Increase (decrease) in inventories	**-**	**(242,093)**
Fund Balances – December 31	**$ 15,700,338**	**$ 16,888,229**

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

Exhibit 5

(Continued)

Human Services	Ditch	Debt Service	Total Governmental Funds
$ -	$ -	$ -	$ 10,959,005
-	-	(10,959,005)	(10,959,005)
-	-	9,435,000	9,435,000
-	-	560,843	560,843
$ -	**$ -**	**$ (963,162)**	**$ 9,995,843**
$ 126,244	**$ 404,933**	**$ 106,702**	**$ 3,010,435**
2,375,308	**(8,430,956)**	**2,323,430**	**26,725,886**
-	**-**	**-**	**(242,093)**
$ 2,501,552	**$ (8,026,023)**	**$ 2,430,132**	**$ 29,494,228**

Exhibit 6

Reconciliation of the Changes in Fund Balances of Governmental Funds to the Statement of Activities—Governmental Activities
For the Year Ended December 31, 2022

Net change in fund balance – total governmental funds (Exhibit 5)		**$**	**3,010,435**
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	$ 14,539,804		
Unavailable revenue – January 1	(11,553,121)		2,986,683
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Also, in the statement of activities, only the gain or loss on the disposal of assets is reported; whereas, in the governmental funds, the proceeds from sales increase financial resources. Therefore, the change in net position differs from the change in fund balance by the net book value of the assets disposed.			
Expenditures for general capital assets and infrastructure	$ 15,254,167		
Current year depreciation	(4,130,919)		11,123,248
Issuing long-term debt provides current financial resources to governmental funds, while the repayment of debt consumes current financial resources. Neither transaction, however, has any effect on net position. Also, governmental funds report the net effect of premiums, discounts, and similar items when debt is first issued; whereas, those amounts are deferred and amortized over the life of the debt in the statement of activities.			
Proceeds of new debt			
General obligation bonds	$ (9,435,000)		
Premium on bond	(560,843)		(9,995,843)
Principal repayments			
General obligation bonds	$ 620,000		
Special assessment bonds	335,000		955,000
Amortization of premium on bonds			123,325

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

Faribault County
Blue Earth, Minnesota

Exhibit 6
(Continued)

Reconciliation of the Changes in Fund Balances of Governmental Funds to the Statement of Activities—Governmental Activities
For the Year Ended December 31, 2022

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	$ (242,093)	
Change in net pension asset	(62,886)	
Change in deferred other postemployment benefits outflows	(337,583)	
Change in deferred pension outflows	1,789,693	
Change in accrued interest payable	(106,517)	
Change in compensated absences	2,542	
Change in other postemployment benefits liability	(8,073)	
Change in net pension liability	(6,250,914)	
Change in deferred other postemployment benefits inflows	50,671	
Change in deferred pension inflows	3,707,268	(1,457,892)
Change in Net Position of Governmental Activities (Exhibit 2)		**$ 6,744,956**

Proprietary Funds

Faribault County
Blue Earth, Minnesota

Exhibit 7

Statement of Fund Net Position
Proprietary Funds
December 31, 2022

		Enterprise Funds
Assets		
Current assets		
Cash and pooled investments	$	53,688
Special assessments		
Delinquent		10,239
Noncurrent		6,530
Due from other governments		902
Total current assets	**$**	**71,359**
Noncurrent assets		
Capital assets		
Nondepreciable	$	27,643
Depreciable – net of accumulated depreciation		771,714
Total noncurrent assets	**$**	**799,357**
Total Assets	**$**	**870,716**
Liabilities		
Current liabilities		
Accounts payable	$	10,310
Noncurrent liabilities		
General obligation bonds payable – long-term		307,000
Total Liabilities	**$**	**317,310**
Net Position		
Net investment in capital assets	$	492,357
Unrestricted		61,049
Total Net Position	**$**	**553,406**

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

Faribault County
Blue Earth, Minnesota

Exhibit 8

Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2022

		Enterprise Funds
Operating Revenues		
Charges for services	$	10,448
Special assessments		7,803
Total Operating Revenues	**$**	**18,251**
Operating Expenses		
Administration and fiscal services	$	10,534
Depreciation		56,112
Total Operating Expenses	**$**	**66,646**
Operating Income (Loss)	**$**	**(48,395)**
Nonoperating Revenues (Expenses)		
Interest expense	$	(9,419)
Miscellaneous expense		(5,200)
Total Nonoperating Revenues (Expenses)	**$**	**(14,619)**
Change in net position	**$**	**(63,014)**
Net Position – January 1		**616,420**
Net Position – December 31	**$**	**553,406**

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

Faribault County
Blue Earth, Minnesota

Exhibit 9

Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2022
Increase (Decrease) in Cash and Cash Equivalents

		Enterprise Funds
Cash Flows from Operating Activities		
Receipts from customers	$	18,054
Payments to board members		(80)
Payments to suppliers		(144)
Net cash provided by (used in) operating activities	**$**	**17,830**
Cash Flows from Capital and Related Financing Activities		
Principal paid on long-term debt	$	(8,000)
Interest paid on long-term debt		(9,419)
Net cash provided by (used in) capital and related financing activities	**$**	**(17,419)**
Net Increase (Decrease) in Cash and Cash Equivalents	**$**	**411**
Cash and Cash Equivalents at January 1		**53,277**
Cash and Cash Equivalents at December 31	**$**	**53,688**
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities		
Operating income (loss)	**$**	**(48,395)**
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities		
Depreciation expense	$	56,112
(Increase) decrease in special assessments – delinquent		(463)
(Increase) decrease in special assessments – noncurrent		(313)
(Increase) decrease in due from other governments		579
Increase (decrease) in accounts payable		10,310
Total adjustments	**$**	**66,225**
Net Cash Provided by (Used in) Operating Activities	**$**	**17,830**

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

Fiduciary Funds

Faribault County
Blue Earth, Minnesota

Exhibit 10

Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2022

		Custodial Funds
Assets		
Cash and pooled investments	$	299,392
Taxes receivable for other governments		572,482
Special assessments receivable for other governments		80,077
Total Assets	**$**	**951,951**
Liabilities		
Due to other governments	$	293,605
Net Position		
Restricted for individuals, organizations, and other governments	**$**	**658,346**

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

Faribault County
Blue Earth, Minnesota

Exhibit 11

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

		Custodial Funds
Additions		
Contributions from individuals	$	140,239
Property tax collections for other governments		15,793,427
Other taxes and fees for other governments		547,485
License and fees collected for state		52,715
Total Additions	**$**	**16,533,866**
Deductions		
Payments of property tax to other governments	$	15,667,211
Payments to state		601,407
Payments to other entities		143,928
Total Deductions	**$**	**16,412,546**
Change in Net Position	**$**	**121,320**
Net Position – Beginning		**537,026**
Net Position – Ending	**$**	**658,346**

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

Faribault County was established February 20, 1855, and is an organized county having the powers, duties, and privileges granted counties by Minn. Stat. ch. 373. As required by accounting principles generally accepted in the United States of America, these financial statements present Faribault County (primary government) and its component units for which the County is financially accountable. 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.

Discretely Presented Component Units

While part of the reporting entity, discretely presented component units are presented in separate columns in the government-wide financial statements to emphasize that they are legally separate from the County. The following component units of Faribault County are discretely presented:

Component Units of the County

Component Unit	Included in Reporting Entity Because	Separate Financial Statements
Faribault County Economic Development Authority (EDA) provides services pursuant to Minn. Stat. §§ 469.090-469.1081.	County appoints all members, and there is a financial benefit or burden relationship with the County.	Separate financial statements are not prepared.
Faribault County Housing and Redevelopment Authority (HRA) provides services pursuant to Minn. Stat. §§ 469.001-469.047.	County appoints the Board members, must approve debt, and can impose its will.	Faribault County HRA Minnesota Valley Action Council 706 North Victory Drive Mankato, Minnesota 56001

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

Government-Wide Statements

The government-wide financial statements (the statement of net position and the statement of activities) display information about the primary government and its component units. 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. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external parties for support.

In the government-wide statement of net position, both the governmental and business-type activities columns: (a) are presented on a consolidated basis by column; and (b) are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The County's net position is reported in three parts: (1) net investment in capital assets, (2) restricted, and (3) unrestricted. 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 and the business-type activities are offset by program revenues. Direct expenses are those clearly identifiable with a specific function 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, proprietary, and fiduciary—are presented. The emphasis of governmental and proprietary fund financial statements is on major individual governmental and enterprise funds, with each displayed as separate columns in the fund financial statements.

The proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the enterprise fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operating expenses for the enterprise funds include the costs of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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 Public Works 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 establishment, location, vacation, construction, reconstruction, improvement, and maintenance of roads, bridges, and other projects affecting County roadways and parks.

- The Human Services Special Revenue Fund is used to account for committed property tax revenues and the transfer of Faribault County's share of the Faribault-Martin County Human Services Board.

- The Ditch Special Revenue Fund is used to account for the cost of constructing and maintaining an agricultural drainage ditch system. Financing is provided by special assessments levied against benefited property.

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

The County considers all governmental funds to be major.

Additionally, the County reports the following fund types:

- Enterprise funds are proprietary funds used to account for those operations that are financed and operated in a manner similar to a private business or where the County Board has decided that determination of the revenues earned, costs incurred, and/or net income is necessary for management accountability.

- 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 government-wide, proprietary, 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.

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. Faribault County considers all revenues as available if collected within 60 days after the end of the current period. 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. Property and other taxes, shared revenues, licenses, and interest are all considered susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent that they have matured. Proceeds of long-term debt and acquisitions under leases are reported as other financing sources.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or incidental activities.

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 (NAV). Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments are credited to the General Fund. Other funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants. Pooled investment earnings for 2022 were $785,727.

Faribault 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 NAV per share provided by the pool.

Cash and Cash Equivalents

Each fund's equity in the County's investment pool is treated as a cash equivalent because the funds can deposit or effectively withdraw cash at any time without prior notice or penalty.

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." Any residual balance outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

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.

No allowance for accounts receivable and uncollectible taxes/special assessments has been provided because such amounts are not expected to be material.

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 receivable.

Inventories and Prepaid Items

All inventories are valued at cost using the weighted average method. Inventories in governmental funds are recorded as expenditures when purchased. Inventories at the government-wide level are reported as expenses when consumed.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (for example, roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements and the proprietary fund financial statements. Capital assets have initial useful lives extending beyond two years and a dollar amount for capitalization per asset category as follows: all land and construction in progress are capitalized regardless of cost; machinery and equipment when the cost of individual items exceeds $5,000; other improvements and buildings and improvements when the cost exceeds $25,000; and infrastructure when the cost of projects exceeds $50,000. 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 and improvements	7-40
Other improvements	15-25
Machinery and equipment	3-20
Infrastructure	25-30

Compensated Absences

The liability for compensated absences reported in the financial statements consists of unpaid, accumulated annual 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 government-wide financial statements. 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. The current portion is calculated as 1.3 percent of the total liability. The compensated absences liability is liquidated by the General Fund and the Public Works Special Revenue Fund.

Long-Term Obligations

In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types 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 other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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 governmental funds report unavailable revenue from delinquent taxes and special assessments receivable, grants 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 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 plans and OPEB. 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 of Minnesota (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 the Public Works Special Revenue Fund.

Unearned Revenue

Governmental funds and government-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 government-wide and proprietary fund financial statements is classified in the following categories:

- Net investment in capital assets – the amount of net position representing capital assets, net of accumulated depreciation, and reduced by outstanding debt attributed to the acquisition, construction, or improvement of the assets.
- Restricted – 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 – 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's fund balance policy established a minimum unassigned fund balance equal to 35 to 50 percent of total General Fund operating expenditures. 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 are imposed 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 the 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.

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

Deficit Fund Equity – Ditch Special Revenue Fund

The Ditch Special Revenue Fund has a deficit fund balance of $8,026,023 at December 31, 2022. The deficit will be eliminated with future special assessments against benefited properties. The following is a summary of the individual ditch systems:

Summary of Ditch Systems

35 ditches with positive fund balances	$	774,570
110 ditches with deficit fund balances		(8,800,593)
Total Fund Balance	$	(8,026,023)

Excess of Expenditures Over Budget

For the year ended December 31, 2022, the Debt Service Fund’s expenditures exceed appropriations by $419,868.

Note 3 – Detailed Notes

Assets

Deposits and Investments

The County's (and EDA's) total cash and investments are reported as follows:

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

Primary government		
Governmental activities		
Cash and pooled investments	$	32,782,980
Petty cash and change funds		2,562
Business-type activities		
Cash and pooled investments		53,688
Component unit – EDA		
Cash and pooled investments		398,655
Fiduciary funds		
Cash and pooled investments		299,392
Total Cash and Investments	$	33,537,277

The HRA component unit's cash is held by its fiscal agent (see Note 7).

Deposits

The County is authorized by Minn. Stat. § 118A.02 to designate a depository 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. The County does not have a deposit policy for custodial credit risk. 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.

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. The County minimizes its exposure to interest rate risk by limiting long-term investments. County policy states that approximately 30 percent of the County's total portfolio balance as of May 31 of the year reporting may be invested in items that mature in more than one year.

Investment Maturity Dates as of December 31, 2022

Investment Type	Carrying (Fair) Value	Maturity Dates 0-1 Year	Maturity Dates Over 1 Year
U.S. government securities	$ 133,643	$ -	$ 133,643
Negotiable certificates of deposit	533,016	-	533,016
Total	$ 666,659	$ -	$ 666,659

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's investment policy is to minimize investment custodial credit risk by permitting brokers that obtained investments for the County to hold them only to the extent there is Securities Investor Protection Corporation (SIPC) coverage and excess SIPC coverage available. Securities purchased that exceed available SIPC coverage shall be transferred to the County's custodian. As of December 31, 2022, the County's investments were not subject to custodial credit risk.

Concentration of Credit Risk

The concentration of credit risk is the risk of loss that may be caused by the County's investment in a single issuer. The County's policy is to minimize concentration of credit risk by diversifying the investment so that the impact of potential losses from any one type of security will be minimized.

Investments in any one issuer that represent five percent or more of the County's investments are as follows:

Concentration of Credit Risk of Investments

Issuer	Moody's Rating	Maturity Date	Market Value
Morgan Stanley Pvt Bank	NR	03/20/2025	$ 137,814
BMO Harris Bank	NR	04/13/2026	218,378
Sallie Mae Bank	NR	07/14/2026	176,824

NR – Not Rated

Fair Value Measurement

The County measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- *Level 1*: Quoted prices for identical investments in active markets;
- *Level 2*: Observable inputs other than quoted market prices; and
- *Level 3*: Unobservable inputs.

At December 31, 2022, the County had the following recurring fair value measurements:

Recurring Fair Value Measurements as of December 31, 2022

		Fair Value Measurements Using		
	December 31, 2022	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Debt securities				
U.S. agencies	$ 133,643	$ -	$ 133,643	$ -
Negotiable certificates of deposit	533,016	-	533,016	-
Total Investments Included in the Fair Value Hierarchy	$ 666,659	$ -	$ 666,659	$ -
Investments measured at the NAV				
MAGIC Portfolio	$ 625			
Total Investments Measured at the NAV	$ 625			

Debt securities classified in Level 2 are valued using a yield-based matrix system based on the securities' relationship to benchmark quoted prices.

MAGIC is a local government investment pool which is quoted at the 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.

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 MAGIC 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 NAV not reasonably practical.

Receivables

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

Governmental Activities' Receivables as of December 31, 2022

		Total Receivables		Amounts Not Scheduled for Collection During the Subsequent Year
Governmental Activities				
Taxes – delinquent	$	145,773	$	-
Special assessments – delinquent		59,315		-
Special assessments – noncurrent		9,122,986		7,870,617
Accounts receivable		80,931		-
Accrued interest receivable		135,977		-
Due from other governments		7,006,611		-
Advance to other governments		75,000		75,000
Loans receivable		36,412		30,783
Total Governmental Activities	$	16,663,005	$	7,976,400

In July 2015, the County loaned $100,000 to the City of Walters for street overlay. The loan is to be paid back in semi-annual installments of $6,722 until paid in full on July 1, 2025. The ending loan balance at December 31, 2022, was $36,412.

Business-Type Activities' Receivables as of December 31, 2022

		Total Receivables		Amounts Not Scheduled for Collection During the Subsequent Year
Business-Type Activities				
Special assessments – delinquent	$	10,239	$	-
Special assessments – noncurrent		6,530		-
Due from other governments		902		-
Total Business-Type Activities	$	17,671	$	-

Capital Assets

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

Governmental Activities

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

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	$ 1,965,315	$ -	$ -	$ 1,965,315
Construction in progress	5,172,585	6,606,808	7,415,208	4,364,185
Total capital assets not depreciated	$ 7,137,900	$ 6,606,808	$ 7,415,208	$ 6,329,500
Capital assets depreciated				
Buildings and improvements	$ 15,294,349	$ -	$ -	$ 15,294,349
Other improvements	161,597	-	-	161,597
Machinery and equipment	11,644,294	257,904	45,238	11,856,960
Infrastructure	114,471,465	15,804,663	-	130,276,128
Total capital assets depreciated	$ 141,571,705	$ 16,062,567	$ 45,238	$ 157,589,034
Less: accumulated depreciation for				
Buildings and improvements	$ 6,144,280	$ 378,286	$ -	$ 6,522,566
Other improvements	157,259	2,083	-	159,342
Machinery and equipment	8,114,584	780,847	45,238	8,850,193
Infrastructure	64,613,642	2,969,703	-	67,583,345
Total accumulated depreciation	$ 79,029,765	$ 4,130,919	$ 45,238	$ 83,115,446
Total capital assets depreciated, net	$ 62,541,940	$ 11,931,648	$ -	$ 74,473,588
Governmental Activities Capital Assets, Net	$ 69,679,840	$ 18,538,456	$ 7,415,208	$ 80,803,088

Business-Type Activities

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

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	$ 27,643	$ -	$ -	$ 27,643
Capital assets depreciated				
Machinery and equipment	$ 70,000	$ -	$ -	$ 70,000
Infrastructure	1,543,420	-	-	1,543,420
Total capital assets depreciated	$ 1,613,420	$ -	$ -	$ 1,613,420
Less: accumulated depreciation for				
Machinery and equipment	$ 65,335	$ 4,665	$ -	$ 70,000
Infrastructure	720,259	51,447	-	771,706
Total accumulated depreciation	$ 785,594	$ 56,112	$ -	$ 841,706
Total capital assets depreciated, net	$ 827,826	$ (56,112)	$ -	$ 771,714
Governmental Activities Capital Assets, Net	$ 855,469	$ (56,112)	$ -	$ 799,357

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

Depreciation Expense Charged to Functions/Programs

Governmental Activities	
General government	$ 537,810
Public safety	178,122
Highways and streets, including depreciation of infrastructure assets	3,404,717
Conservation of natural resources	10,270
Total Depreciation Expense – Governmental Activities	$ 4,130,919
Business-Type Activities	
Huntley Sewer District	$ 56,112

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	Debt Service	$ 1,046,948	Bond proceeds
Public Works Special Revenue	Debt Service	7,717,045	Bond proceeds
Ditch Special Revenue	Public Works Special Revenue	61,349	Road billings
Total Due To/From Other Funds		$ 8,825,342	

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

Interfund Receivables/Payables

Interfund Balances as of December 31, 2022

Receivable Fund	Payable Fund	Amount
General	Ditch Special Revenue	$ 9,004,574

The interfund receivable/payable balance is due to the Ditch Special Revenue Fund overdrawing cash from the pooled cash and investments. This will be paid back with future special assessments.

Transfers In/Out

Interfund Transfers for the Year Ended December 31, 2022

Transfer In	Transfer Out	Amount	Purpose
Public Works Special Revenue	Debt Service	$ 10,959,005	Bond proceeds

Liabilities

Long-Term Debt

Governmental Activities

Bonds Payable

Bonds Payable as of December 31, 2022

Type of Indebtedness	Final Maturity	Installment Amount	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2022
General obligation bonds					
2018 G.O. Courthouse Bonds	2032	$75,000- $180,000	3.00	$ 1,370,000	$ 955,000
2020 G.O. Jail Refunding Bonds	2028	$540,000- $650,000	2.00	4,200,000	3,660,000
2021 G.O. Capital Improvement Bonds	2042	$160,000- $235,000	1.05-3.00	4,000,000	4,000,000
2021 G.O. State & Highway Bonds	2037	$295,000- $420,000	1.70-4.00	5,355,000	5,355,000
2022 G.O. State & Highway Bonds	2037	$460,000- $750,000	2.00-4.00	9,435,000	9,435,000
Total General Obligation Bonds				$ 24,360,000	$ 23,405,000
General obligation special assessment bonds					
2013 G.O. Refunding Ditch Bonds	2024	$40,000- $50,000	0.45-2.00	$ 485,000	$ 95,000
2018 G.O. Ditch Bonds – County Ditch 21	2038	$145,000- $260,000	3.00-3.30	4,015,000	3,390,000
2018 G.O. Ditch Bonds – County Ditch 41	2033	$30,000- $50,000	3.00	600,000	465,000
2018 G.O. Ditch Bonds – Judicial County Ditches 202, 314, 414, and 514	2033	$80,000- $130,000	3.00	1,530,000	1,195,000
Total General Obligation Special Assessment Bonds				$ 6,630,000	$ 5,145,000

Business-Type Activities

Bonds Payable

Bonds Payable as of December 31, 2022

Type of Indebtedness	Final Maturity	Installment Amount	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2022
2020 G.O. Revenue Refunding Bonds	2049	$8,000-$16,000	2.99	$ 339,000	$ 307,000

Debt Service Requirements

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

Governmental Activities

Debt Service Requirements as of December 31, 2022

Year Ending	General Obligation Bonds		Special Assessment Bonds	
December 31	Principal	Interest	Principal	Interest
2023	$ 1,580,000	$ 594,245	$ 350,000	$ 149,928
2024	1,645,000	543,820	360,000	139,752
2025	1,685,000	491,620	320,000	129,778
2026	1,740,000	437,895	325,000	120,103
2027	1,800,000	382,295	335,000	110,202
2028-2032	7,130,000	1,175,856	1,820,000	392,387
2033-2037	6,690,000	434,821	1,375,000	140,354
2038-2042	1,135,000	57,450	260,000	4,290
Total	$ 23,405,000	$ 4,118,002	$ 5,145,000	$ 1,186,794

Debt service payments on general obligation bonds are made from the Debt Service Fund, and debt service payments on special assessment bonds are made from the Ditch Special Revenue Fund.

Business-Type Activities

Debt Service Requirements as of December 31, 2022

Year Ending December 31	General Obligation Bonds Principal	General Obligation Bonds Interest
2023	$ -	$ -
2024	8,000	9,179
2025	9,000	8,940
2026	9,000	8,671
2027	9,000	8,402
2028-2032	47,000	37,943
2033-2037	56,000	30,438
2038-2042	64,000	21,588
2043-2047	73,000	11,482
2048-2049	32,000	1,435
Total	$ 307,000	$ 138,078

Changes in Long-Term Liabilities

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

Governmental Activities

Changes in Long-Term Liabilities for the Year Ended December 31, 2022

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Long-term liabilities					
Bonds payable					
General obligation bonds	$ 14,590,000	$ 9,435,000	$ 620,000	$ 23,405,000	$ 1,580,000
General obligation special assessment bonds	5,480,000	-	335,000	5,145,000	350,000
Plus: unamortized premiums	1,030,950	560,843	123,325	1,468,468	-
Total bonds payable	$ 21,100,950	$ 9,995,843	$ 1,078,325	$ 30,018,468	$ 1,930,000
Compensated absences	1,070,354	602,238	604,780	1,067,812	13,882
Long-Term Liabilities	$ 22,171,304	$ 10,598,081	$ 1,683,105	$ 31,086,280	$ 1,943,882

General Obligation Bonds

In 2022, Faribault County issued State Aid Highway Bonds, Series 2022A, for $9,435,000 to finance road improvements in the County. Principal payments are scheduled to begin in 2023.

Business-Type Activities

Changes in Long-Term Liabilities for the Year Ended December 31, 2022

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Long-term liabilities					
Bonds payable					
General obligation bonds	$ 315,000	$ -	$ 8,000	$ 307,000	$ -

Construction Commitments

The County has active construction projects as of December 31, 2022. The projects include the following:

Active Construction Commitments as of December 31, 2022

	Spent-to-Date	Remaining Commitment
Governmental Activities		
Courthouse remodel	$ 3,246,605	$ 1,363,677
Ditch projects	551,074	87,281

Deferred Inflows of Resources – Unavailable Revenue

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

Deferred Inflows of Resources by Fund as of December 31, 2022

Delinquent property taxes	$ 115,184
Special assessments delinquent, noncurrent, and due from other governments	8,138,605
Highway allotments that do not provide current financial resources	4,264,619
Grants	1,587,601
Miscellaneous	433,795
Total Governmental Funds	$ 14,539,804

Other Postemployment Benefits (OPEB)

Plan Description and Funding Policy

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

Under this plan, for employees and officers employed before January 1, 2002, the County pays up to 100 percent of the single or family health insurance premiums for life. The County's specific contributions depend on a variety of factors including which bargaining unit the employee was a member of, the plan chosen at retirement, and Medicare eligibility. The County finances these benefits on a pay-as-you-go basis. During 2022, the County expended $259,732 for these benefits.

The County also provides health insurance benefits for certain retired employees as required by Minn. Stat.

§ 471.61, subd. 2b. Active employees, who retire from the County when eligible to receive a retirement benefit from PERA (or a similar plan) and do not participate in any other health benefits program providing coverage similar to that herein described, are eligible to continue coverage with respect to both themselves and their eligible dependent(s) under the County's health benefits program. Retirees are required to pay 100 percent of the total group rate. Since the premium is a blended rate determined on the entire active and retiree population, the retirees, whose costs are statistically higher than the group average, are receiving an implicit rate "subsidy." For 2022, the implicit rate subsidy amount was determined by an actuarial study to be $100,266.

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

As of the December 31, 2020, actuarial valuation, the following employees were covered by the benefit terms:

Employees Covered by the OPEB Benefit Terms
As of the December 31, 2020, Actuarial Valuation

Inactive employees or beneficiaries currently receiving benefit payments	51
Active plan participants	88
Total	139

Total OPEB Liability

The County's total OPEB liability of $8,344,634 was determined by an actuarial valuation as of December 31, 2020, which was rolled forward to a measurement date of December 31, 2021. The OPEB liability is liquidated through the General Fund and the Public Works Special Revenue Fund.

The total OPEB liability 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

Actuarial cost method	Entry Age Normal, level percent of pay
Inflation	2.25 percent
Salary increases	Based on most recently disclosed assumption for the pension plan in which the employee participates.
Health care cost trend	6.30 percent, gradually decreasing over several decades to an ultimate rate of 3.80 percent in fiscal year 2075 and later years.

The current year discount rate is 1.84 percent. The discount rate is equal to the 20-year municipal bond yield using the Fidelity 20-Year Municipal GO AA Index.

PERA General Employees Plan mortality rates are based on the Pub-2010 General mortality tables with projected mortality improvements based on Scale MP-2019 and other adjustments. PERA Police and Fire Plan and PERA Correctional Plan mortality rates were based on the RP-2014 mortality tables with projected mortality improvements based on Scale MP-2019 and other adjustments.

The actuarial assumptions are currently based on a combination of historical information and the actuarial valuation for PERA as of July 1, 2020.

Changes in the Total OPEB Liability

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

Balance at January 1, 2022	$	8,336,561
Changes for the year		
Service cost	$	92,681
Interest		164,577
Differences between expected and actual experience		(33,104)
Changes in assumptions or other inputs		184,708
Benefit payments		(400,789)
Net change	$	8,073
Balance at December 31, 2022	$	8,344,634

OPEB Liability Sensitivity

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

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

	1% Decrease (0.84%)	Discount Rate (1.84%)	1% Increase (2.84%)
Total OPEB liability	$ 9,656,298	$ 8,344,634	$ 7,286,010

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

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

	1% Decrease (5.30% Decreasing to 2.80%)	Health Care Cost Trend Rate (6.30% Decreasing to 3.80%)	1% Increase (7.30% Decreasing to 4.80%)
Total OPEB liability	$ 7,178,831	$ 8,344,634	$ 9,801,292

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 $295,204. 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	$ 947,163	$ 129,800
Difference between actual and expected results	249,328	27,052
Contributions made subsequent to the measurement date	359,998	-
Total	$ 1,556,489	$ 156,852

The $359,998 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:

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	$ 382,809
2024	313,768
2025	249,968
2026	80,065
2027	13,029

Changes in Actuarial Methods and Assumptions

The following change in actuarial methods and assumptions occurred in 2022:

- The discount rate used changed from 2.00 percent to 1.84 percent based on updated 20-year municipal bond rates.

Pension Plans

Defined Benefit Pension Plans

Plan Description

All full-time and certain part-time employees of Faribault 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 Faribault 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 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.

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	$	238,039
Police and Fire Plan		207,798
Correctional Plan		82,554

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 $3,334,334 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 0.0421 percent. It was 0.0422 percent measured as of June 30, 2021. The County recognized pension expense of $458,548 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 $14,629 as grant revenue and pension expense for its proportionate share of the State of Minnesota's pension expense related to the special funding situation.

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	$	3,334,334
State of Minnesota's proportionate share of the net pension liability associated with the County		97,901
Total	$	3,432,235

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	$ 27,851	$ 35,627
Changes in actuarial assumptions	756,359	13,271
Difference between projected and actual investment earnings	52,175	-
Changes in proportion	29,978	11,496
Contributions paid to PERA subsequent to the measurement date	128,673	-
Total	$ 995,036	$ 60,394

The $128,673 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	$ 295,903
2024	316,859
2025	(108,334)
2026	301,541

Police and Fire Plan

At December 31, 2022, the County reported a liability of $4,042,641 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 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 0.0929 percent. It was 0.0888 percent measured as of June 30, 2021. The County recognized pension expense of $474,258 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 $34,271 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	$	4,042,641
State of Minnesota's proportionate share of the net pension liability associated with the County		176,681
Total	$	4,219,322

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 $8,361 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	$ 242,354	$ -
Changes in actuarial assumptions	2,342,506	22,425
Difference between projected and actual investment earnings	103,669	-
Changes in proportion	114,536	38,664
Contributions paid to PERA subsequent to the measurement date	112,572	-
Total	$ 2,915,637	$ 61,089

The $112,572 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:

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	$ 553,987
2024	549,995
2025	477,665
2026	818,698
2027	341,631

Correctional Plan

At December 31, 2022, the County reported a liability of $1,361,510 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 0.4096 percent. It was 0.3828 percent measured as of June 30, 2021. The County recognized pension expense of $469,685 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	$ -	$ 43,780
Changes in actuarial assumptions	863,379	1,927
Difference between projected and actual investment earnings	64,501	-
Changes in proportion	-	4,131
Contributions paid to PERA subsequent to the measurement date	44,488	-
Total	$ 972,368	$ 49,838

The $44,488 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:

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	$ 391,552
2024	404,968
2025	(27,857)
2026	109,379

Total Pension Expense

The total pension expense for all plans recognized by the County for the year ended December 31, 2022, was $1,402,491.

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.

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.
- 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%	$ 5,266,755	4.40%	$ 6,118,019	4.42%	$ 2,398,233
Current	6.50%	3,334,334	5.40%	4,042,641	5.42%	1,361,510
1% Increase	7.50%	1,749,450	6.40%	2,364,822	6.42%	546,415

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

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

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

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

	Employee	Employer
Contribution amount	$ 12,196	$ 12,196
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.

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.

The County participates in the health insurance program through the Minnesota Public Employees Insurance Program (PEIP). PEIP was created by special legislation under Minn. Stat. § 43A.316. PEIP provides financial risk management services that embody the concept of pooling risk for the purpose of stabilizing and/or reducing costs. Group employee benefits shall include, but not be limited to, health benefits coverage and other services as directed by the County. Members do not pay for deficiencies that arise in the current year.

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.

Joint Ventures

Faribault-Martin County Human Services Board

Martin County entered into a joint powers agreement with Faribault County (Minn. Stat. §471.59) to provide welfare and health services to county residents (Minn. Stat. §§ 402.01-.10). The Faribault-Martin-Watonwan Human Services Board was established on June 30, 1975. As of January 1, 1991, Watonwan County withdrew from the Human Services Board. Martin and Faribault Counties are continuing with the joint powers agreement. The Board has 12 members, five County Commissioners and one citizen member from each of the two counties. Each county collects its share of local tax revenues and transfers these funds to the Board to fulfill its ongoing financial responsibility.

Complete financial statements can be obtained from Human Services of Faribault and Martin Counties, 115 West First Street, Fairmont, Minnesota 56031.

Faribault/Martin County Transit Board

In January 2015, Faribault and Martin Counties entered into a joint powers agreement, pursuant to Minn. Stat. § 471.59, to provide a coordinated service delivery and funding source for public transportation. The Transit Board has ten members, five from each county. The Transit Board receives funding primarily from grants and revenues generated from passengers and contracts.

During 2022, Faribault County contributed $20,520 to the Board. Financial information can be obtained by contacting the Faribault/Martin Transit Director at 201 Lake Avenue, Fairmont, Minnesota 56031.

Prairieland Solid Waste Board (Prairieland)

Faribault County entered into a joint powers agreement with Martin County in 1990 to build and operate a solid waste composting plant, the Prairieland Solid Waste Board. Prairieland continues to place a special assessment on homeowners to offset net losses, equipment, depreciation, and future plans. Fees not sent to Prairieland will be kept in the General Fund of the County and are restricted for solid waste programs approved by the County Board.

The Prairieland Solid Waste Board reported a change in net position of $371,741 in 2022. The full faith and credit and taxing power of Faribault and Martin Counties is pledged to the payment of each county’s proportional share of the principal and interest when due.

Complete financial statements for the Prairieland Solid Waste Board can be obtained at 801 East Fifth Street North, PO Box 100, Truman, Minnesota 56088.

Rural Minnesota Energy Board

The Rural Minnesota Energy Board was established in 2005 under the authority of Minn. Stat. § 471.59. The Board includes Blue Earth, Brown, Cottonwood, Faribault, Freeborn, Jackson, Lincoln, Lyon, Martin, Mower, Murray, Nicollet, Nobles, Pipestone, Redwood, Renville, Rock, and Watonwan Counties. The purpose of the Board is to provide guidance on issues surrounding energy development in rural Minnesota and to foster the diversification of the economic climate in rural Minnesota. The focus of the Board includes, but is not limited to, renewable energy, wind energy, energy transmission lines, hydrogen energy technology, and bio-diesel and ethanol use.

The governing body is comprised of one voting member and one alternate member from each participating county's Board of Commissioners. The Board remains in existence as long as two or more counties remain parties to the agreement. Should the Board cease to exist, assets are to 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, Faribault County contributed $2,500 to the Board. Complete financial information can be obtained from the Rural Minnesota Energy Board, Slayton, Minnesota 56172.

South Central Drug Investigation Unit

The South Central Drug Investigation Unit (Drug Task Force) was established to coordinate efforts among participating local governments to apprehend and prosecute drug offenders. During the year, Faribault County paid $11,500 to the Drug Task Force.

South Central Minnesota Emergency Communications Board

The South Central Minnesota 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 Board. During the year, Faribault County contributed $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, Le Sueur, Martin, Nicollet, Sibley, Waseca, and Watonwan 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 from each participating county. The goal of the Board is to develop and maintain a quality workforce for South Central Minnesota.

Faribault County made no payments to this organization in 2022. Separate financial information can be obtained from the South Central Workforce Council, 706 North Victory Drive, Mankato, Minnesota 56001.

Jointly-Governed Organizations

Faribault County, in conjunction with other governmental entities and various private organizations, formed the jointly-governed organizations listed below:

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, Faribault County made payments of $8,779 to the Alliance.

The Minnesota Counties Computer Cooperative (MCCC) was created under Minnesota Joint Powers Law, Minn. Stat. § 471.59, to jointly provide for the establishment, operation, and maintenance of data processing systems, facilities, and management information systems. During the year, Faribault County expended $32,562 to the MCCC.

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, Faribault County made payments of $8,534 to the joint powers.

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 to the Joint Powers Board. During the year, Faribault County did not contribute to the SCEMS.

The South Central Community-Based Initiative 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. During the year, Faribault County did not contribute to the Joint Powers Board.

The Region One – Southeast Minnesota Homeland Security Emergency Management Joint Powers Board 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. There are 16 counties participating, with one member from each entity being represented on the Joint Powers Board. During the year, Faribault County contributed $1,000 to the Joint Powers Board.

The Southwest Minnesota Immunization Information Connection (SW-MIIC) 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 the year, Faribault County did not contribute to the SW-MIIC.

Three Rivers Resource Conservation & Development (RC&D) is a locally initiated, sponsored, and directed organization that works to enhance the quality of life by improving the economic, social, and environmental conditions within the area. The RC&D is lead locally by Soil and Water Conservation District Supervisors and County Commissioners from the nine-county area that is served by the RC&D. During the year, Faribault County did not contribute to the RC&D.

Agricultural Best Management Loan Program

The County has entered into an agreement with the Minnesota Department of Agriculture and a local lending institution to jointly administer a loan program to individuals to implement projects that prevent or mitigate non-point source water pollution. While the County is not liable for the repayment of the loans in any manner, it does have certain responsibilities under the program.

Opioid Settlement Funds

Faribault County is a participating government in the opioid settlement with pharmaceutical manufacturers, distributors, and pharmacy chains. The County is expected to receive $812,509 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 Services Special Revenue Fund for its 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 31, 2022, the County received $94,199 as part of the settlement.

Subsequent Events

On May 5, 2022, a lawsuit related to Faribault County Ditch #21 was settled and both parties were awarded damages. On October 26, 2022, the County received favorable judgement with a net result to the County estimated at $141,041 in damages and interest which will be received in September of 2023.

Note 6 – Faribault County Economic Development Authority (EDA)

Summary of Significant Accounting Policies

Reporting Entity

In addition to those identified in Note 1, the County’s discretely presented EDA component unit has the following significant accounting policies.

The EDA was created in 2002 and began operations in 2003 to take over the operations of the Local Redevelopment Agency. The EDA is governed by a seven-member Board. A minimum of two of the members are members of the Faribault County Board of Commissioners. All members are appointed by the Chair of the County Board of Commissioners, with approval of the Board.

Basis of Presentation

The EDA does not prepare separate financial statements. The EDA presents its one fund as a governmental fund.

Basis of Accounting

The EDA General Fund is accounted for on the modified accrual basis of accounting.

Cash and Pooled Investments

Operating cash of the EDA is on deposit with the Faribault County Auditor/Treasurer and included within its pooled cash and investments.

Detailed Notes

Assets

Receivables as of December 31, 2022, consist of $241,691 in loans made to individuals and businesses for development.

Summary of Significant Contingencies

Nonexchange Financial Guarantees

The EDA has entered into nonexchange financial guarantees with lenders to guarantee payments if the guarantee does not make loan payments. The guarantee is located in the jurisdiction of the guarantor, the EDA. Upon default of the loan, the lender will request payment for the guarantee's portion from the guarantor.

Nonexchange financial guarantees at December 31, 2022, were as follows:

Nonexchange Financial Guarantees as of December 31, 2022

Guarantee	Lender	Year of Guarantee	Outstanding Balance at December 31, 2022
Everwood Log to Home, LLC	Peoples State Bank	2011	$ 1,161
Scotty Biggs BBQ Company, LLC	First Financial Bank	2017	5,403

Note 7 – Housing and Redevelopment Authority (HRA)

Summary of Significant Accounting Policies

In addition to those identified in Note 1, the County's discretely presented HRA component unit has the following significant accounting policies.

Reporting Entity

The HRA is governed by a five-member Board of Commissioners who are appointed by the County Board. All programs of the HRA are administered by the Minnesota Valley Action Council, Inc. (MVAC). The purpose of the HRA is to promote economic development and to administer the public housing programs authorized by the U.S. Housing Act of 1937, as amended. These programs are subsidized by the federal government through the U.S. Department of Housing and Urban Development.

Basis of Presentation

The HRA prepares separate financial statements. The HRA presents its one fund as an enterprise fund.

Basis of Accounting

The HRA fund is accounted for on the full accrual basis of accounting.

Cash and Pooled Investments

All cash of the HRA is on deposit with MVAC and included within its pooled cash and investments.

Required Supplementary Information

Faribault County
Blue Earth, Minnesota

Exhibit A-1

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

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 7,857,269	$ 7,857,269	$ 7,656,912	$ (200,357)
Special assessments	499,530	499,530	499,467	(63)
Licenses and permits	2,700	2,700	4,935	2,235
Intergovernmental	1,581,742	1,581,742	3,172,862	1,591,120
Charges for services	788,682	789,622	1,166,261	376,639
Fines and forfeits	17,500	17,500	24,341	6,841
Gifts and contributions	-	-	63,171	63,171
Investment earnings	205,000	205,000	657,312	452,312
Miscellaneous	211,256	214,532	335,027	120,495
Total Revenues	**$ 11,163,679**	**$ 11,167,895**	**$ 13,580,288**	**$ 2,412,393**
Expenditures				
Current				
General government				
Commissioners	$ 357,245	$ 353,453	$ 320,619	$ 32,834
Courts	122,500	122,500	50,490	72,010
County Auditor/Treasurer	584,546	593,825	485,798	108,027
Motor vehicle/license bureau	206,176	209,422	207,773	1,649
County assessor	448,275	455,039	418,556	36,483
Elections	50,000	62,155	94,076	(31,921)
Data processing	368,200	368,200	268,866	99,334
Central administration	182,423	185,018	184,742	276
Machine room	7,000	7,000	7,429	(429)
Attorney	465,031	473,620	397,387	76,233
Law library	20,000	20,000	22,356	(2,356)
Recorder	339,518	344,900	289,901	54,999
Vital statistics	23,474	23,474	24,531	(1,057)
Planning and zoning	204,351	207,014	163,698	43,316
Buildings and plant	858,576	862,481	460,317	402,164
Veterans services officer	263,671	266,179	205,471	60,708
Other general government	743,974	743,974	2,694,048	(1,950,074)
Total general government	**$ 5,244,960**	**$ 5,298,254**	**$ 6,296,058**	**$ (997,804)**
Public safety				
Sheriff	$ 2,051,938	$ 2,077,582	$ 2,138,104	$ (60,522)
Public safety grants	-	-	9,306	(9,306)
Aquatic invasive species	500	500	20,000	(19,500)

Faribault County
Blue Earth, Minnesota

Exhibit A-1
(Continued)

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

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Expenditures				
Current				
Public safety (Continued)				
County jail	1,771,397	1,794,122	1,680,779	113,343
Sentence to serve	76,395	76,395	145,946	(69,551)
Fraud investigator	110,230	111,915	132,844	(20,929)
Animal control	10,000	10,000	884	9,116
Probation and parole	235,419	236,292	266,298	(30,006)
Sheriff's contingency	1,000	1,000	-	1,000
Emergency management	42,500	42,500	42,852	(352)
Enhanced 911	50,000	50,000	79,488	(29,488)
Radio project	-	-	7,306	(7,306)
Medical examiner	28,000	28,000	42,922	(14,922)
Total public safety	**$ 4,377,379**	**$ 4,428,306**	**$ 4,566,729**	**$ (138,423)**
Transit				
Transit	**$ -**	**$ -**	**$ 20,520**	**$ (20,520)**
Sanitation				
Recycling/education	$ 412,526	$ 413,131	$ 306,481	$ 106,650
SCORE funds	69,692	69,692	26,078	43,614
Total sanitation	**$ 482,218**	**$ 482,823**	**$ 332,559**	**$ 150,264**
Culture and recreation				
Historical society	$ 10,000	$ 10,000	$ -	$ 10,000
County library	185,149	185,149	180,150	4,999
Total culture and recreation	**$ 195,149**	**$ 195,149**	**$ 180,150**	**$ 14,999**
Conservation of natural resources				
Cooperative extension	$ 144,231	$ 144,968	$ 105,311	$ 39,657
Soil conservation	80,733	80,733	57,999	22,734
County agricultural society	10,000	10,000	10,000	-
Predator control	500	500	-	500
Water planning	27,717	27,717	94,386	(66,669)
Drainage/septic inspection	70,664	70,664	52,064	18,600
Drainage administration	354,678	356,585	311,760	44,825
Septic loan program	159,000	159,000	118,324	40,676
Riparian aid	140,213	141,630	142,098	(468)
Total conservation of natural resources	**$ 987,736**	**$ 991,797**	**$ 891,942**	**$ 99,855**

Faribault County
Blue Earth, Minnesota

Exhibit A-1
(Continued)

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

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Expenditures				
Current (Continued)				
Economic development				
Community development	$ 16,000	$ 16,000	$ 14,436	$ 1,564
Economic development	100,000	100,000	69,171	30,829
Total economic development	**$ 116,000**	**$ 116,000**	**$ 83,607**	**$ 32,393**
Capital outlay				
General government	$ -	$ -	$ 3,861,980	$ (3,861,980)
Total capital outlay	**$ -**	**$ -**	**$ 3,861,980**	**$ (3,861,980)**
Total Expenditures	**$ 11,403,442**	**$ 11,512,329**	**$ 16,233,545**	**$ (4,721,216)**
Excess of Revenues Over (Under) Expenditures	**$ (239,763)**	**$ (344,434)**	**$ (2,653,257)**	**$ (2,308,823)**
Other Financing Sources (Uses)				
Transfers in	239,763	239,763	-	(239,763)
Net Change in Fund Balance	**$ -**	**$ (104,671)**	**$ (2,653,257)**	**$ (2,548,586)**
Fund Balance – January 1	**18,353,595**	**18,353,595**	**18,353,595**	**-**
Fund Balance – December 31	**$ 18,353,595**	**$ 18,248,924**	**$ 15,700,338**	**$ (2,548,586)**

The notes to the required supplementary information are an integral part of this schedule.

Faribault County
Blue Earth, Minnesota

Exhibit A-2

Budgetary Comparison Schedule
Public Works Special Revenue Fund
For the Year Ended December 31, 2022

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 1,390,389	$ 1,390,389	$ 1,345,027	$ (45,362)
Intergovernmental	8,213,144	8,213,144	7,762,729	(450,415)
Charges for services	46,000	46,000	72,223	26,223
Investment earnings	-	-	144,020	144,020
Miscellaneous	6,685,306	6,685,306	83,343	(6,601,963)
Total Revenues	**$ 16,334,839**	**$ 16,334,839**	**$ 9,407,342**	**$ (6,927,497)**
Expenditures				
Current				
Highways and streets				
Administration	$ 409,400	$ 409,400	$ 395,311	$ 14,089
Maintenance	1,814,700	1,814,700	1,901,980	(87,280)
Construction	11,751,465	11,751,465	10,772,982	978,483
Equipment maintenance and shop	1,352,000	1,352,000	872,534	479,466
Other – highways and streets	325,750	325,750	447,384	(121,634)
Total highways and streets	**$ 15,653,315**	**$ 15,653,315**	**$ 14,390,191**	**$ 1,263,124**
Culture and recreation				
Parks	165,168	165,168	215,072	(49,904)
Intergovernmental				
Highways and streets	516,356	516,356	735,271	(218,915)
Total Expenditures	**$ 16,334,839**	**$ 16,334,839**	**$ 15,340,534**	**$ 994,305**
Excess of Revenues Over (Under) Expenditures	**$ -**	**$ -**	**$ (5,933,192)**	**$ (5,933,192)**
Other Financing Sources (Uses)				
Transfers out	-	-	10,959,005	10,959,005
Net Change in Fund Balance	**$ -**	**$ -**	**$ 5,025,813**	**$ 5,025,813**
Fund Balance – January 1	**12,104,509**	**12,104,509**	**12,104,509**	**-**
Increase (decrease) in inventories	**-**	**-**	**(242,093)**	**(242,093)**
Fund Balance – December 31	**$ 12,104,509**	**$ 12,104,509**	**$ 16,888,229**	**$ 4,783,720**

The notes to the required supplementary information are an integral part of this schedule.

Faribault County
Blue Earth, Minnesota

Exhibit A-3

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

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 2,533,922	$ 2,533,922	$ 2,457,608	$ (76,314)
Intergovernmental	155,553	155,553	235,912	80,359
Settlements	-	-	94,199	94,199
Total Revenues	**$ 2,689,475**	**$ 2,689,475**	**$ 2,787,719**	**$ 98,244**
Expenditures				
Current				
Human services	2,661,475	2,661,475	2,661,475	-
Net Change in Fund Balance	**$ 28,000**	**$ 28,000**	**$ 126,244**	**$ 98,244**
Fund Balance – January 1	**2,375,308**	**2,375,308**	**2,375,308**	**-**
Fund Balance – December 31	**$ 2,403,308**	**$ 2,403,308**	**$ 2,501,552**	**$ 98,244**

The notes to the required supplementary information are an integral part of this schedule.

Faribault County
Blue Earth, Minnesota

Exhibit A-4

Budgetary Comparison Schedule
Ditch Special Revenue Fund
For the Year Ended December 31, 2022

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Special assessments	$ 1,358,520	$ 1,358,520	$ 2,732,622	$ 1,374,102
Intergovernmental	-	-	94,693	94,693
Miscellaneous	-	-	436,459	436,459
Total Revenues	**$ 1,358,520**	**$ 1,358,520**	**$ 3,263,774**	**$ 1,905,254**
Expenditures				
Current				
Conservation of natural resources				
Ditch maintenance	$ 600,000	$ 600,000	$ 2,363,614	$ (1,763,614)
Debt service				
Principal	325,000	325,000	335,000	(10,000)
Interest	193,757	193,757	159,727	34,030
Administrative charges	-	-	500	(500)
Total Expenditures	**$ 1,118,757**	**$ 1,118,757**	**$ 2,858,841**	**$ (1,740,084)**
Excess of Revenues Over (Under) Expenditures	**$ 239,763**	**$ 239,763**	**$ 404,933**	**$ 165,170**
Other Financing Sources (Uses)				
Transfers out	$ (239,763)	$ (239,763)	$ -	$ 239,763
Net Change in Fund Balance	**$ -**	**$ -**	**$ 404,933**	**$ 404,933**
Fund Balance – January 1	**(8,430,956)**	**(8,430,956)**	**(8,430,956)**	**-**
Fund Balance – December 31	**$ (8,430,956)**	**$ (8,430,956)**	**$ (8,026,023)**	**$ 404,933**

The notes to the required supplementary information are an integral part of this schedule.

Faribault County
Blue Earth, Minnesota

Exhibit A-5

Schedule of Changes in Total OPEB Liability and Related Ratios
Other Postemployment Benefits
December 31, 2022

	2022	2021	2020	2019	2018
Total OPEB Liability					
Service cost	$ 92,681	$ 85,612	$ 62,436	$ 89,735	$ 73,436
Interest	164,577	211,663	251,869	224,033	239,843
Differences between expected and actual experience	(33,104)	152,306	-	518,478	-
Changes of assumption or other inputs	184,708	456,949	938,277	(440,692)	462,753
Benefit payments	(400,789)	(362,387)	(373,312)	(314,092)	(324,015)
Net change in total OPEB liability	**$ 8,073**	**$ 544,143**	**$ 879,270**	**$ 77,462**	**$ 452,017**
Total OPEB Liability – Beginning	**8,336,561**	**7,792,418**	**6,913,148**	**6,835,686**	**6,383,669**
Total OPEB Liability – Ending	**$ 8,344,634**	**$ 8,336,561**	**$ 7,792,418**	**$ 6,913,148**	**$ 6,835,686**
Covered-employee payroll	$ 5,216,758	$ 5,146,443	$ 4,950,360	$ 4,710,000	$ 4,500,000
Total OPEB liability (asset) as a percentage of covered-employee payroll	159.96%	161.99%	157.41%	146.78%	151.90%

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

The notes to the required supplementary information are an integral part of this schedule.

Faribault County
Blue Earth, Minnesota

Exhibit A-6

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 Faribault 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	0.0421 %	$ 3,334,334	$ 97,901	$ 3,432,235	$ 3,156,367	105.64 %	76.67 %
2021	0.0422	1,802,129	55,048	1,857,177	3,037,879	59.32	87.00
2020	0.0412	2,470,128	76,223	2,546,351	2,937,052	84.10	79.06
2019	0.0418	2,311,028	71,830	2,382,858	2,960,946	78.05	80.23
2018	0.0418	2,318,893	76,115	2,395,008	2,810,441	82.51	79.53
2017	0.0424	2,706,788	34,048	2,740,836	2,727,947	99.22	75.90
2016	0.0460	3,734,972	48,779	3,783,751	2,821,172	132.39	68.91
2015	0.0434	2,249,213	N/A	2,249,213	2,550,829	88.18	78.19

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

Faribault County
Blue Earth, Minnesota

Exhibit A-7

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	$ 238,039	$ 238,039	$ -	$ 3,173,468	7.50 %
2021	233,995	233,995	-	3,119,831	7.50
2020	233,958	233,958	-	3,119,430	7.50
2019	218,741	218,741	-	2,916,542	7.50
2018	217,867	217,867	-	2,904,893	7.50
2017	208,199	208,199	-	2,775,987	7.50
2016	198,024	198,024	-	2,640,314	7.50
2015	199,411	199,411	-	2,658,652	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.

The notes to the required supplementary information are an integral part of this schedule.

Faribault County
Blue Earth, Minnesota

Exhibit A-8

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 Faribault 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	0.0929 %	$ 4,042,641	$ 176,681	$ 4,219,322	$ 1,128,722	358.16 %	70.53 %
2021	0.0888	685,442	30,818	716,260	1,049,084	65.34	93.66
2020	0.0932	1,228,476	28,942	1,257,418	1,051,337	116.85	87.19
2019	0.0848	902,782	N/A	902,782	893,640	101.02	89.26
2018	0.0736	784,500	N/A	784,500	775,778	101.12	88.84
2017	0.0720	972,086	N/A	972,086	739,972	131.37	85.43
2016	0.0710	2,849,354	N/A	2,849,354	687,150	414.66	63.88
2015	0.0720	818,088	N/A	818,088	658,795	124.18	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.

Faribault County
Blue Earth, Minnesota

Exhibit A-9

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	$ 207,798	$ 207,798	$ -	$ 1,174,001	17.70 %
2021	190,895	190,895	-	1,078,502	17.70
2020	192,869	192,869	-	1,089,653	17.70
2019	167,434	167,434	-	987,813	16.95
2018	132,647	132,647	-	818,809	16.20
2017	124,564	124,564	-	768,911	16.20
2016	114,227	114,227	-	705,105	16.20
2015	108,984	108,984	-	672,736	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.

The notes to the required supplementary information are an integral part of this schedule.

Faribault County
Blue Earth, Minnesota

Exhibit A-10

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	0.4096 %	$ 1,361,510	$ 899,858	151.30 %	74.58 %
2021	0.3828	(62,886)	846,362	(7.43)	101.61
2020	0.3898	105,768	848,231	12.47	96.67
2019	0.3969	54,951	846,634	6.49	98.17
2018	0.4028	66,249	822,594	8.05	97.64
2017	0.4200	1,197,004	833,757	143.57	67.89
2016	0.4100	1,497,787	781,088	191.76	58.16
2015	0.4100	63,386	741,402	8.55	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.

Faribault County
Blue Earth, Minnesota

Exhibit A-11

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	$ 82,554	$ 82,554	$ -	$ 943,477	8.75 %
2021	75,049	75,049	-	857,704	8.75
2020	76,785	76,785	-	877,544	8.75
2019	75,103	75,103	-	858,325	8.75
2018	72,652	72,652	-	830,309	8.75
2017	71,947	71,947	-	822,244	8.75
2016	70,257	70,257	-	802,935	8.75
2015	67,177	67,177	-	767,720	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.

Note 1 – Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at year-end.

On or before mid-June of each year, all departments and agencies 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. The budgets may be amended or modified at any time by the County Board. The County's department heads may make transfers of appropriations within a department. The legal level of budgetary control (the level at which expenditures may not legally exceed appropriations) is the fund level.

Note 2 – Budget Amendments

The revenue and expenditure budgets were amended during the year.

Note 3 – Excess of Expenditures Over Budget

The following individual major special revenue funds had expenditures in excess of budget for the year ended December 31, 2022:

Excess of Expenditures Over Budget

	Expenditures	Final Budget	Excess
General Fund	$ 16,233,545	$ 11,512,329	$ 4,721,216
Ditch Special Revenue Fund	2,858,841	1,118,757	1,740,084

Note 4 – 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 5 – 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 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 $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.

- 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.
- 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.

- 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 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

Faribault County
Blue Earth, Minnesota

Exhibit B-1

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	$ 934,873	$ 934,873	$ 906,588	$ (28,285)
Intergovernmental	-	-	1,080,825	1,080,825
Investment earnings	-	-	333,268	333,268
Total Revenues	**$ 934,873**	**$ 934,873**	**$ 2,320,681**	**$ 1,385,808**
Expenditures				
Debt service				
Principal	$ 620,000	$ 620,000	$ 620,000	$ -
Interest	207,949	207,949	423,752	(215,803)
Bond issuance costs	-	-	203,865	(203,865)
Administrative charges	3,000	3,000	3,200	(200)
Total Expenditures	**$ 830,949**	**$ 830,949**	**$ 1,250,817**	**$ (419,868)**
Excess of Revenues Over (Under) Expenditures	**$ 103,924**	**$ 103,924**	**$ 1,069,864**	**$ 965,940**
Other Financing Sources (Uses)				
Transfers out	$ -	$ -	$ (10,959,005)	$ (10,959,005)
Bonds issued	-	-	9,435,000	9,435,000
Premium on bonds issued	-	-	560,843	560,843
Total Other Financing Sources (Uses)	**$ -**	**$ -**	**$ (963,162)**	**$ (963,162)**
Net Change in Fund Balance	**$ 103,924**	**$ 103,924**	**$ 106,702**	**$ 2,778**
Fund Balance – January 1	**2,323,430**	**2,323,430**	**2,323,430**	**-**
Fund Balance – December 31	**$ 2,427,354**	**$ 2,427,354**	**$ 2,430,132**	**$ 2,778**

Faribault County
Blue Earth, Minnesota

Nonmajor Enterprise Funds

Huntley Service District Fund – to account for the operation, maintenance, and development of the Huntley Sewer District. The County established the service district in 2006 to account for the activity of the sewer system built for the unincorporated area in Verona Township known as Huntley.

Riverside Heights Service District Fund – to account for the operation, maintenance, and development of the Riverside Heights Subordinate District. The County established the service district in 2022 to account for the activity of the sewer system for the residents of the Riverside Housing Development.

Faribault County
Blue Earth, Minnesota

Exhibit C-1

Combining Statement of Fund Net Position
Nonmajor Enterprise Funds
December 31, 2022

	Huntley Service District	Riverside Heights Service District	Total Nonmajor Enterprise Funds
Assets			
Current assets			
Cash and pooled investments	$ 53,688	$ -	$ 53,688
Special assessments			
Delinquent	10,239	-	10,239
Noncurrent	6,530	-	6,530
Due from other governments	902	-	902
Total current assets	**$ 71,359**	**$ -**	**$ 71,359**
Noncurrent assets			
Capital assets			
Nondepreciable	$ 27,643	$ -	$ 27,643
Depreciable – net of accumulated depreciation	771,714	-	771,714
Total noncurrent assets	**$ 799,357**	**$ -**	**$ 799,357**
Total Assets	**$ 870,716**	**$ -**	**$ 870,716**
Liabilities			
Current liabilities			
Accounts payable	$ -	$ 10,310	$ 10,310
Noncurrent liabilities			
General obligation bonds payable – long-term	307,000	-	307,000
Total Liabilities	**$ 307,000**	**$ 10,310**	**$ 317,310**
Net Position			
Net investment in capital assets	$ 492,357	$ -	$ 492,357
Unrestricted	71,359	(10,310)	61,049
Total Net Position	**$ 563,716**	**$ (10,310)**	**$ 553,406**

Faribault County
Blue Earth, Minnesota

Exhibit C-2

Combining Statement of Revenues, Expenses, and Changes in Fund Net Position
Nonmajor Enterprise Funds
For the Year Ended December 31, 2022

	Huntley Service District	Riverside Heights Service District	Total Nonmajor Enterprise Funds
Operating Revenues			
Charges for services	$ 10,448	$ -	$ 10,448
Special assessments	7,803	-	7,803
Total Operating Revenues	**$ 18,251**	**$ -**	**$ 18,251**
Operating Expenses			
Administration and fiscal services	$ 224	$ 10,310	$ 10,534
Depreciation	56,112	-	56,112
Total Operating Expenses	**$ 56,336**	**$ 10,310**	**$ 66,646**
Operating Income (Loss)	**$ (38,085)**	**$ (10,310)**	**$ (48,395)**
Nonoperating Revenues (Expenses)			
Interest expense	$ (9,419)	$ -	$ (9,419)
Miscellaneous expense	(5,200)	-	(5,200)
Total Nonoperating Revenues (Expenses)	**$ (14,619)**	**$ -**	**$ (14,619)**
Change in net position	**$ (52,704)**	**$ (10,310)**	**$ (63,014)**
Net Position – January 1	**616,420**	**-**	**616,420**
Net Position – December 31	**$ 563,716**	**$ (10,310)**	**$ 553,406**

Faribault County
Blue Earth, Minnesota

Exhibit C-3

Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended December 31, 2022
Increase (Decrease) in Cash and Cash Equivalents

	Huntley Service District	Riverside Heights Service District	Total Nonmajor Enterprise Funds
Cash Flows from Operating Activities			
Receipts from customers	$ 18,054	$ -	$ 18,054
Payments to board members	(80)	-	(80)
Payments to suppliers	(144)	-	(144)
Net cash provided by (used in) operating activities	**$ 17,830**	**$ -**	**$ 17,830**
Cash Flows from Capital and Related Financing Activities			
Principal paid on long-term debt	$ (8,000)	$ -	$ (8,000)
Interest paid on long-term debt	(9,419)	-	(9,419)
Net cash provided by (used in) capital and related financing activities	**$ (17,419)**	**$ -**	**$ (17,419)**
Net Increase (Decrease) in Cash and Cash Equivalents	**$ 411**	**$ -**	**$ 411**
Cash and Cash Equivalents at January 1	**53,277**	**-**	**53,277**
Cash and Cash Equivalents at December 31	**$ 53,688**	**$ -**	**$ 53,688**
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities			
Operating income (loss)	**$ (38,085)**	**$ (10,310)**	**$ (48,395)**
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities			
Depreciation expense	$ 56,112	$ -	$ 56,112
(Increase) decrease in special assessments – delinquent	(463)	-	(463)
(Increase) decrease in special assessments – noncurrent	(313)	-	(313)
(Increase) decrease in due from other governments	579	-	579
Increase (decrease) in accounts payable	-	10,310	10,310
Total adjustments	**$ 55,915**	**$ 10,310**	**$ 66,225**
Net Cash Provided by (Used in) Operating Activities	**$ 17,830**	**$ -**	**$ 17,830**

Fiduciary Funds

Custodial Funds

<u>Tax and Penalty Custodial Fund</u> – to account for the collection and settlement of taxes and penalties to various other governmental units.

<u>State Revenue Custodial Fund</u> – to account for collection and disbursement of the state's share of mortgage registry and deed taxes, licenses, and fees collected by the County.

<u>Civil Process Custodial Fund</u> – to account for court ordered transactions including collection and disbursement of bail bonds, garnishments, and mortgage foreclosure redemptions.

<u>Jail Canteen Custodial Fund</u> – to account for inmate deposits, inmate canteen purchases, and fees paid to various agencies.

Faribault County
Blue Earth, Minnesota

Exhibit D-1

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

	Tax and Penalty	State Revenue	Civil Process	Jail Canteen	Total Custodial Funds
Assets					
Cash and pooled investments	$ 210,169	$ 83,436	$ -	$ 5,787	$ 299,392
Taxes receivable for other governments	572,482	-	-	-	572,482
Special assessments receivable for other governments	80,077	-	-	-	80,077
Total Assets	**$ 862,728**	**$ 83,436**	**$ -**	**$ -**	**$ 951,951**
Liabilities					
Due to other governments	$ 210,169	$ 83,436	$ -	$ -	$ 293,605
Net Position					
Restricted for individuals, organizations, and other governments	**$ 652,559**	**$ -**	**$ -**	**$ 5,787**	**$ 658,346**

Faribault County
Blue Earth, Minnesota

Exhibit D-2

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

	Tax and Penalty	State Revenue	Civil Process	Jail Canteen	Total Custodial Funds
Additions					
Contributions from individuals	$ -	$ -	$ 44,929	$ 95,310	$ 140,239
Property tax collections for other governments	15,793,427	-	-	-	15,793,427
Other taxes and fees for other governments	-	547,485	-	-	547,485
License and fees collected for state	-	52,715	-	-	52,715
Total Additions	**$ 15,793,427**	**$ 600,200**	**$ 44,929**	**$ 95,310**	**$ 16,533,866**
Deductions					
Payments of property tax to other governments	$ 15,667,211	$ -	$ -	$ -	$ 15,667,211
Payments to state	-	601,407	-	-	601,407
Payments to other entities	9,476	-	44,929	89,523	143,928
Total Deductions	**$ 15,676,687**	**$ 601,407**	**$ 44,929**	**$ 89,523**	**$ 16,412,546**
Change in Net Position	**$ 116,740**	**$ (1,207)**	**$ -**	**$ 5,787**	**$ 121,320**
Net Position – January 1	**535,819**	**1,207**	**-**	**-**	**537,026**
Net Position – December 31	**$ 652,559**	**$ -**	**$ -**	**$ 5,787**	**$ 658,346**

Component Unit

Economic Development Authority

Faribault County
Blue Earth, Minnesota

Exhibit E-1

Statement of Net Position and Governmental Fund Balance Sheet
Component Unit
Economic Development Authority
December 31, 2022

	General Fund	Adjustments	Statement of Net Position
Assets			
Current assets			
Cash and pooled investments	$ 398,655	$ -	$ 398,655
Loans receivable	241,691	-	241,691
Total Assets	**$ 640,346**	**$ -**	**$ 640,346**
Fund Balance/Net Position			
Fund Balance			
Restricted for commercial rehabilitation loans	$ 281,132	$ (281,132)	
Assigned for loan guarantees	6,564	(6,564)	
Unassigned	352,650	(352,650)	
Total Fund Balance	**$ 640,346**	**$ (640,346)**	
Net Position			
Restricted for commercial rehabilitation loans		$ 281,132	$ 281,132
Unrestricted		359,214	359,214
Total Net Position		**$ 640,346**	**$ 640,346**

Faribault County
Blue Earth, Minnesota

Exhibit E-2

Statement of Activities and Governmental Fund Statement of Revenue, Expenditures, and Changes in Fund Balance
Component Unit
Economic Development Authority
For the Year Ended December 31, 2022

	General Fund	Adjustments	Statement of Activities
Revenues			
Charges for services	$ 8,621	$ -	$ 8,621
Expenditures/Expenses			
Current			
Economic development	7,966	-	7,966
Net Change in Fund Balance/Net Position	**$ 655**	**$ -**	**$ 655**
Fund Balance/Net Position – January 1	**639,691**	**-**	**639,691**
Fund Balance/Net Position – December 31	**$ 640,346**	**$ -**	**$ 640,346**

Schedules

Faribault County
Blue Earth, Minnesota

Exhibit F-1

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

	Total Primary Government
Appropriations and Shared Revenue	
State	
Highway users tax	$ 7,903,985
PERA rate reimbursement	23,458
Disparity reduction aid	71,726
Police aid	120,197
County program aid	700,015
Market value credit	277,389
Out of home placement aid	8,659
Enhanced 911	172,097
SCORE	72,440
Aquatic invasive species prevention aid	29,873
Riparian protection aid	140,298
Total appropriations and shared revenue	**$ 9,520,137**
Reimbursement for Services	
State	
Minnesota Department of Human Services	**$ 10,239**
Payments	
Local	
Payments in lieu of taxes	**$ 72,171**
Grants	
State	
Minnesota Department/Board of	
Public Safety	$ 24,184
Natural Resources	45,554
Human Services	2,452
Supreme Court	3,159
Veterans Affairs	7,500
Corrections	47,698
Transportation	13,014
Pollution Control Agency	124,163
Peace Officer Standards and Training Board	17,252
Total state	**$ 284,976**

Faribault County
Blue Earth, Minnesota

Exhibit F-1
(Continued)

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

	Total Primary Government
Grants (Continued)	
Federal	
Department of	
Housing and Urban Development	$ 1,220,097
Justice	56,767
Transportation	749,275
Treasury	315,915
Homeland Security	90,037
Election Assistance Commission	27,407
Total federal	**$ 2,459,498**
Total state and federal grants	**$ 2,744,474**
Total Intergovernmental Revenue	**$ 12,347,021**

Faribault County
Blue Earth, Minnesota

Exhibit F-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 Housing and Urban Development			
Passed Through Minnesota Department of Employment and Economic Development			
COVID-19 – Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	CARE-21-0008-O-FY21	**$ 2,183,332**
U.S. Department of Justice			
Passed Through Minnesota Department of Public Safety			
Crime Victim Assistance	16.575	A-CVS-2022-FARAO-9329	$ 17,328
Crime Victim Assistance	16.575	A-CVS-2022-FARAO-9709	17,978
Crime Victim Assistance	16.575	A-CVS-2022-FARAO-10167	21,461
(Total Crime Victim Assistance 16.575 $56,767)			
Total U.S. Department of Justice			**$ 56,767**
U.S. Department of the Treasury			
Direct			
COVID-19 – Coronavirus State and Local Fiscal Recovery Funds	21.027		**$ 315,915**
U.S. Election Assistance Commission			
Passed Through Office of the Minnesota Secretary of State			
2018 HAVA Election Security Grants	90.404	Not Provided	**$ 27,407**
U.S. Department of Homeland Security			
Passed Through Minnesota Department of Public Safety			
Emergency Management Performance Grants	97.042	F-EMPG-2020-FARIBACO-3590	**$ 19,016**
Total Federal Awards			**$ 2,602,437**

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

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

Faribault County
Blue Earth, Minnesota

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

Note 1 – Summary of Significant Accounting Policies

Report Entity

The Schedule of Expenditures of Federal Awards presents the activities of federal award programs expended by Faribault County. The County's reporting entity is defined in Note 1 to the financial statements. Faribault County's financial statements include the operations of the Faribault County Housing and Redevelopment Authority (HRA) component unit, which expended $309,532 in federal awards during the year ended December 31, 2022, which are not included in the Schedule of Expenditures of Federal Awards. Our audit does not include the operations of the Faribault County HRA because it is legally separate from the County, and because it expended less than $750,000 of federal awards for the year ended December 31, 2022, it was not subject to Uniform Guidance audit requirements.

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Faribault 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 Faribault County, it is not intended to and does not present the financial position, changes in net position, or cash flows of Faribault 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

Faribault County has elected to not 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	$	2,459,498
Grants received more than 60 days after year-end, considered unavailable revenue in 2022		
COVID-19 – Community Development Block Grants/State's Program and		
Non-Entitlement Grants in Hawaii (AL No. 14.228)		1,054,716
Revenue recognized in 2022, expended between 2018-2021		
COVID-19 – Community Development Block Grants/State's Program and		
Non-Entitlement Grants in Hawaii (AL No. 14.228)		(91,481)
Highway Planning and Construction (AL No. 20.205)		(749,275)
Disaster Grants – Public Assistance (Presidentially Declared Disasters) (AL No. 97.036)		(71,021)
Expenditures per Schedule of Expenditures of Federal Awards	$	2,602,437

Management and Compliance Section

Faribault County

STATE OF MINNESOTA

Office of the State Auditor

Julie Blaha
State Auditor

Suite 500
525 Park Street
Saint Paul, MN 55103

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
Faribault County
Blue Earth, 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, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Faribault 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 January 4, 2024. Our report includes a reference to other auditors who audited the financial statements of the Faribault County Housing and Redevelopment Authority component unit as described in our report on the County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. This report does not include the results of our audit testing of the Faribault County Economic Development Authority component unit's internal control over financial reporting or compliance and other matters that are reported on separately within the Management and Compliance Section.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Faribault 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2022-003 to be a material weakness.

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. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2022-001 and 2022-002 to be significant deficiencies.

Report on Compliance and Other Matters

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

Minnesota Legal Compliance

In connection with our audit, we noted that Faribault County failed to comply with the provisions of the contracting – bid laws section of the *Minnesota Legal Compliance Audit Guide for Counties*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters, as described in the Schedule of Findings and Questioned Costs as item 2022-004. Also, in connection with our audit, nothing came to our attention that caused us to believe that Faribault County failed to comply with the provisions of the depositories of public funds and public investments, conflicts of interest, public indebtedness, claims and disbursements, and miscellaneous provisions sections of the *Minnesota Legal Compliance Audit Guide for Counties*, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the County's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

Other Item

Included in the Schedule of Findings and Questioned Costs is a management practices comment. We believe this recommendation to be of benefit to the County, and it is reported for that purpose.

Faribault County's Response to Findings

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

Purpose of This Report

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

/s/Julie Blaha

Julie Blaha
State Auditor

/s/Chad Struss

Chad Struss, CPA
Deputy State Auditor

January 4, 2024

STATE OF MINNESOTA

Julie Blaha
State Auditor

Office of the State Auditor

Suite 500
525 Park Street
Saint Paul, MN 55103

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
Faribault County
Blue Earth, Minnesota

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Faribault 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 Faribault County's major federal program for the year ended December 31, 2022. Faribault 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, Faribault 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 Faribault 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 Faribault County's compliance with the compliance requirements referred to above.

Other Matter – Federal Expenditure Not Included in the Compliance Audit

Faribault County's basic financial statements include the operations of the Faribault County Housing and Redevelopment Authority (HRA) component unit, which expended $309,532 in federal awards which are not included in Faribault County's Schedule of Expenditures of Federal Awards during the year ended December 31, 2022. Our compliance audit, described in the Opinion on the Major Federal Program section, does not include the operations of the Faribault County HRA component unit because it is legally separate from the County, and because

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it expended less than $750,000 of federal awards for the year ended December 31, 2022, it was not subject to Uniform Guidance audit requirements.

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 Faribault 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 Faribault 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 Faribault 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 Faribault 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 Faribault 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 Faribault 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

/s/Chad Struss

Chad Struss, CPA
Deputy State Auditor

January 4, 2024

Faribault County
Blue Earth, 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? **Yes**
- Significant deficiencies identified? **Yes**

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
14.228	COVID-19 – Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii

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

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

Section II – Financial Statement Findings

2022-001 **<u>Capital Assets Records</u>**
Prior Year Finding Number: 2021-001
Repeat Finding Since: 1996
Type of Finding: Internal Control Over Financial Reporting
Severity of Deficiency: Significant Deficiency

Criteria: The County is required by generally accepted accounting principles to account for and depreciate its capital assets over their estimated useful lives. The costs of capital assets are expensed annually as depreciation expense while the asset is in service. Written policies and procedures outline the specific authority and responsibility of County personnel, providing for accountability. Written policies serve as a reference and training tool for new personnel and ensure that procedures remain in place despite personnel turnover. To be effective, an accounting policies and procedures manual must be complete, up to date, and readily available to all personnel who need it.

Condition: The County Board has a capital assets policy that discusses capitalization thresholds and use of straight-line depreciation. The policy does not discuss estimated useful lives or use of salvage values.

Context: Estimated useful lives are not consistently used in calculating depreciation of the County's capital assets. General government buildings are depreciated over 30 years, while highway buildings are depreciated over 39 and 40 years. Salvage value amounts are not consistently considered in the calculation of depreciation amounts.

Effect: There is no clear guidance or consistency in the accounting for depreciation of capital assets.

Cause: The County stated that it has not been able to amend its capital assets policy due to time constraints and limited personnel.

Recommendation: To improve controls over capital assets, we recommend the County Board approve policies and procedures that establish consistent useful lives and set guidance on when to use salvage values in computing depreciation. If exceptions to the capitalization threshold policy are allowed, those exceptions should be spelled out in the policy.

View of Responsible Official: Acknowledge

2022-002 **Budgeting**
Prior Year Finding Number: 2021-002
Repeat Finding Since: 2006
Type of Finding: Internal Control Over Financial Reporting
Severity of Deficiency: Significant Deficiency

Criteria: The budget is a key internal control for the County. Budget modifications should be made throughout the year to maintain the value of the budget as an internal control tool. The ability to modify the budget during the year for new circumstances makes the budget more valuable because budgetary differences are not distorted by the new circumstances. In general, local governments should have an adopted budget policy that includes elements such as:

- procedures for adopting the budget,
- which funds require budgets,
- the legal level of control,
- when budgets can be modified by management and when budget modifications require Board approval,
- the budgetary basis on which the budget is adopted,
- identification of key personnel involved in the budgeting process, and
- the procedures for monitoring the budget.

Condition: The County does not have a formal written budget policy.

Context: Written policies and procedures help in providing consistency over time and guidance to new officials and staff.

Effect: The budgeting procedure may not be followed as intended by County management or the County Board.

Cause: The County stated that it has had time constraints and limited personnel which have delayed the completion of a formal written budget policy.

Recommendation: We recommend the County Board amend and formalize its budget policy to include the elements recommended above and modify the budget as necessary for significant changes in expected activity.

View of Responsible Official: Acknowledge

2022-003 **Audit Adjustments**
Prior Year Finding Number: 2021-003
Repeat Finding Since: 2017
Type of Finding: Internal Control Over Financial Reporting
Severity of Deficiency: Material Weakness

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

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

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

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

- The General Fund required an adjustment of $1,009,145 to increase accounts payable and general government expenditures to recognize activity related to 2022.

- The General Fund required an adjustment of $1,010,053 to increase unearned revenue and reduce intergovernmental revenue for grant funds received during 2022, but not yet expended.

- The Public Works Special Revenue Fund required adjustments of $4,264,619 to increase due from other governments and deferred inflows of resources to account for highway allotment receivables.

- The Ditch Special Revenue Fund required adjustments of $1,200,232, $18,686, and $1,181,546 to increase special assessment receivable, deferred inflows of resources, and special assessment revenue, respectively, to account for activity related to prepaid assessments collected.

- The Ditch Special Revenue Fund required an adjustment of $532,885 to increase due from other governments and deferred inflows of resources to account for additional receivables.

- Adjustments of $8,763,993, $7,717,045, and $1,046,948 were required in the Debt Service Fund, Public Works Special Revenue Fund, and General Fund, respectively, to record a transfer of debt proceeds from the Debt Service Fund to the funds that will ultimately incur the project expenditures financed by the debt.

Cause: This activity was overlooked by staff when providing information for financial statement presentation.

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

View of Responsible Official: Acknowledge

Section III – Federal Award Findings and Questioned Costs

None.

Section IV – Other Findings and Recommendations

2022-004 **<u>Contract Compliance</u>**
Prior Year Finding Number: 2021-004
Repeat Finding Since: 2021
Type of Finding: Minnesota Legal Compliance

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

Minnesota Statutes, Section 471.425, subdivision 4a, requires that each contract of a municipality must require the prime contractor to pay any subcontractor within ten days of the prime contractor's receipt of payment from the municipality for undisputed services provided by the subcontractor. The contract must require the prime contractor to pay interest of one and one-half percent per month, or any part of a month, to the subcontractor on any undisputed amount not paid on time to the subcontractor.

Minnesota Statutes, Section 16C.285, states that, for each construction contract in excess of $50,000 awarded pursuant to a lowest responsible bidder or best value process, the successful contractor must submit a verification of compliance signed under oath by an owner or officer verifying compliance with the minimum criteria set forth in Minn. Stat. § 16C.285, subd. 3 (with the exception of clause (7), as required by Minn. Stat. §16C.285, subd. 4.

Condition: During testing of compliance with the State of Minnesota contracting and bid laws and the County's purchasing policy, noncompliance with the following was noted:

- One of the three contracts tested that included the employment of individuals for wages by the contractor and where final payment had been made, 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.

- Two of the four contracts tested did not include the required notification to the contractor regarding prompt payment notice and the responsible contactor disclosure.

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

Effect: Noncompliance with Minn. Stat. §§ 270C.66, 471.425, and 16C.285.

Cause: The County indicated the items were overlooked during the contracting procedures.

Recommendation: We recommend the County review the statutory requirements with all departments to ensure compliance with applicable contracting and bidding statutes for all future contracts. In addition, adequate documentation of compliance should be maintained.

View of Responsible Official: Acknowledge

2022-005 **<u>County Ditch Fund Deficits</u>**
Prior Year Finding Number: 2021-005
Repeat Finding Since: 2014
Type of Finding: Management Practice

Criteria: Each individual ditch system within the Ditch Special Revenue Fund should be maintained with a positive fund balance to meet its financial obligations.

Condition: At December 31, 2022, the County had individual ditch systems where liabilities and deferred inflows of resources exceeded assets, resulting in deficit fund balances.

Context: At December 31, 2022, 110 of 145 ditch systems had deficit fund balances totaling $8,800,593. Taking into consideration long-term items that do not contribute to reported ditch system fund balances, including assessments that have been levied for collection in future years, deficit balances are reduced to 68 ditch systems with a total deficit of $5,492,289.

Effect: Ditch systems with deficit fund balances indicate that measures may need to be taken to ensure that it can meet financial obligations.

Cause: The County indicated that a large portion of the deficits are a result of ongoing projects which are planned to be levied for once completed. In other cases, deficits relate to projects under current litigation which will be levied for, if necessary, after resolution. In some cases, however, further research is needed to identify the cause of the deficits, after which additional assessments can be approved to address the deficit as necessary.

Recommendation: We recommend the County continue to monitor the balances of the ditch systems and eliminate deficit fund balances by approving necessary special assessments as soon as practical for each system given the identified cause of the deficit for each individual system.

View of Responsible Official: Acknowledge

Amy M. Sathoff
Faribault County Auditor-Treasurer

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Representation of Faribault County
Blue Earth, Minnesota
Corrective Action Plan
For the Year Ended December 31, 2022

Finding Number: 2022-001
Finding Title: Capital Asset Records

Name of Contact Person Responsible for Corrective Action:
Amy Sathoff, County Auditor/Treasurer

Corrective Action Planned:
An accounting policy will be adopted that will establish consistent useful lives, set guidance on when to use salvage values in computing depreciation, and define capitalization thresholds.

Anticipated Completion Date:
June 30, 2024

Finding Number: 2022-002
Finding Title: Budgeting

Name of Contact Person Responsible for Corrective Action:
Amy Sathoff, County Auditor/Treasurer

Corrective Action Planned:
An accounting policy will be adopted that will address procedures for adopting the budget, the legal level of control, when budgets can be modified, and procedures for monitoring budgets.

Anticipated Completion Date:
June 30, 2024

Finding Number: 2022-003
Finding Title: Audit Adjustments

<u>Name of Contact Person Responsible for Corrective Action</u>:
Amy Sathoff, County Auditor/Treasurer

<u>Corrective Action Planned</u>:
The County will improve internal controls to adequately review balances and supporting documentation to identify potential misstatements.

<u>Anticipated Completion Date</u>:
June 30, 2024

Finding Number: 2022-004
Finding Title: Contract Compliance

<u>Name of Contact Person Responsible for Corrective Action</u>:
Amy Sathoff, County Auditor/Treasurer

<u>Corrective Action Planned</u>:
Training will take place for staff responsible for overseeing the contracting and bidding processes of their departments. Specific requirements will be outlined in the training.

<u>Anticipated Completion Date</u>:
June 30, 2024

Finding Number: 2022-005
Finding Title: County Ditch Fund Deficits

<u>Name of Contact Person Responsible for Corrective Action</u>:
Amy Sathoff, County Auditor/Treasurer

<u>Corrective Action Planned</u>:
The County continues to monitor the deficit fund balance in the Ditch Special Revenue Fund. A drainage database program is being used to track approved repairs and improvements that will assist in reducing the delay between project expenditures and approvals and the assessments for the cost, which will improve the Ditch Special Revenue Fund deficit.

<u>Anticipated Completion Date</u>:
June 30, 2024

Amy M. Sathoff
Faribault County Auditor-Treasurer

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Representation of Faribault County
Blue Earth, Minnesota
Summary Schedule of Prior Audit Findings
For the Year Ended December 31, 2022

Finding Number: 2021-001
Year of Finding Origination: 1996
Finding Title: Capital Assets Records

Summary of Condition: The County Board has a capital assets policy that discusses capitalization thresholds and use of straight-line depreciation. The policy does not discuss estimated useful lives or use of salvage values.

Summary of Corrective Action Previously Reported: An accounting policy will be adopted that will establish consistent useful lives, set guidance on when to use salvage values in computing depreciation, and define capitalization thresholds.

Status: Not Corrected. Due to time constraints, the accounting policies were not completed in the audit year. County staff will continue to work towards completing this task before the end of June 2024.

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

Finding Number: 2021-002
Year of Finding Origination: 2006
Finding Title: Budgeting

Summary of Condition: The County does not have a formal written budget policy.

Summary of Corrective Action Previously Reported: An accounting policy will be adopted that will address procedures for adopting the budget, the legal level of control, when budgets can be modified, and procedures for monitoring budgets.

Status: Not Corrected. Due to time constraints the accounting policies were not completed in the audit year. County staff will continue to work towards completing this task before the end of June 2024.

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

Finding Number: 2021-003
Year of Finding Origination: 2017
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: The County will improve internal controls to adequately review balances and supporting documentation to identify potential misstatements.

Status: Not Corrected. The County will continue to work toward creating and implementing internal controls to properly monitor and to prevent errors and oversights.

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

Finding Number: 2021-004
Year of Finding Origination: 2021
Finding Title: Contract Compliance

Summary of Condition: During testing of compliance with the State of Minnesota contracting and bid laws and the County's purchasing policy, noncompliance with the following was noted:

- For five of the eight contracts tested that included the employment of individuals for wages by the contractor and where final payment had been made, 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.

- For one of the four contracts tested for notification to the contractor regarding prompt payment notice, the contract did not contain the required prompt payment disclosure.

- For one of the three contracts tested for the responsible contractor disclosure, the contract did not contain the disclosure, and the County did not receive the verification of compliance with minimum responsible contractor criteria from the successful contractor.

Summary of Corrective Action Previously Reported: Training will take place for staff responsible for overseeing the contracting and bidding processes of their departments. Specific requirements will be outlined in the training.

Status: Not Corrected. The County will implement procedures to correct this noncompliance.

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

Finding Number: 2021-005
Year of Finding Origination: 2014
Finding Title: County Ditch Fund Deficits

Summary of Condition: At December 31, 2021, the County had individual ditch systems where liabilities and deferred inflows of resources exceeded assets, resulting in deficit fund balances.

Summary of Corrective Action Previously Reported: The County continues to monitor the deficit fund balance in the Ditch Special Revenue Fund. A drainage database program is being used to track approved repairs and improvements that will assist in reducing the delay between project expenditures and approvals and the assessments for the cost, which will improve the Ditch Special Revenue Fund deficit.

Status: Not Corrected. The County will continue to work toward creating and implementing internal controls to properly monitor and to prevent errors and oversights.

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

Faribault County
Economic Development Authority

STATE OF MINNESOTA

Office of the State Auditor

Julie Blaha
State Auditor

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

Economic Development Authority Board
Faribault County Economic Development Authority
Blue Earth, 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 Faribault County, Minnesota, which include as Supplementary Information the financial statements of the Faribault County Economic Development Authority (EDA), a discretely presented component unit, 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 January 4, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Faribault County EDA'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 Faribault County EDA's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Faribault County EDA'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.

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Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Faribault County EDA'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 the Faribault County EDA failed to comply with the provisions of the depositories of public funds and public investments, conflicts of interest, claims and disbursements, and miscellaneous provisions sections of the *Minnesota Legal Compliance Audit Guide for Other Public Subdivisions*, 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 Faribault County EDA'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 Other Public Subdivisions* and the results of that testing, and not to provide an opinion on the effectiveness of the Faribault County EDA'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 Faribault County EDA's internal control over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.

/s/Julie Blaha	*/s/Chad Struss*
Julie Blaha State Auditor	Chad Struss, CPA Deputy State Auditor

January 4, 2024