

# State of Minnesota



## Office of the State Auditor

Julie Blaha  
State Auditor

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**Watsonwan County  
St. James, Minnesota**

Year Ended December 31, 2023

# Watonwan County St. James, Minnesota

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St. James, Minnesota**

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## **Introductory Section**

# Watonwan County St. James, Minnesota

## Organization 2023

Office	Name	Term Expires
Commissioners		
1st District	Jim Pettersen*	January 2025
2nd District	Bill Miller	January 2027
3rd District	Jim Branstad	January 2025
4th District	Scott Westman	January 2027
5th District	Dillon Melheim	January 2025
Officers		
Elected		
Attorney	Julie Kelley	January 2027
Auditor/Treasurer/Coordinator	Kelly Pauling	January 2027
Recorder	Karla Doll	January 2027
Sheriff	Jared Bergeman	January 2027
Appointed		
Assessor	Meggie Munsterman	January 2025
Court Administrator (State)	Jodie Geerdes	Indefinite
Coroner	Dr. Lindy Eatwell	April 2024
Highway Engineer	Darrell Pettis	Indefinite
Probation Officer	Sarah Eischens	Indefinite
Veterans Service Officer	Deb Grote	Indefinite
Human Services Director	Amy Pluym	Indefinite
*Chair		

## **Financial Section**



## **Independent Auditor's Report**

Board of County Commissioners  
Watonwan County  
St. James, Minnesota

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Watonwan County, Minnesota, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Watonwan County as of December 31, 2023, and the respective changes in financial position and the respective budgetary comparisons of the General Fund, the Road and Bridge Special Revenue Fund, and the Human Services Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the County, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Responsibilities of Management for the Financial Statements***

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

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

#### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions.

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

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

- exercise professional judgment and maintain professional skepticism throughout the audit;
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, no such opinion is expressed;
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements; and
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the County's ability to continue as a going concern for a reasonable period of time.

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

#### ***Required Supplementary Information***

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

#### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Watonwan County's basic financial statements. The combining statements for the nonmajor governmental funds, budgetary comparison schedules for the nonmajor governmental funds, combining fiduciary funds financial statements, Schedule of Intergovernmental Revenue, and Schedule of Expenditures of Federal Awards and related notes, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost*



*Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information as identified above is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 17, 2024, on our consideration of Watonwan County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Watonwan County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Watonwan County's internal control over financial reporting and compliance.

*/s/Julie Blaha*

Julie Blaha  
State Auditor

September 17, 2024

*/s/Chad Struss*

Chad Struss, CPA  
Deputy State Auditor

## **Management's Discussion and Analysis**

# **Watonwan County St. James, Minnesota**

## **Management's Discussion and Analysis December 31, 2023 (Unaudited)**

### **Introduction**

As management of Watonwan County, we offer readers of the Watonwan County financial statements this narrative overview and analysis of the financial activities of Watonwan County for the fiscal year ended December 31, 2023. We encourage readers to consider the information presented here in conjunction with the County's basic financial statements following this section. All amounts, unless otherwise indicated, are expressed in whole dollars.

### **Financial Highlights**

- The assets and deferred outflows of resources of Watonwan County exceeded its liabilities and deferred inflows of resources at the close of 2023 by \$79,861,761. Of this amount, \$5,413,831 (unrestricted net position) may be used to meet Watonwan County's ongoing obligations to citizens and creditors.
- Watonwan County's total net position increased by \$3,821,379 in 2023.
- At the close of 2023, Watonwan County's governmental funds reported combined ending fund balances of \$21,197,091, of which \$8,031,158 is unassigned and is available for spending at the County's discretion.
- At the close of 2023, unassigned fund balance for the General Fund was \$10,148,213, or 105.97 percent, of total General Fund expenditures.
- Watonwan County's total bonds payable decreased by \$130,000. There were payments of \$55,000 on the G.O. Capital Improvement Plan Crossover Refunding Bonds, Series 2012A; and \$75,000 on the G.O. Capital Improvement Plan Refunding Bonds, Series 2021A.

### **Overview of the Financial Statements**

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

### **County-Wide Financial Statements**

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

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

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this

statement for some items that will result in cash flows only in future fiscal periods (for example, uncollected taxes and earned but unused vacation leave).

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

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

### **Fund Financial Statements**

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

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

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

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

Fiduciary funds are used to account for assets held by the County as an agent for individuals, private organizations, other governments, or other funds. Watonwan County's fiduciary funds consist of a private-purpose trust fund and six custodial funds. Fiduciary funds do not involve measurement of results of operations and are not reflected in the county-wide financial statements because those resources are not available to support the County's programs.

Watonwan County's governmental fund financial statements are on Exhibits 3 to 9, and Watonwan County's fiduciary fund financial statements are on Exhibits 10 and 11.

### **Notes to the Financial Statements**

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

## Other Information

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

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

## County-Wide Financial Analysis

Over time, net position serves as a useful indicator of the County's financial position. Watonwan County's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$79,758,363 at the close of 2023. The largest portion of Watonwan County's net position (87.01 percent) reflects its investment in capital assets (for example, land, buildings, and equipment), less any related debt used to acquire those assets that is still outstanding. However, it should be noted that these assets are not available for future spending.

	Net Position	
	Governmental Activities	
	2022	2023
Assets		
Current and other assets	\$ 27,284,729	\$ 30,644,098
Capital assets	69,808,468	70,319,209
Total Assets	\$ 97,093,197	\$ 100,963,307
Deferred Outflows of Resources	\$ 4,312,817	\$ 3,083,354
Liabilities		
Long-term liabilities outstanding	\$ 20,847,366	\$ 16,732,659
Other liabilities	3,625,096	3,081,328
Total Liabilities	\$ 24,472,462	\$ 19,813,987
Deferred Inflows of Resources	\$ 893,170	\$ 4,370,913
Net Position		
Net investment in capital assets	\$ 68,617,732	\$ 69,400,189
Restricted	3,940,534	5,047,741
Unrestricted	3,482,116	5,413,831
Total Net Position	\$ 76,040,382	\$ 79,861,761

The unrestricted net position amount of \$5,413,831 as of December 31, 2023, may be used to meet the County's ongoing obligations to citizens and creditors.

## Governmental Activities

The following table summarizes the changes in net position for 2023.

Changes in Net Position		
	Governmental Activities	
	2022	2023
Revenues		
Program revenues		
Charges for services	\$ 3,346,788	\$ 5,325,768
Operating grants and contributions	10,494,084	10,763,433
Capital grants and contributions	120,472	259,700
General revenues		
Property taxes	10,806,060	11,255,228
Other	3,336,646	2,472,222
Total Revenues	\$ 28,104,050	\$ 30,076,351
Expenses		
General government	\$ 4,447,512	\$ 4,860,540
Public safety	3,279,416	3,696,941
Highways and streets	3,755,422	6,553,825
Sanitation	325,999	330,432
Human services	6,494,410	5,889,097
Health	742,906	760,649
Culture and recreation	954,165	854,523
Conservation of natural resources	5,219,967	2,931,666
Economic development	144,606	141,074
Interest	123,439	236,225
Total Expenses	\$ 25,487,842	\$ 26,254,972
Change in Net Position	\$ 2,616,208	\$ 3,821,379
Net Position – January 1	73,424,174	76,040,382
Net Position – December 31	\$ 76,040,382	\$ 79,861,761

## Financial Analysis of the County's Funds

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

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

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$21,197,091. Of this amount, \$8,031,158 constitutes unassigned fund balance. The remainder of fund balance is nonspendable, restricted, committed, or assigned to indicate that it is not available for new spending.

The General Fund is the chief operating fund of Watonwan County. At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$10,148,213, while the total fund balance was \$13,969,529. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance and total fund balance to annual expenditures. Unassigned fund balance represents 105.97 percent of total General Fund expenditures for 2023, while total fund balance represents 145.87 percent of total General Fund expenditures. In

2023, the total fund balance in the General Fund increased by \$1,962,420, with unassigned fund balance increasing by \$1,375,251, restricted fund balances increasing by \$224,539, and nonspendable fund balance increasing by \$362,630.

In 2023, the Road and Bridge Special Revenue Fund showed excess revenues over expenditures of \$45,862 and an increase in inventories of \$186,708 for a net increase in fund balance of \$232,570. Revenues were over budget by \$55,995. The most significant variance was in miscellaneous revenues of \$48,115. Expenditures were also over budget by \$10,133. The most significant variance was maintenance and construction expenditures due to additional maintenance resulting from heavy precipitation on our gravel roads.

In 2023, the Human Services Special Revenue Fund's fund balance increased by \$628,797. Revenues were under budget by \$165,668. The most significant revenue variance was in miscellaneous revenues at \$193,034 under budget. Expenditures were also under budget by \$794,465. The most significant expenditure variance was social services expenditures at \$761,653 under budget. The variance was due to a considerable reduction in out-of-home placement costs.

In 2023, the County Ditch Special Revenue Fund's fund balance decreased by \$989,611 to (\$1,165,954). Current improvement projects are Judicial Ditch 18, Judicial Ditch 11, Judicial Ditch 8 and Judicial Ditch 26. The fund will collect special assessments in future years to cover the deficit fund balance.

### General Fund Budgetary Highlights

There were variances in operational revenues and expenditures in the General Fund. Total revenues exceeded budget by \$1,930,411, or 20.53 percent. Intergovernmental revenues exceeded budget by \$1,006,968. The significant variance is revenue earned from the American Rescue Plan Act of \$264,070; State, Local and Tribal Support of \$150,000; and Public Safety Aid of \$200,689. Total expenditures were over budget by \$143,247, or 1.52 percent.

### Capital Assets and Debt Administration

#### Capital Assets

The County's investment in capital assets for its governmental activities as of December 31, 2023, amounts to \$70,319,209 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, land improvements, equipment, and infrastructure. The total increase in the County's investment in capital assets, net of depreciation, for the current fiscal year was \$510,741.

#### Governmental Capital Assets (Net of Depreciation)

	2022	2023
Land	\$ 717,067	\$ 717,067
Construction in progress	262,043	380,701
Land improvements	2,113,317	2,055,727
Buildings	4,410,306	4,216,516
Machinery, furniture, and equipment	4,454,873	4,623,758
Infrastructure	57,850,862	58,325,440
Total	<u>\$ 69,808,468</u>	<u>\$ 70,319,209</u>

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

## Long-Term Debt

At the end of the current fiscal year, the County had total general obligation bonds outstanding of \$8,250,000, which is backed by the full faith and credit of the government.

	Outstanding Debt	
	Governmental Activities	
	2022	2023
General obligation bonds	\$ 8,380,000	\$ 8,250,000

Standard and Poor's Ratings Service assigned an "AA" rating on Watonwan County's outstanding general obligation bonds in August 2022. Moody's rating remains at an "Aa3".

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

Minnesota statutes limit the amount of debt that a county may levy to three percent of its total market value. As of the end of 2023, Watonwan County is well below the three percent debt limit imposed by state statutes.

## Economic Factors and Next Year's Budgets

- Watonwan County's unemployment rate was 2.4 percent as of the end of 2023, slightly lower than the state-wide rate of 2.6 percent.
- The total tax capacity of the County had an increase for 2023 due to continued strong residential and agricultural sales.

At the end of 2023, Watonwan County set its 2024 revenue and expenditure budgets, budgeting revenues and expenditures of \$36,688,340 and \$37,325,898, respectively.

## Requests for Information

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



## **Basic Financial Statements**

## **Government-Wide Financial Statements**

**Watonwan County  
St. James, Minnesota**

***Exhibit 1***

**Statement of Net Position  
Governmental Activities  
December 31, 2023**

**Assets**

Cash and pooled investments	\$ 23,199,820
Taxes receivable – delinquent	174,038
Special assessments receivable	
Delinquent	22,085
Noncurrent	3,136,468
Accounts receivable – net	271,769
Accrued interest receivable	225,728
Due from other governments	3,160,794
Inventories	453,396
Capital assets	
Non-depreciable	1,097,768
Depreciable – net of accumulated depreciation	69,221,441
<b>Total Assets</b>	<b>\$ 100,963,307</b>

**Deferred Outflows of Resources**

Deferred other postemployment benefits outflows	\$ 39,386
Deferred pension outflows	3,043,968
<b>Total Deferred Outflows of Resources</b>	<b>\$ 3,083,354</b>

**Liabilities**

Accounts payable	\$ 414,147
Salaries payable	457,602
Contracts payable	290,643
Due to other governments	314,973
Accrued interest payable	116,453
Unearned revenue	1,487,510
Long-term liabilities	
Due within one year	1,099,570
Due in more than one year	9,333,317
Other postemployment benefits liability	359,805
Net pension liability	5,939,967
<b>Total Liabilities</b>	<b>\$ 19,813,987</b>

**Deferred Inflows of Resources**

Advanced allotments	\$ 662,294
Deferred other postemployment benefits inflows	121,170
Deferred pension inflows	3,587,449
<b>Total Deferred Inflows of Resources</b>	<b>\$ 4,370,913</b>

**Watonwan County  
St. James, Minnesota**

***Exhibit 1***  
***(Continued)***

**Statement of Net Position  
Governmental Activities  
December 31, 2023**

**Net Position**

Net investment in capital assets	\$	69,400,189
Restricted for		
General government		651,984
Public safety		541,473
Highways and streets		2,189,662
Human services		85,257
Culture and recreation		560,404
Conservation of natural resources		651,979
Economic development		59,592
Debt service		236,173
Opioid remediation activities		71,217
Unrestricted		5,413,831
<b>Total Net Position</b>	<b>\$</b>	<b>79,861,761</b>

**Watonwan County  
St. James, Minnesota**

**Exhibit 2**

**Statement of Activities  
For the Year Ended December 31, 2023**

	Program Revenues					Net (Expense) Revenue and Changes in Net Position				
	Expenses	Fees, Charges, Fines, and Other	Operating Grants and Contributions	Capital Grants and Contributions						
<b>Functions/Programs</b>										
<b>Primary government</b>										
<b>Governmental activities</b>										
General government	\$	4,860,540	\$	979,026	\$	711,926	\$	-	\$	(3,169,588)
Public safety		3,696,941		200,759		683,972		-		(2,812,210)
Highways and streets		6,553,825		399,716		5,461,450		259,700		(432,959)
Sanitation		330,432		174,334		72,440		-		(83,658)
Human services		5,889,097		779,038		3,162,892		-		(1,947,167)
Health		760,649		95,649		537,541		-		(127,459)
Culture and recreation		854,523		13,287		27,066		-		(814,170)
Conservation of natural resources		2,931,666		2,592,883		106,146		-		(232,637)
Economic development		141,074		91,076		-		-		(49,998)
Interest		236,225		-		-		-		(236,225)
<b>Total Governmental Activities</b>	<b>\$</b>	<b>26,254,972</b>	<b>\$</b>	<b>5,325,768</b>	<b>\$</b>	<b>10,763,433</b>	<b>\$</b>	<b>259,700</b>	<b>\$</b>	<b>(9,906,071)</b>
<b>General Revenues</b>										
Property taxes									\$	11,255,228
Mortgage registry and deed tax										10,004
Wheelage tax										183,019
Grants and contributions not restricted to specific programs										1,351,915
Unrestricted investment earnings										927,284
<b>Total general revenues</b>									<b>\$</b>	<b>13,727,450</b>
<b>Change in net position</b>									<b>\$</b>	<b>3,821,379</b>
<b>Net Position – January 1</b>										<b>76,040,382</b>
<b>Net Position – December 31</b>									<b>\$</b>	<b>79,861,761</b>

## **Fund Financial Statements**

## **Governmental Funds**

**Watonwan County  
St. James, Minnesota**

**Balance Sheet  
Governmental Funds  
December 31, 2023**

	<u>General</u>	<u>Road and Bridge</u>
<b><u>Assets</u></b>		
Cash and pooled investments	\$ 12,378,933	\$ 1,999,519
Taxes receivable – delinquent	99,290	25,604
Special assessments receivable		
Delinquent	5,313	-
Noncurrent	784,295	-
Accounts receivable – net	19,897	28,123
Accrued interest receivable	225,728	-
Due from other funds	34,927	10,630
Due from other governments	262,080	2,410,551
Advances to other funds	1,970,914	-
Inventories	-	453,396
<b>Total Assets</b>	<b>\$ 15,781,377</b>	<b>\$ 4,927,823</b>
<b><u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u></b>		
<b>Liabilities</b>		
Accounts payable	\$ 160,704	\$ 101,319
Salaries payable	218,809	58,692
Contracts payable	-	-
Due to other funds	10,502	60
Due to other governments	93,695	-
Unearned revenue	444,063	-
Advances from other funds	-	-
<b>Total Liabilities</b>	<b>\$ 927,773</b>	<b>\$ 160,071</b>
<b>Deferred Inflows of Resources</b>		
Advanced allotments	\$ -	\$ 662,294
Unavailable revenue	884,075	2,392,715
<b>Total Deferred Inflows of Resources</b>	<b>\$ 884,075</b>	<b>\$ 3,055,009</b>



**Exhibit 3**

<b>Human Services</b>	<b>County Ditch</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 4,514,633	\$ 2,290,671	\$ 2,016,064	\$ 23,199,820
34,763	-	14,381	174,038
-	2,121	14,651	22,085
-	2,352,173	-	3,136,468
223,749	-	-	271,769
-	-	-	225,728
479	-	45	46,081
488,066	97	-	3,160,794
-	-	-	1,970,914
-	-	-	453,396
<b>\$ 5,261,690</b>	<b>\$ 4,645,062</b>	<b>\$ 2,045,141</b>	<b>\$ 32,661,093</b>
\$ 90,949	\$ 54,970	\$ 6,205	\$ 414,147
161,461	-	18,640	457,602
-	290,643	-	290,643
3,463	16,009	16,047	46,081
138,916	82,362	-	314,973
-	1,043,447	-	1,487,510
-	1,970,914	-	1,970,914
<b>\$ 394,789</b>	<b>\$ 3,458,345</b>	<b>\$ 40,892</b>	<b>\$ 4,981,870</b>
\$ -	\$ -	\$ -	\$ 662,294
169,896	2,352,671	20,481	5,819,838
<b>\$ 169,896</b>	<b>\$ 2,352,671</b>	<b>\$ 20,481</b>	<b>\$ 6,482,132</b>

**Watonwan County  
St. James, Minnesota**

**Balance Sheet  
Governmental Funds  
December 31, 2023**

	<u>General</u>	<u>Road and Bridge</u>
<b><u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u></b> <b>(Continued)</b>		
<b>Fund Balances</b>		
Nonspendable		
Inventories	\$ -	\$ 453,396
Advances to other funds	1,970,914	-
Restricted for		
Law library	46,028	-
Recorder's equipment	194,926	-
Technology fees	158,484	-
E-911	414,732	-
Carry permit administration	116,562	-
Sheriff's contingency	10,179	-
HRA special benefit levy	59,592	-
Invasive species	140,169	-
Individual Sewage Treatment System (ISTS) loan repayments	315,605	-
Donations – veterans' van	29,389	-
Capital projects	141,579	-
Transit system	223,157	-
Highway projects	-	41,585
Opioid remediation	-	-
Medical assistance eligibility renewal	-	-
Local homeless prevention funds	-	-
Ditch maintenance and construction	-	-
Library operations from donations	-	-
Debt service	-	-
Committed for library operations	-	-
Assigned to		
Road and bridge	-	1,217,762
Human services	-	-
Solid waste	-	-
Unassigned	10,148,213	-
<b>Total Fund Balances</b>	<b>\$ 13,969,529</b>	<b>\$ 1,712,743</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 15,781,377</b>	<b>\$ 4,927,823</b>

**Exhibit 3***(Continued)*

<u>Human Services</u>	<u>County Ditch</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ -	\$ 453,396
-	-	-	1,970,914
-	-	-	46,028
-	-	-	194,926
-	-	-	158,484
-	-	-	414,732
-	-	-	116,562
-	-	-	10,179
-	-	-	59,592
-	-	-	140,169
-	-	-	315,605
-	-	-	29,389
-	-	-	141,579
-	-	-	223,157
-	-	-	41,585
71,217	-	-	71,217
71,073	-	-	71,073
14,184	-	-	14,184
-	951,101	-	951,101
-	-	560,404	560,404
-	-	236,173	236,173
-	-	844,847	844,847
-	-	-	1,217,762
4,540,531	-	-	4,540,531
-	-	342,344	342,344
-	(2,117,055)	-	8,031,158
<u>\$ 4,697,005</u>	<u>\$ (1,165,954)</u>	<u>\$ 1,983,768</u>	<u>\$ 21,197,091</u>
<u>\$ 5,261,690</u>	<u>\$ 4,645,062</u>	<u>\$ 2,045,141</u>	<u>\$ 32,661,093</u>

**Watonwan County  
St. James, Minnesota**

**Exhibit 4**

**Reconciliation of the Fund Balances of  
Governmental Funds to the Statement of Net Position  
December 31, 2023**

<b>Fund balances – total governmental funds (Exhibit 3)</b>	<b>\$ 21,197,091</b>
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	70,319,209
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources in the governmental funds.	5,819,838
Deferred outflows of resources and deferred inflows of resources are created as a result of various differences related to other postemployment benefits not recognized in the governmental funds.	
Deferred outflows related to other postemployment benefits	\$ 39,386
Deferred inflows related to other postemployment benefits	<u>(121,170)</u>
	(81,784)
Deferred outflows of resources and deferred inflows of resources are created as a result of various differences related to pensions not recognized in the governmental funds.	
Deferred outflows related to pensions	\$ 3,043,968
Deferred inflows related to pensions	<u>(3,587,449)</u>
	(543,481)
Governmental funds do not report a liability for accrued interest on long-term liabilities until due and payable.	(116,453)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	
General obligation bonds	\$ (8,250,000)
Premium on bonds	(219,854)
Loans payable	(895,678)
Other postemployment benefits liability	(359,805)
Net pension liability	(5,939,967)
Compensated absences	<u>(1,067,355)</u>
	<u>(16,732,659)</u>
<b>Net Position of Governmental Activities (Exhibit 1)</b>	<b><u>\$ 79,861,761</u></b>

**Watonwan County  
St. James, Minnesota**

**Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Year Ended December 31, 2023**

	<u>General</u>	<u>Road and Bridge</u>
<b>Revenues</b>		
Taxes	\$ 6,534,008	\$ 1,770,901
Special assessments	152,197	-
Licenses and permits	14,925	-
Intergovernmental	2,468,177	5,048,293
Settlements	-	-
Charges for services	895,336	226,601
Fines and forfeits	1,263	-
Gifts and contributions	-	-
Investment earnings	927,284	-
Miscellaneous	338,257	173,115
<b>Total Revenues</b>	<b>\$ 11,331,447</b>	<b>\$ 7,218,910</b>
<b>Expenditures</b>		
<b>Current</b>		
General government	\$ 4,668,368	\$ -
Public safety	3,624,724	-
Highways and streets	-	6,906,639
Sanitation	-	-
Human services	-	-
Health	-	-
Culture and recreation	102,032	-
Conservation of natural resources	862,733	-
Economic development	139,364	-
<b>Intergovernmental</b>		
Highways and streets	-	266,409
<b>Capital outlay</b>		
General government	114,317	-
<b>Debt service</b>		
Principal	65,368	-
Interest	-	-
Administrative charges	-	-
<b>Total Expenditures</b>	<b>\$ 9,576,906</b>	<b>\$ 7,173,048</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 1,754,541</b>	<b>\$ 45,862</b>
<b>Other Financing Sources (Uses)</b>		
Transfers in	\$ -	\$ -
Transfers out	(28,802)	-
Proceeds from loan	236,681	-
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 207,879</b>	<b>\$ -</b>
<b>Net Change in Fund Balances</b>	<b>\$ 1,962,420</b>	<b>\$ 45,862</b>
<b>Fund Balances – January 1</b>	<b>12,007,109</b>	<b>1,480,173</b>
<b>Increase (decrease) in inventories</b>	<b>-</b>	<b>186,708</b>
<b>Fund Balances – December 31</b>	<b>\$ 13,969,529</b>	<b>\$ 1,712,743</b>

**Exhibit 5**

<b>Human Services</b>	<b>County Ditch</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 2,350,500	\$ -	\$ 865,858	\$ 11,521,267
-	1,191,584	163,248	1,507,029
-	-	-	14,925
3,954,127	-	166,600	11,637,197
15,903	-	-	15,903
630,855	-	12,408	1,765,200
-	-	2,488	3,751
-	-	1,970	1,970
-	104,720	-	1,032,004
247,066	-	-	758,438
<b>\$ 7,198,451</b>	<b>\$ 1,296,304</b>	<b>\$ 1,212,572</b>	<b>\$ 28,257,684</b>
\$ -	\$ -	\$ -	\$ 4,668,368
-	-	-	3,624,724
-	-	-	6,906,639
-	-	335,423	335,423
5,812,782	-	-	5,812,782
756,872	-	-	756,872
-	-	770,108	872,140
-	2,050,538	-	2,913,271
-	-	-	139,364
-	-	-	266,409
-	-	-	114,317
-	-	130,000	195,368
-	234,882	12,720	247,602
-	495	1,425	1,920
<b>\$ 6,569,654</b>	<b>\$ 2,285,915</b>	<b>\$ 1,249,676</b>	<b>\$ 26,855,199</b>
<b>\$ 628,797</b>	<b>\$ (989,611)</b>	<b>\$ (37,104)</b>	<b>\$ 1,402,485</b>
\$ -	\$ -	\$ 28,802	\$ 28,802
-	-	-	(28,802)
-	-	-	236,681
<b>\$ -</b>	<b>\$ -</b>	<b>\$ 28,802</b>	<b>\$ 236,681</b>
<b>\$ 628,797</b>	<b>\$ (989,611)</b>	<b>\$ (8,302)</b>	<b>\$ 1,639,166</b>
<b>4,068,208</b>	<b>(176,343)</b>	<b>1,992,070</b>	<b>19,371,217</b>
-	-	-	186,708
<b>\$ 4,697,005</b>	<b>\$ (1,165,954)</b>	<b>\$ 1,983,768</b>	<b>\$ 21,197,091</b>

**Watonwan County  
St. James, Minnesota**

**Exhibit 6**

**Reconciliation of the Changes in Fund Balances of Governmental  
Funds to the Change in Net Position of Governmental Activities  
For the Year Ended December 31, 2023**

<b>Net change in fund balances – total governmental funds (Exhibit 5)</b>	<b>\$</b>	<b>1,639,166</b>
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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	\$ 5,819,838	
Unavailable revenue – January 1	(3,812,194)	2,007,644

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Also, in the statement of activities, only the gain or loss on the disposal of assets is reported; whereas, in the governmental funds, the proceeds from the sale increase financial resources. Therefore, the change in net position differs from the change in fund balance by the net book value of the assets disposed.

Capital outlay expenditures	\$ 3,300,237	
Depreciation expense	(2,779,538)	
Net book value of assets sold or disposed	(9,958)	510,741

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

Proceeds of new debt – loans payable	\$ (236,681)	
Repayment of debt principal	195,368	
Amortization of premiums on debt	11,765	(29,548)

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	\$ 186,708	
Change in deferred other postemployment benefits outflows	13,918	
Change in deferred pension outflows	(1,243,381)	
Change in accrued interest payable	1,037	
Change in compensated absences	(114,870)	
Change in other postemployment benefits liability	26,936	
Change in net pension liability	4,232,189	
Change in deferred other postemployment benefits inflows	(19,593)	
Change in deferred pension inflows	(3,389,568)	(306,624)

<b>Change in Net Position of Governmental Activities (Exhibit 2)</b>	<b>\$</b>	<b><u>3,821,379</u></b>
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**Watonwan County  
St. James, Minnesota**

**Exhibit 7**

**Budgetary Comparison Statement  
General Fund  
For the Year Ended December 31, 2023**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
<b>Revenues</b>				
Taxes	\$ 6,443,933	\$ 6,443,933	\$ 6,534,008	\$ 90,075
Special assessments	85,500	85,500	152,197	66,697
Licenses and permits	15,650	15,650	14,925	(725)
Intergovernmental	1,461,209	1,461,209	2,468,177	1,006,968
Charges for services	995,121	995,121	895,336	(99,785)
Fines and forfeits	-	-	1,263	1,263
Gifts and contributions	500	500	-	(500)
Investment earnings	125,000	125,000	927,284	802,284
Miscellaneous	274,123	274,123	338,257	64,134
<b>Total Revenues</b>	<b>\$ 9,401,036</b>	<b>\$ 9,401,036</b>	<b>\$ 11,331,447</b>	<b>\$ 1,930,411</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
County commissioners	\$ 257,939	\$ 257,939	\$ 237,025	\$ 20,914
Court administrator	50,900	50,900	27,703	23,197
Law library	7,000	7,000	7,067	(67)
County auditor/treasurer	428,645	428,645	394,841	33,804
License center	170,381	170,381	175,489	(5,108)
Personnel	156,995	156,995	150,874	6,121
Central services	180,243	180,243	196,218	(15,975)
Elections	14,000	14,000	11,427	2,573
Information technology	604,596	604,596	444,263	160,333
County attorney	355,412	355,412	375,748	(20,336)
Attorney's contingent	7,500	7,500	-	7,500
County recorder	277,164	277,164	316,271	(39,107)
County assessor	481,652	481,652	394,502	87,150
Building maintenance	370,042	370,042	353,157	16,885
Veterans service	196,332	196,332	120,644	75,688
Motor pool	27,000	27,000	56,520	(29,520)
Public transit	537,700	537,700	561,890	(24,190)
Other general government	630,785	630,785	844,729	(213,944)
<b>Total general government</b>	<b>\$ 4,754,286</b>	<b>\$ 4,754,286</b>	<b>\$ 4,668,368</b>	<b>\$ 85,918</b>
<b>Public safety</b>				
County sheriff	\$ 2,005,180	\$ 2,005,180	\$ 2,150,205	\$ (145,025)
Sheriff's contingent	5,000	5,000	-	5,000
Jail	759,968	759,968	800,077	(40,109)
E-911 and radio maintenance	65,000	65,000	124,892	(59,892)
County coroner	35,000	35,000	19,719	15,281
Court services	313,448	313,448	366,340	(52,892)
Emergency management	112,892	112,892	163,491	(50,599)
<b>Total public safety</b>	<b>\$ 3,296,488</b>	<b>\$ 3,296,488</b>	<b>\$ 3,624,724</b>	<b>\$ (328,236)</b>



**Watonwan County  
St. James, Minnesota**

**Exhibit 7**  
**(Continued)**

**Budgetary Comparison Statement  
General Fund  
For the Year Ended December 31, 2023**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
<b>Expenditures</b>				
<b>Current (Continued)</b>				
<b>Culture and recreation</b>				
County parks	\$ 76,000	\$ 76,000	\$ 56,032	\$ 19,968
Historical society	46,000	46,000	46,000	-
<b>Total culture and recreation</b>	<b>\$ 122,000</b>	<b>\$ 122,000</b>	<b>\$ 102,032</b>	<b>\$ 19,968</b>
<b>Conservation of natural resources</b>				
Environmental services	\$ 531,710	\$ 531,710	\$ 460,645	\$ 71,065
County extension	126,656	126,656	134,932	(8,276)
Agricultural society/fair grounds	94,500	94,500	94,405	95
Soil and water conservation	105,000	105,000	105,000	-
Local water plan block grant	65,817	65,817	67,751	(1,934)
<b>Total conservation of natural resources</b>	<b>\$ 923,683</b>	<b>\$ 923,683</b>	<b>\$ 862,733</b>	<b>\$ 60,950</b>
<b>Economic development</b>				
Employment and training	\$ 92,702	\$ 92,702	\$ 91,364	\$ 1,338
Economic development	48,000	48,000	48,000	-
<b>Total economic development</b>	<b>\$ 140,702</b>	<b>\$ 140,702</b>	<b>\$ 139,364</b>	<b>\$ 1,338</b>
<b>Capital outlay</b>				
General government	\$ 111,000	\$ 111,000	\$ 114,317	\$ (3,317)
<b>Debt service</b>				
Principal	\$ 85,500	\$ 85,500	\$ 65,368	\$ 20,132
<b>Total Expenditures</b>	<b>\$ 9,433,659</b>	<b>\$ 9,433,659</b>	<b>\$ 9,576,906</b>	<b>\$ (143,247)</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (32,623)</b>	<b>\$ (32,623)</b>	<b>\$ 1,754,541</b>	<b>\$ 1,787,164</b>
<b>Other Financing Sources (Uses)</b>				
Transfers out	\$ -	\$ -	\$ (28,802)	\$ (28,802)
Proceeds from loan	80,000	80,000	236,681	156,681
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 80,000</b>	<b>\$ 80,000</b>	<b>\$ 207,879</b>	<b>\$ 127,879</b>
<b>Net Change in Fund Balance</b>	<b>\$ 47,377</b>	<b>\$ 47,377</b>	<b>\$ 1,962,420</b>	<b>\$ 1,915,043</b>
<b>Fund Balance – January 1</b>	<b>12,007,109</b>	<b>12,007,109</b>	<b>12,007,109</b>	<b>-</b>
<b>Fund Balance – December 31</b>	<b>\$ 12,054,486</b>	<b>\$ 12,054,486</b>	<b>\$ 13,969,529</b>	<b>\$ 1,915,043</b>

**Watonwan County  
St. James, Minnesota**

**Exhibit 8**

**Budgetary Comparison Statement  
Road and Bridge Special Revenue Fund  
For the Year Ended December 31, 2023**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 1,821,773	\$ 1,821,773	\$ 1,770,901	\$ (50,872)
Intergovernmental	5,001,142	5,001,142	5,048,293	47,151
Charges for services	215,000	215,000	226,601	11,601
Miscellaneous	125,000	125,000	173,115	48,115
<b>Total Revenues</b>	<b>\$ 7,162,915</b>	<b>\$ 7,162,915</b>	<b>\$ 7,218,910</b>	<b>\$ 55,995</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Highways and streets</b>				
Administration	\$ 308,488	\$ 308,488	\$ 268,316	\$ 40,172
Maintenance and construction	4,856,227	4,856,227	5,317,329	(461,102)
Equipment maintenance and shop	1,732,200	1,732,200	1,320,994	411,206
Other	1,000	1,000	-	1,000
<b>Total highways and streets</b>	<b>\$ 6,897,915</b>	<b>\$ 6,897,915</b>	<b>\$ 6,906,639</b>	<b>\$ (8,724)</b>
<b>Intergovernmental</b>				
Highways and streets	265,000	265,000	266,409	(1,409)
<b>Total Expenditures</b>	<b>\$ 7,162,915</b>	<b>\$ 7,162,915</b>	<b>\$ 7,173,048</b>	<b>\$ (10,133)</b>
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 45,862</b>	<b>\$ 45,862</b>
<b>Fund Balance – January 1</b>	<b>1,480,173</b>	<b>1,480,173</b>	<b>1,480,173</b>	<b>-</b>
<b>Increase (decrease) in inventories</b>	<b>-</b>	<b>-</b>	<b>186,708</b>	<b>186,708</b>
<b>Fund Balance – December 31</b>	<b>\$ 1,480,173</b>	<b>\$ 1,480,173</b>	<b>\$ 1,712,743</b>	<b>\$ 232,570</b>

**Watonwan County  
St. James, Minnesota**

**Exhibit 9**

**Budgetary Comparison Statement  
Human Services Special Revenue Fund  
For the Year Ended December 31, 2023**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 2,407,619	\$ 2,407,619	\$ 2,350,500	\$ (57,119)
Intergovernmental	3,920,200	3,920,200	3,954,127	33,927
Settlements	-	-	15,903	15,903
Charges for services	596,200	596,200	630,855	34,655
Miscellaneous	440,100	440,100	247,066	(193,034)
<b>Total Revenues</b>	<b>\$ 7,364,119</b>	<b>\$ 7,364,119</b>	<b>\$ 7,198,451</b>	<b>\$ (165,668)</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Human services</b>				
Income maintenance	\$ 1,377,415	\$ 1,377,415	\$ 1,366,176	\$ 11,239
Social services	5,208,259	5,208,259	4,446,606	761,653
<b>Total human services</b>	<b>\$ 6,585,674</b>	<b>\$ 6,585,674</b>	<b>\$ 5,812,782</b>	<b>\$ 772,892</b>
<b>Health</b>				
Community health services	778,445	778,445	756,872	21,573
<b>Total Expenditures</b>	<b>\$ 7,364,119</b>	<b>\$ 7,364,119</b>	<b>\$ 6,569,654</b>	<b>\$ 794,465</b>
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 628,797</b>	<b>\$ 628,797</b>
<b>Fund Balance – January 1</b>	<b>4,068,208</b>	<b>4,068,208</b>	<b>4,068,208</b>	<b>-</b>
<b>Fund Balance – December 31</b>	<b>\$ 4,068,208</b>	<b>\$ 4,068,208</b>	<b>\$ 4,697,005</b>	<b>\$ 628,797</b>

## **Fiduciary Funds**

**Watonwan County  
St. James, Minnesota**

**Exhibit 10**

**Statement of Fiduciary Net Position  
Fiduciary Funds  
December 31, 2023**

	<b>Social Welfare Private-Purpose Trust Fund</b>	<b>Custodial Funds</b>
<b><u>Assets</u></b>		
Cash and pooled investments	\$ 48,397	\$ 1,152,742
Due from other governments	-	125,097
Taxes receivable for other governments	-	252,120
Special assessments receivable for other governments	-	44,635
Accounts receivable	-	26,003
Accrued interest receivable	-	2,317
	<hr/>	<hr/>
<b>Total Assets</b>	<b>\$ 48,397</b>	<b>\$ 1,602,914</b>
	<hr/>	<hr/>
<b><u>Liabilities</u></b>		
Due to others	\$ -	\$ 4,141
Due to other governments	-	311,143
	<hr/>	<hr/>
<b>Total Liabilities</b>	<b>\$ -</b>	<b>\$ 315,284</b>
	<hr/>	<hr/>
<b><u>Net Position</u></b>		
Restricted for individuals, organizations, and other governments	<b>\$ 48,397</b>	<b>\$ 1,287,630</b>
	<hr/> <hr/>	<hr/> <hr/>

**Watonwan County  
St. James, Minnesota**

***Exhibit 11***

**Statement of Changes in Fiduciary Net Position  
Fiduciary Funds  
For the Year Ended December 31, 2023**

	Social Welfare Private-Purpose Trust Fund	Custodial Funds
<b><u>Additions</u></b>		
Contributions from individuals	\$ 318,088	\$ 357,621
Interest earnings	-	3,327
Property tax collections for other governments	-	9,012,239
Fees collected for the state	-	3,334,215
Payments from the state	-	523,032
Payments from other entities	-	209,010
<b>Total Additions</b>	<b>\$ 318,088</b>	<b>\$ 13,439,444</b>
<b><u>Deductions</u></b>		
Beneficiary payments to individuals	\$ 298,172	\$ -
Payments of property tax to other governments	-	8,918,968
Payments to the state	-	3,691,836
Payments to other entities	-	470,782
<b>Total Deductions</b>	<b>\$ 298,172</b>	<b>\$ 13,081,586</b>
<b>Change in Net Position</b>	<b>\$ 19,916</b>	<b>\$ 357,858</b>
<b>Net Position – January 1</b>	<b>28,481</b>	<b>929,772</b>
<b>Net Position – December 31</b>	<b>\$ 48,397</b>	<b>\$ 1,287,630</b>

# **Watonwan County St. James, Minnesota**

## **Notes to the Financial Statements As of and for the Year Ended December 31, 2023**

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### **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, 2023. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the County are discussed below.

#### **Financial Reporting Entity**

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

#### **Joint Ventures and Jointly-Governed Organizations**

The County participates in joint ventures and jointly-governed organizations as described in Note 5 – Summary of Significant Contingencies and Other Items.

#### **Basic Financial Statements**

##### **County-Wide Statements**

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

The county-wide statement of net position presents all assets, liabilities, deferred inflows and outflows of resources, and net position on a full accrual accounting basis with an economic resource focus. The County's net position is reported in three parts: (1) net investment in capital assets, (2) restricted net position, and (3) unrestricted net position. The County first utilizes restricted resources to finance qualifying activities.

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

# Watonwan County

## St. James, Minnesota

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### Fund Financial Statements

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

The County reports the following major governmental funds:

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

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

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

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

Additionally, the County reports the following fund types:

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

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

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

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

### Measurement Focus and Basis of Accounting

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and



## **Watonwan County St. James, Minnesota**

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

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

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

#### **Deposits and Investments**

The cash balances of substantially all funds are pooled and invested by the County Auditor/Treasurer for the purpose of increasing earnings through investment activities. Investments are reported at their fair value at December 31, 2023. A market approach is used to value all investments other than external investment pools, which are measured at the net asset value per share. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments are credited to the General Fund. Other funds may receive investment earnings based on other state statutes, grant agreements, contracts, or bond covenants. Pooled investment earnings for 2023 were \$927,284.

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

#### **Receivables and Payables**

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

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

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

Special assessments receivable consist of delinquent special assessments payable in the years 2018 through 2023 and noncurrent special assessments payable in 2024 and after. Unpaid special assessments at December 31 are classified in the financial statements as delinquent special assessments.

Accounts receivable are shown net of an allowance for uncollectibles.

# Watonwan County

## St. James, Minnesota

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### Inventories

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

### Capital Assets

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

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

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

#### **Estimated Useful Lives of Capital Assets**

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

### Compensated Absences

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

### Long-Term Obligations

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

## **Watonwan County St. James, Minnesota**

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

### **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 that time. The County reports deferred outflows of resources only under the full accrual basis of accounting associated with pension plans and other postemployment benefits (OPEB) and, accordingly, they are reported only in the statement of net position.

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

### **Pension Plan**

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

### **Unearned Revenue**

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

# Watonwan County

## St. James, Minnesota

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### Classification of Net Position

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

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

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

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

### Classification of Fund Balances

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

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

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

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

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

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

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

# Watonwan County

## St. James, Minnesota

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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

### Budgetary Information

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

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

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

### Excess of Expenditures Over Budget

The funds shown below had expenditures in excess of budget for the year ended December 31, 2023.

Excess of Expenditures Over Budget				
	Expenditures	Budget	Excess	
General Fund	\$ 9,576,906	\$ 9,433,659	\$ 143,247	
Road and Bridge Special Revenue Fund	7,173,048	7,162,915	10,133	

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

# Watonwan County

## St. James, Minnesota

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### Deficit Fund Equity – County Ditch Special Revenue Fund

The County Ditch Special Revenue Fund has a deficit fund balance of \$1,165,954. The deficit will be eliminated with future special assessment levies against the benefited properties. The following is a summary of the individual ditch systems:

Individual Ditch System Fund Balance	
26 ditches with positive fund balances	\$ 951,101
13 ditches with deficit fund balances	(2,117,055)
Total Fund Balance	<u>\$ (1,165,954)</u>

### Note 3 – Detailed Notes

#### Assets

#### Deposits and Investments

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

#### Reconciliation of the County's Total Cash and Investments to the Basic Financial Statements as of December 31, 2023

Governmental funds	
Cash and pooled investments	\$ 23,199,820
Fiduciary funds	
Cash and pooled investments	<u>1,201,139</u>
Total Cash and Investments	<u>\$ 24,400,959</u>

#### Deposits

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

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

#### Custodial Credit Risk

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

## Watonwan County St. James, Minnesota

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security interest in pledged collateral from the financial institutions. As of December 31, 2023, 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, the National Credit Union Administration, or bankers' acceptances of United States banks;
- (5) commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less; and
- (6) with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

As of December 31, 2023, all County investments, valued at \$2,868,335, were in the Minnesota Association of Governments Investing for Counties (MAGIC) Fund.

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

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

### Interest Rate Risk

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

## Watonwan County St. James, Minnesota

funds, money market mutual funds, or similar investment pools; and limiting the average maturity in accordance with the County's cash requirements.

### Credit Risk

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

### Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities in the possession of an outside party. The County does not have a policy to mitigate custodial credit risk. At December 31, 2023, none of the County's investments were subject to custodial credit risk.

### Concentration of Credit Risk

Concentration of credit risk is the risk of loss that may be caused by the County's investment in a single issuer. It is the County's policy to minimize concentration of credit risk by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimal. As of December 31, 2023, all of the County's investments were in the MAGIC Fund.

### Receivables

Receivables as of December 31, 2023, for the County are as follows:

#### Governmental Activities' Receivables as of December 31, 2023

	Receivable	Less: Allowance for Uncollectible Accounts	Net Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Taxes – delinquent	\$ 174,038	\$ -	\$ 174,038	\$ -
Special assessments – delinquent	22,085	-	22,085	-
Special assessments – noncurrent	3,136,468	-	3,136,468	2,841,582
Accounts	302,749	(30,980)	271,769	-
Accrued interest receivable	225,728	-	225,728	-
Due from other governments	3,160,794	-	3,160,794	-
Total Governmental Activities	<u>\$ 7,021,862</u>	<u>\$ (30,980)</u>	<u>\$ 6,990,882</u>	<u>\$ 2,841,582</u>



# Watonwan County St. James, Minnesota

## Capital Assets

Capital asset activity for the year ended December 31, 2023, was as follows:

### Changes in Capital Assets for the Year Ended December 31, 2023

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 717,067	\$ -	\$ -	\$ 717,067
Construction in progress	262,043	128,384	9,726	380,701
Total capital assets not depreciated	\$ 979,110	\$ 128,384	\$ 9,726	\$ 1,097,768
Capital assets depreciated				
Buildings	\$ 9,469,963	\$ 19,174	\$ -	\$ 9,489,137
Land improvements	2,439,860	-	-	2,439,860
Machinery, furniture, and equipment	9,832,758	935,313	411,347	10,356,724
Infrastructure	87,225,987	2,227,092	-	89,453,079
Total capital assets depreciated	\$ 108,968,568	\$ 3,181,579	\$ 411,347	\$ 111,738,800
Less: accumulated depreciation for				
Buildings	\$ 5,059,657	\$ 212,964	\$ -	\$ 5,272,621
Land improvements	326,543	57,590	-	384,133
Machinery, furniture, and equipment	5,377,885	756,470	401,389	5,732,966
Infrastructure	29,375,125	1,752,514	-	31,127,639
Total accumulated depreciation	\$ 40,139,210	\$ 2,779,538	\$ 401,389	\$ 42,517,359
Total capital assets depreciated, net	\$ 68,829,358	\$ 402,041	\$ 9,958	\$ 69,221,441
Total Capital Assets, Net	\$ 69,808,468	\$ 530,425	\$ 19,684	\$ 70,319,209

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

### Depreciation Expense Charged to Functions/Programs

General government	\$ 298,064
Public safety	205,746
Highways and streets, including depreciation of infrastructure assets	2,134,288
Sanitation	7,594
Human services	69,476
Culture and recreation	56,821
Conservation of natural resources	7,549
Total Depreciation Expense	<u>\$ 2,779,538</u>

# Watonwan County St. James, Minnesota

## Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2023, is as follows:

### Due To/From Other Funds

#### Due To/From Other Funds as of December 31, 2023

Receivable Fund	Payable Fund	Amount	Purpose
General Fund	Road and Bridge Special Revenue Fund	\$ 60	Postage
	Human Services Special Revenue Fund	3,463	Reimbursement for services
	County Ditch Special Revenue Fund	16,009	Reimbursement of salaries
	Solid Waste Special Revenue Fund	15,395	Reimbursement of salaries
Total due to General Fund		\$ 34,927	
Road and Bridge Special Revenue Fund	General Fund	\$ 9,978	Reimbursement for services and fuel
	Solid Waste Special Revenue Fund	652	Reimbursement for services
Total due to Road and Bridge Special Revenue Fund		\$ 10,630	
Human Services Special Revenue Fund	General Fund	\$ 479	Reimbursement
County Library Special Revenue Fund	General Fund	\$ 45	Reimbursement for services
Total Due To/From Other Funds		\$ 46,081	

The interfund receivables and payables are expected to be paid within one year of December 31, 2023.

### Advances From/To Other Funds

#### Advances From/To Other Funds as of December 31, 2023

Receivable Fund	Payable Fund	Amount
General Fund	County Ditch Special Revenue Fund	\$ 1,970,914

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

### Interfund Transfers

Interfund transfers for the year ended December 31, 2023, consisted of the following:

#### Interfund Transfers as of December 31, 2023

Transfers to County Library Fund from General Fund	\$ 28,802	Interest distribution
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# Watonwan County St. James, Minnesota

## Liabilities and Deferred Inflows of Resources

### Long-Term Debt

#### Bonds

#### Bonds Payable as of December 31, 2023

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2023
G.O. Capital Improvement Crossover Refunding Bonds, Series 2012A	2026	\$50,000- \$55,000	1.55-2.60	\$ 625,000	\$ 165,000
G.O. Capital Improvement Plan Refunding Bonds, Series 2021A	2034	\$75,000- \$85,000	0.20-1.20	1,045,000	895,000
G.O. Ditch Bonds, Series 2022A	2043	\$145,000- \$495,000	3.00-5.00	7,190,000	7,190,000
Total				<u>\$ 8,860,000</u>	\$ 8,250,000
Plus: unamortized premium					<u>219,854</u>
Total General Obligation Bonds, Net					<u>\$ 8,469,854</u>

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

#### Loans Payable

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

#### Loans Payable as of December 31, 2023

Type of Indebtedness	Final Maturity	Installment Amount	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2023
Watonwan Ag Best Management Loan Program	2035	\$3,794- \$62,622	-	<u>\$ 1,043,393</u>	<u>\$ 895,678</u>

# Watonwan County St. James, Minnesota

## Debt Service Requirements

Debt service requirements at December 31, 2023, were as follows:

### Debt Service Requirements as of December 31, 2023

Year Ending December 31	General Obligation Bonds		Loans Payable	
	Principal	Interest	Principal	Interest
2024	\$ 280,000	\$ 275,030	\$ 109,336	\$ -
2025	385,000	263,407	120,976	-
2026	400,000	248,703	122,097	-
2027	360,000	233,883	120,876	-
2028	375,000	218,948	111,266	-
2029-2033	2,090,000	876,050	311,127	-
2034-2038	2,050,000	568,494	-	-
2039-2043	2,310,000	214,928	-	-
Total	\$ 8,250,000	\$ 2,899,443	\$ 895,678	\$ -

## Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2023, was as follows:

### Changes in Long-Term Liabilities for the Year Ended December 31, 2023

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
G.O. Capital Improvement Refunding Bonds, Series 2012A	\$ 220,000	\$ -	\$ 55,000	\$ 165,000	\$ 55,000
G.O. Capital Improvement Plan Refunding Bonds, Series 2021A	970,000	-	75,000	895,000	80,000
G.O. Ditch Bonds, Series 2022A	7,190,000	-	-	7,190,000	145,000
Plus: unamortized premium on bonds	231,619	-	11,765	219,854	-
Total bonds payable	\$ 8,611,619	\$ -	\$ 141,765	\$ 8,469,854	\$ 280,000
Loans payable	724,365	236,681	65,368	895,678	109,336
Compensated absences	952,485	1,038,606	923,736	1,067,355	710,234
Total Long-Term Liabilities	\$ 10,288,469	\$ 1,275,287	\$ 1,130,869	\$ 10,432,887	\$ 1,099,570

## Unavailable Revenue

Unavailable revenue as of December 31, 2023, for the County's governmental funds are as follows:

### Unavailable Revenue as of December 31, 2023

Taxes and special assessments, delinquent and noncurrent	\$ 3,245,380
Highway allotments that do not provide current financial resources	2,376,538
Charges for services, grants, and reimbursements	197,920
Total Governmental Funds	<u>\$ 5,819,838</u>

# Watonwan County

## St. James, Minnesota

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### Construction and Other Commitments

The County has one active construction project and one other commitment as of December 31, 2023. The open project is as follows:

#### **Active Construction Projects and Other Commitments as of December 31, 2023**

	Spent-to-Date	Remaining Commitment
Precision Farm Draining & Excavating JD 18	\$ 1,644,384	\$ 1,026,382

### Other Postemployment Benefits (OPEB)

#### Plan Description

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

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

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

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

As of the January 1, 2023, actuarial valuation, the following employees were covered by the benefit terms:

#### **Employees Covered by the OPEB Benefit Terms As of the January 1, 2023, Actuarial Valuation**

Inactive employees or beneficiaries currently receiving benefit payments	-
Active plan participants	144
Total	144

### Total OPEB Liability

The County's total OPEB liability of \$359,805 was determined by an actuarial valuation as of January 1, 2023, which was measured as of January 1, 2023. The OPEB liability is liquidated through the General Fund and other governmental funds that have personal services.

## Watonwan County St. James, Minnesota

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The total OPEB liability in the fiscal year-end December 31, 2023, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

<b>OPEB Actuarial Assumptions and Other Inputs</b>	
Inflation	2.50 percent
Salary increases	Graded by service years and contract group ranging from 10.25 percent for one year of service (11.75 percent for public safety) to 3.00 percent for 27 or more years of service
Health care cost trend	6.50 percent, grading to 5.00 percent over six years and then to 4.00 percent over the next 48 years

The current year discount rate is 4.00 percent, which increased from the prior year rate of 2.00 percent. For the current valuation, the discount rate is based on the estimated yield of 20-year AA-rated municipal bonds.

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

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

### Changes in the Total OPEB Liability

#### **Changes in the Total OPEB Liability For the Year Ended December 31, 2023**

	Total OPEB Liability
Balance at December 31, 2022	\$ 386,741
Changes for the year	
Service cost	\$ 46,703
Interest	8,509
Assumption changes	(45,430)
Difference between expected and actual experience	(20,623)
Benefit payments	(16,095)
Net change	\$ (26,936)
Balance at December 31, 2023	\$ 359,805

# Watonwan County St. James, Minnesota

## OPEB Liability Sensitivity

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

### Sensitivity of the Total OPEB Liability to Changes in the Discount Rate as of December 31, 2023

	Discount Rate	Total OPEB Liability
1% Decrease	3.00%	\$ 387,206
Current	4.00%	359,805
1% Increase	5.00%	334,201

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

### Sensitivity of the Total OPEB Liability to Changes in the Health Care Trend Rates as of December 31, 2023

	Health Care Trend Rate	Total OPEB Liability
1% Decrease	5.50% Decreasing to 4.00%	\$ 322,034
Current	6.50% Decreasing to 5.00%	359,805
1% Increase	7.50% Decreasing to 6.00%	404,064

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

For the year ended December 31, 2023, the County recognized OPEB expense of \$11,877. 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, 2023

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in actuarial assumptions	\$ 6,248	\$ 49,750
Difference between actual and expected results	-	71,420
Contributions made subsequent to the measurement date	33,138	-
Total	\$ 39,386	\$ 121,170

The \$33,138 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, 2024. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

# Watonwan County

## St. James, Minnesota

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### Schedule of Amortization of Deferred Outflows and Inflows of Resources Related to OPEB As of December 31, 2023

Year Ended December 31	OPEB Expense Amount
2024	\$ (43,332)
2025	(15,494)
2026	(18,617)
2027	(18,611)
2028	(9,437)
Thereafter	(9,431)

### Changes in Actuarial Assumptions

The following changes in actuarial assumptions occurred in 2023:

- The health care trend rates and mortality tables were updated.
- The retirement, withdrawal, and salary increase rates for public safety employees were updated.
- The inflation rate was changed from 2.00 percent to 2.50 percent.
- The discount rate was changed from 2.00 percent to 4.00 percent.

### Pension Plans

#### Defined Benefit Pension Plans

##### Plan Description

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

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

Police officers, firefighters, and peace officers who qualify for membership by statute are covered by the Police



## **Watonwan County St. James, Minnesota**

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and Fire Plan (accounted for in the Police and Fire Fund). For members first 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.

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 a 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.

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 a 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. If on January 1, after the year of the 1.50 percent increase, the funding level increases above the applicable 85 percent or 80 percent funding status, the increase returns to 2.50 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

## Watonwan County St. James, Minnesota

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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 2022.

#### **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, 2023**

General Employees Plan	\$ 542,406
Police and Fire Plan	132,076
Correctional Plan	32,204

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

### Pension Costs

#### General Employees Plan

At December 31, 2023, the County reported a liability of \$4,898,494 for its proportionate share of the General Employees Plan's net pension liability. The net pension liability was measured as of June 30, 2023, 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, 2022, through June 30, 2023, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2023, the County's proportion was 0.0876 percent. It was 0.0920 percent measured as of June 30, 2022. The County recognized pension expense of \$611,149 for its proportionate share of the General Employees Plan's pension expense.

# Watonwan County St. James, Minnesota

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 \$607 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, 2023

The County's proportionate share of the net pension liability	\$ 4,898,494
State of Minnesota's proportionate share of the net pension liability associated with the County	<u>135,012</u>
Total	<u>\$ 5,033,506</u>

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

## General Employees Plan Deferred Outflows of Resources and Deferred Inflows of Resources As of December 31, 2023

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 162,808	\$ 35,671
Changes in actuarial assumptions	838,044	1,342,636
Difference between projected and actual investment earnings	-	188,502
Changes in proportion	64,451	274,173
Contributions paid to PERA subsequent to the measurement date	<u>279,519</u>	<u>-</u>
Total	<u>\$ 1,344,822</u>	<u>\$ 1,840,982</u>

The \$279,519 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, 2024. 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, 2023

Year Ended December 31	Pension Expense Amount
2024	\$ 116,668
2025	(844,846)
2026	58,764
2027	(106,265)

# Watonwan County

## St. James, Minnesota

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### Police and Fire Plan

At December 31, 2023, the County reported a liability of \$970,501 for its proportionate share of the Police and Fire Plan's net pension liability. The net pension liability was measured as of June 30, 2023, 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, 2022, through June 30, 2023, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2023, the County's proportion was 0.0562 percent. It was 0.0541 percent measured as of June 30, 2022. The County recognized pension expense of \$284,567 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, 2023. 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 (\$2,356) 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, 2023**

The County's proportionate share of the net pension liability	\$ 970,501
State of Minnesota's proportionate share of the net pension liability associated with the County	39,117
Total	<u>\$ 1,009,618</u>

Legislation also requires the State of Minnesota to contribute \$9 million to the Police and Fire Plan each year, until the plan is 90 percent funded, or until the State Patrol Plan is 90 percent funded, whichever occurs later. The County also recognized \$5,058 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's on-behalf contribution to the Police and Fire Plan.

## Watonwan County St. James, Minnesota

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, 2023**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 260,016	\$ -
Changes in actuarial assumptions	1,050,751	1,364,147
Difference between projected and actual investment earnings	-	10,726
Changes in proportion	104,744	28,351
Contributions paid to PERA subsequent to the measurement date	67,009	-
Total	<u>\$ 1,482,520</u>	<u>\$ 1,403,224</u>

The \$67,009 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, 2024. 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, 2023**

Year Ended December 31	Pension Expense Amount
2024	\$ 50,717
2025	18,098
2026	219,932
2027	(50,904)
2028	(225,556)

### Correctional Plan

At December 31, 2023, the County reported a liability of \$70,972 for its proportionate share of the Correctional Plan's net pension liability. The net pension liability was measured as of June 30, 2023, 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, 2022, through June 30, 2023, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2023, the County's proportion was 0.1570 percent. It was 0.1599 percent measured as of June 30, 2022. The County recognized pension expense of \$58,015 for its proportionate share of the Correctional Plan's pension expense.

# Watonwan County St. James, Minnesota

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:

<b>Correctional Plan</b>		
<b>Deferred Outflows of Resources and Deferred Inflows of Resources</b>		
<b>As of December 31, 2023</b>		
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 27,335	\$ 6,316
Changes in actuarial assumptions	170,979	323,783
Difference between projected and actual investment earnings	-	6,333
Changes in proportion	-	6,811
Contributions paid to PERA subsequent to the measurement date	18,312	-
<b>Total</b>	<b>\$ 216,626</b>	<b>\$ 343,243</b>

The \$18,312 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, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Correctional Plan</b>	
<b>Schedule of Amortization of</b>	
<b>Deferred Outflows and Inflows of Resources</b>	
<b>As of December 31, 2023</b>	
Year Ended December 31	Pension Expense Amount
2024	\$ (278)
2025	(172,370)
2026	35,209
2027	(7,490)

## Total Pension Expense

The total pension expense for all plans recognized by the County for the year ended December 31, 2023, was \$953,731.

# Watonwan County St. James, Minnesota

## Actuarial Assumptions

The total pension liability in the June 30, 2023, 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, 2023

	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	7.00%	7.00%	7.00%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disability rates were based on the Pub-2010 General Employee Mortality table for the General Employees Plan and the Pub-2010 Public Safety Employee Mortality tables for the Police and Fire and the Correctional Plans, with slight adjustments. Cost-of-living benefit increases for retirees are assumed to be 1.25 percent for the General Employees Plan and 2.00 percent for the Correctional Plan. For the Police and Fire Plan, cost-of-living benefit increases for retirees are 1.00 percent as set by state statute.

Actuarial assumptions used in the June 30, 2023, 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 June 29, 2023, was utilized.

The long-term expected rate of return on pension plan investments is 7.00 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 7.00 percent in 2023. This was an increase from the 6.50 percent, 5.40 percent, and 5.42 percent used in 2022 for the General Employees Plan, the Police and Fire Plan, and the Correctional Plan, respectively. 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, the Police and Fire Plan, and the

## Watonwan County St. James, Minnesota

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Correctional Plan were projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

### Changes in Actuarial Assumptions and Plan Provisions

The following changes in actuarial assumptions occurred in 2023:

#### General Employees Plan

- The investment return assumption and single discount rate were changed from 6.50 percent to 7.00 percent.
- A one-time direct state aid contribution of \$170.1 million occurred on October 1, 2023.
- The vesting period for those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service.
- The benefit increase delay for early retirements on or after January 1, 2024, was eliminated.
- For Basic Plan members, a one-time, non-compounding benefit increase of 4.00 percent, minus the actual 2024 adjustment, will be payable in a lump sum for calendar year 2024 by March 31, 2024.
- For Coordinated Plan members, a one-time, non-compounding benefit increase of 2.50 percent, minus the actual 2024 adjustment, will be payable in a lump sum for calendar year 2024 by March 31, 2024.

#### Police and Fire Plan

- The investment return assumption was changed from 6.50 percent to 7.00 percent.
- The single discount rate changed from 5.40 percent to 7.00 percent.
- A one-time direct state aid contribution of \$19.4 million occurred on October 1, 2023.
- The vesting requirement for new hires after June 30, 2014, was changed from a graded 20-year vesting schedule to a graded ten-year vesting schedule, with 50 percent vesting after five years, increasing incrementally to 100 percent after ten years.
- A one-time, non-compounding benefit increase of 3.00 percent will be payable in a lump sum for calendar year 2024 by March 31, 2024.
- Psychological treatment is required effective July 1, 2023, prior to approval for a duty disability benefit for a psychological condition relating to the member's occupation.
- A total and permanent duty disability benefit was added effective July 1, 2023.



# Watonwan County

## St. James, Minnesota

### Correctional Plan

- The investment return rate was changed from 6.50 percent to 7.00 percent.
- The single discount rate changed from 5.42 percent to 7.00 percent.
- A one-time direct state aid contribution of \$5.3 million occurred on October 1, 2023.
- A one-time, non-compounding benefit increase of 2.50 percent, minus the actual 2024 adjustment, will be payable in a lump sum for calendar year 2024 by March 31, 2024.
- The maximum benefit increase will revert back to 2.50 percent, if the maximum increase is 1.50 percent and the Plan's funding ratio improves to 85 percent for two consecutive years on a market value of assets basis.

### 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, 2023

	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 (Asset)
1% Decrease	6.00%	\$ 8,665,829	6.00%	\$ 1,925,590	6.00%	\$ 374,101
Current	7.00%	4,898,494	7.00%	970,501	7.00%	70,972
1% Increase	8.00%	1,799,717	8.00%	185,290	8.00%	(170,887)

### Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in a separately issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the internet at [www.mnpera.org](http://www.mnpera.org).

### Defined Contribution Plan

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

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. For those qualified personnel who elect to participate, Minn. Stat. § 353D.03 specifies plan provisions,

## Watonwan County St. James, Minnesota

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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, 2023**

	Employee	Employer
Contribution amount	\$ 7,194	\$ 7,194
Percentage of covered payroll	5.00%	5.00%

### **Note 4 – Risk Management**

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

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at \$500,000 per claim in 2023 and 2024. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

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

### **Note 5 – Summary of Significant Contingencies and Other Items**

#### **Contingent Liabilities**

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

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

# **Watonwan County St. James, Minnesota**

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## **Nonexchange Financial Guarantees**

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

On June 1, 2016, pursuant to Minn. Stat. ch. 475 and § 116A.20, the County issued the \$1,155,000 G.O. Water Revenue Crossover Refunding Bonds, Series 2016A, on behalf of the RRRWS to crossover refund the \$1,600,000 G.O. Water Revenue Refunding Bonds, Series 2009, on January 1, 2019. Scheduled bond payments for this issuance began on January 1, 2020, and continue until the final maturity date of January 1, 2032. Bonds maturing on January 1, 2025, and thereafter are subject to a continuous early redemption option.

The RRRWS is responsible for the payment of all costs, principal, and interest relating to these bonds through special assessments on the properties being serviced or the net revenues of the water system. In the event of a deficiency in the debt service accounts established by the RRRWS, the County has validly obligated itself to levy additional ad valorem taxes upon all the taxable property within the County to complete debt payments as scheduled. No arrangements have been established for recovery payments should such an event occur. On December 31, 2023, the outstanding principal balance for the issuance was \$750,000.

## **Joint Ventures**

### **Minnesota River Valley Drug Task Force**

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

The joint powers are Blue Earth, Martin, Nicollet, and Watonwan Counties and the Cities of Fairmont, Madelia, Mankato, North Mankato, St. James, and St. Peter. Control of the Task Force is vested in the Board of Directors composed of the Sheriff or Chief of Police of each of the members, or his or her designee, and one prosecuting attorney. Blue Earth County is the fiscal agent for the Task Force. Funding is provided by grants and matching contributions from participating members. Watonwan County contributed \$11,935 to the Task Force in 2023. Current financial statements are not available.

### **Red Rock Rural Water System**

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

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

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

## **Watonwan County St. James, Minnesota**

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### **Rural Minnesota Energy Board**

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

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

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

### **South Central Minnesota Regional Emergency Communications Board**

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

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 2023, the County made no contributions to the Board.

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

### **South Central Workforce Service Area Joint Powers Board**

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

## **Watonwan County St. James, Minnesota**

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Watonwan County made no contributions to this organization in 2023.

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

### **Vision for Family and Community Collaborative**

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

Control of the Collaborative is vested in a Joint Powers Board. The Joint Powers Board is composed of nine members. Watonwan County Human Services acts as fiscal agent for the Collaborative. The Collaborative is financed by local collaborative time study funds. During 2023, Watonwan County made contributions of \$22,422 to the Collaborative.

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

### **Jointly-Governed Organizations**

#### **Greater Blue Earth River Basin Alliance**

The Greater Blue Earth River Basin Alliance (GBERBA) establishes goals, policies, and objectives to protect and enhance land and water resources in the Greater Blue Earth River Basin. The Board consists of County Commissioners and members of the Soil and Water Conservation Districts. During the year, the County paid \$6,299 to the GBERBA.

#### **Region Five – Southwest Minnesota Homeland Security Emergency Management Organization**

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

#### **Minnesota Counties Computer Cooperative**

Under Minnesota Joint Powers Law, Minn. Stat. § 471.59, Minnesota counties have created the Minnesota Counties Computer Cooperative (MCCC) to jointly provide for the establishment, operation, and maintenance of data processing systems, facilities, and management information systems. During the year, Watonwan County expended \$57,989 to the MCCC.

#### **Minnesota Criminal Justice Data Communications Network**

## **Watonwan County St. James, Minnesota**

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The Minnesota Criminal Justice Data Communications Network Joint Powers Agreement exists to create access for the County Sheriff and County Attorney to systems and tools available from the State of Minnesota, Department of Public Safety, and the Bureau of Criminal Apprehension to carry out criminal justice. During the year, Watonwan County paid \$2,160 to the Network.

### **South Central Community-Based Initiative Joint Powers Board**

The South Central Community-Based Initiative Joint Powers Board was established pursuant to Minn. Stat. §§ 471.59 and 245.4661 and a joint powers agreement, effective June 20, 2008. The purpose of this joint powers agreement is to provide services to persons with mental illness in the most clinically-appropriate, person-centered, least restrictive, and cost effective ways. The focus is on improved access and outcomes for persons with mental illness as a result of the collaboration between state-operated services programs and community-based treatment. The membership of the Board is comprised of one representative appointed by Blue Earth, Brown, Faribault, Freeborn, Le Sueur, Martin, Nicollet, Rice, Sibley, and Watonwan Counties. Watonwan County did not contribute to the Joint Powers Board in 2023.

### **South Central Emergency Medical Service Joint Powers Board**

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

### **South Central Regional Immtrack Joint Powers Board**

The South Central Regional Immtrack (immunization registry) Joint Powers Board promotes an implementation and maintenance of a regional immunization information system to ensure age-appropriate immunizations through complete and accurate records. During 2023, Watonwan County made payments of \$3,647 to Immtrack.

### **Special Benefit Tax Levy**

In 1993, the South Central Minnesota Multi-County Housing Authority issued \$20,315,000 of revenue bonds to construct housing units in Watonwan County and four surrounding counties. The Authority has since defaulted on these bonds. In 2000, the counties entered into a settlement agreement where each of the counties will approve a special benefit tax levy on behalf of the Authority from 2001 through 2024 to cover the operating deficits based on each county's proportionate share of housing units constructed. Watonwan County's proportionate share of the operating deficit for 2023 is \$53,751. The proportionate shares of the counties may change for 2024 if there are changes in the taxable market value over the 2001 taxable market value; however, the County's share may not increase by the lesser of two percent or the increase over the 2001 taxable market value.

### **Property Assessed Clean Energy (MinnPACE) Loan Program**

The County has entered into an agreement with the Saint Paul Port Authority to facilitate the implementation and administration of the MinnPACE loan program. Through this program, qualifying commercial building owners within the County can receive loans from the Port Authority for the purpose of financing energy efficiency and

## **Watonwan County St. James, Minnesota**

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conservation building improvement projects. While the County is not liable for the repayment of the loans in any manner, it does have certain responsibilities under the agreement. By participating, the County has agreed to: (1) levy assessments against the related properties in accordance with the loan agreements between the Port Authority and property owners, (2) collect scheduled assessment payments, and (3) transfer all collections to the Port Authority. The County has met those responsibilities for 2023.

## **Required Supplementary Information**



**Watonwan County  
St. James, Minnesota**

**Schedule of Changes in Total OPEB Liability and Related Ratios  
Other Postemployment Benefits  
December 31, 2023**

	<u>2023</u>	<u>2022</u>
<b>Total OPEB Liability</b>		
Service cost	\$ 46,703	\$ 54,227
Interest	8,509	8,070
Differences between expected and actual experience	(20,623)	-
Changes of assumption or other inputs	(45,430)	-
Benefit payments	(16,095)	(49,440)
<b>Net change in total OPEB liability</b>	<b>\$ (26,936)</b>	<b>\$ 12,857</b>
<b>Total OPEB Liability – Beginning</b>	<b><u>386,741</u></b>	<b><u>373,884</u></b>
<b>Total OPEB Liability – Ending</b>	<b><u>\$ 359,805</u></b>	<b><u>\$ 386,741</u></b>
 Covered-employee payroll	 \$ 7,718,783	 \$ 7,735,654
Total OPEB liability (asset) as a percentage of covered-employee payroll	4.66%	5.00%

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

**Exhibit A-1**

<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
\$ 52,648	\$ 45,637	\$ 39,758	\$ 49,676
12,687	16,451	20,900	20,036
(47,205)	-	(160,641)	-
(17,049)	18,748	(6,414)	-
(23,888)	(141,563)	(59,019)	(8,648)
<b>\$ (22,807)</b>	<b>\$ (60,727)</b>	<b>\$ (165,416)</b>	<b>\$ 61,064</b>
<b>396,691</b>	<b>457,418</b>	<b>622,834</b>	<b>561,770</b>
<b>\$ 373,884</b>	<b>\$ 396,691</b>	<b>\$ 457,418</b>	<b>\$ 622,834</b>
\$ 7,510,344	\$ 7,189,059	\$ 6,979,669	\$ 6,600,642
4.98%	5.52%	6.55%	9.44%

**Watonwan County  
St. James, Minnesota**

**Exhibit A-2**

**Schedule of Proportionate Share of Net Pension Liability  
PERA General Employees Retirement Plan  
December 31, 2023**

Measurement Date	Employer's Proportion of the Net Pension Liability/Asset	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability Associated with Watonwan County (b)	Employer's Proportionate Share of the Net Pension Liability and the State's Related Share of the Net Pension Liability (Asset) (a + b)	Covered Payroll (c)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2023	0.0876 %	\$ 4,898,494	\$ 135,012	\$ 5,033,506	\$ 6,964,872	70.33 %	83.10 %
2022	0.0920	7,286,430	213,623	7,500,053	6,894,355	105.69	76.67
2021	0.0926	3,954,435	120,725	4,075,160	6,652,784	59.44	87.00
2020	0.0883	5,293,989	163,207	5,457,196	6,294,095	84.11	79.06
2019	0.0862	4,765,805	148,160	4,913,965	6,099,771	78.13	80.23
2018	0.0848	4,704,356	154,344	4,858,700	5,698,907	82.55	79.53
2017	0.0864	5,515,719	69,390	5,585,109	5,568,869	99.05	75.90
2016	0.0873	7,088,327	92,639	7,180,966	5,419,996	130.78	68.91
2015	0.0858	4,446,601	N/A	4,446,601	5,051,691	88.02	78.19

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

The measurement date for each year is June 30.

N/A – Not Applicable

**Watonwan County  
St. James, Minnesota**

**Exhibit A-3**

**Schedule of Contributions  
PERA General Employees Retirement Plan  
December 31, 2023**

<b>Year Ending</b>	<b>Statutorily Required Contributions (a)</b>	<b>Actual Contributions in Relation to Statutorily Required Contributions (b)</b>	<b>Contribution (Deficiency) Excess (b - a)</b>	<b>Covered Payroll (c)</b>	<b>Actual Contributions as a Percentage of Covered Payroll (b/c)</b>
2023	\$ 542,406	\$ 542,406	\$ -	\$ 7,234,073	7.50 %
2022	521,026	521,026	-	6,947,024	7.50
2021	509,807	509,807	-	6,797,424	7.50
2020	485,571	485,571	-	6,474,222	7.50
2019	464,679	464,679	-	6,195,743	7.50
2018	445,931	445,931	-	5,945,747	7.50
2017	415,925	415,925	-	5,545,670	7.50
2016	407,922	407,922	-	5,438,961	7.50
2015	381,729	381,729	-	5,089,723	7.50

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

**Watonwan County  
St. James, Minnesota**

**Exhibit A-4**

**Schedule of Proportionate Share of Net Pension Liability  
PERA Public Employees Police and Fire Plan  
December 31, 2023**

Measurement Date	Employer's Proportion of the Net Pension Liability/Asset	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability Associated with Watonwan County (b)	Employer's Proportionate Share of the Net Pension Liability and the State's Related Share of the Net Pension Liability (Asset) (a + b)	Covered Payroll (c)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2023	0.0562 %	\$ 970,501	\$ 39,117	\$ 1,009,618	\$ 738,266	131.46 %	86.47 %
2022	0.0541	2,354,218	102,912	2,457,130	657,144	358.25	70.53
2021	0.0492	379,722	17,070	396,792	581,268	65.33	93.66
2020	0.0521	686,734	16,200	702,934	588,485	116.70	87.19
2019	0.0547	582,337	N/A	582,337	577,355	100.86	89.26
2018	0.0528	562,794	N/A	562,794	556,596	101.11	88.84
2017	0.0510	688,561	N/A	688,561	523,413	131.55	85.43
2016	0.0570	2,287,509	N/A	2,287,509	544,559	420.07	63.88
2015	0.0530	602,204	N/A	602,204	489,030	123.14	86.61

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

The measurement date for each year is June 30.

N/A – Not Applicable

**Watonwan County  
St. James, Minnesota**

***Exhibit A-5***

**Schedule of Contributions  
PERA Public Employees Police and Fire Plan  
December 31, 2023**

<b>Year Ending</b>	<b>Statutorily Required Contributions (a)</b>	<b>Actual Contributions in Relation to Statutorily Required Contributions (b)</b>	<b>Contribution (Deficiency) Excess (b - a)</b>	<b>Covered Payroll (c)</b>	<b>Actual Contributions as a Percentage of Covered Payroll (b/c)</b>
2023	\$ 132,076	\$ 132,076	\$ -	\$ 746,195	17.70 %
2022	125,121	125,121	-	706,989	17.70
2021	108,614	108,614	-	613,639	17.70
2020	102,655	102,655	-	579,974	17.70
2019	96,272	96,272	-	567,972	16.95
2018	97,128	97,128	-	599,558	16.20
2017	85,287	85,287	-	526,465	16.20
2016	84,828	84,828	-	523,630	16.20
2015	82,737	82,737	-	510,719	16.20

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

**Watonwan County  
St. James, Minnesota**

**Exhibit A-6**

**Schedule of Proportionate Share of Net Pension Liability  
PERA Public Employees Local Government Correctional Service Retirement Plan  
December 31, 2023**

<b>Measurement Date</b>	<b>Employer's Proportion of the Net Pension Liability/ Asset</b>	<b>Employer's Proportionate Share of the Net Pension Liability (Asset) (a)</b>	<b>Covered Payroll (b)</b>	<b>Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b)</b>	<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>
2023	0.1570 %	\$ 70,972	\$ 368,042	19.28 %	95.94 %
2022	0.1599	531,508	351,220	151.33	74.58
2021	0.1566	(25,726)	346,224	(7.43)	101.61
2020	0.1596	43,306	347,375	12.47	96.67
2019	0.1518	21,017	323,846	6.49	98.17
2018	0.1537	25,279	313,855	8.05	97.64
2017	0.1400	399,001	270,441	147.54	67.89
2016	0.1500	547,971	283,457	193.32	58.16
2015	0.1500	23,190	267,504	8.67	96.95

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

**Watonwan County  
St. James, Minnesota**

***Exhibit A-7***

**Schedule of Contributions  
PERA Public Employees Local Government Correctional Service Retirement Plan  
December 31, 2023**

<b>Year Ending</b>	<b>Statutorily Required Contributions (a)</b>	<b>Actual Contributions in Relation to Statutorily Required Contributions (b)</b>	<b>Contribution (Deficiency) Excess (b - a)</b>	<b>Covered Payroll (c)</b>	<b>Actual Contributions as a Percentage of Covered Payroll (b/c)</b>
2023	\$ 32,204	\$ 32,204	\$ -	\$ 368,042	8.75 %
2022	30,874	30,874	-	352,844	8.75
2021	30,907	30,907	-	353,227	8.75
2020	30,169	30,169	-	344,792	8.75
2019	29,455	29,455	-	336,635	8.75
2018	28,121	28,121	-	321,386	8.75
2017	25,628	25,628	-	292,887	8.75
2016	23,129	23,129	-	264,332	8.75
2015	23,436	23,436	-	267,836	8.75

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



# **Watonwan County St. James, Minnesota**

## **Notes to the Required Supplementary Information For the Year Ended December 31, 2023**

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### **Note 1 – Other Postemployment Benefits Funded Status**

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

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

The following changes in actuarial assumptions occurred:

#### **2023**

- The health care trend rates and mortality tables were updated.
- The retirement, withdrawal, and salary increase rates for public safety employees were updated.
- The inflation rate was changed from 2.00 percent to 2.50 percent.
- The discount rate was changed from 2.00 percent to 4.00 percent.

#### **2022**

- There were no changes in actuarial assumptions.

#### **2021**

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

#### **2020**

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

#### **2019**

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

## Watonwan County St. James, Minnesota

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### 2018

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

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

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

#### **General Employees Retirement Plan**

### 2023

- The investment return assumption and single discount rate were changed from 6.50 percent to 7.00 percent.
- A one-time direct state aid contribution of \$170.1 million occurred on October 1, 2023.
- The vesting period for those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service.
- The benefit increase delay for early retirements on or after January 1, 2024, was eliminated.
- For Basic Plan members, a one-time, non-compounding benefit increase of 4.00 percent, minus the actual 2024 adjustment, will be payable in a lump sum for calendar year 2024 by March 31, 2024.
- For Coordinated Plan members, a one-time, non-compounding benefit increase of 2.50 percent, minus the actual 2024 adjustment, will be payable in a lump sum for calendar year 2024 by March 31, 2024.

### 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.

## **Watonwan County St. James, Minnesota**

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- 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.

## **Watonwan County St. James, Minnesota**

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- 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**

### 2023

- The investment return assumption was changed from 6.50 percent to 7.00 percent.
- The single discount rate changed from 5.40 percent to 7.00 percent.
- A one-time direct state aid contribution of \$19.4 million occurred on October 1, 2023.
- The vesting requirement for new hires after June 30, 2014, was changed from a graded 20-year vesting

## Watonwan County St. James, Minnesota

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schedule to a graded ten year vesting schedule, with 50 percent vesting after five years, increasing - incrementally to 100 percent after ten years.

- A one-time, non-compounding benefit increase of 3.00 percent will be payable in a lump sum for calendar year 2024 by March 31, 2024.
- Psychological treatment is required effective July 1, 2023, prior to approval for a duty disability benefit for a psychological condition relating to the member's occupation.
- A total and permanent duty disability benefit was added effective July 1, 2023.

### 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.

## **Watonwan County St. James, Minnesota**

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### 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.

## **Watonwan County St. James, Minnesota**

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- 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**

#### 2023

- The investment return rate was changed from 6.50 percent to 7.00 percent.
- The single discount rate changed from 5.42 percent to 7.00 percent.
- A one-time direct state aid contribution of \$5.3 million occurred on October 1, 2023.
- A one-time, non-compounding benefit increase of 2.50 percent, minus the actual 2024 adjustment, will be payable in a lump sum for calendar year 2024 by March 31, 2024.
- The maximum benefit increase will revert back to 2.50 percent, if the maximum increase is 1.50 percent and the Plan's funding ratio improves to 85 percent for two consecutive years on a market value of assets basis.

#### 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.

## **Watonwan County St. James, Minnesota**

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### 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.



## **Watonwan County St. James, Minnesota**

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- 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**

**Watonwan County  
St. James, Minnesota**

**Nonmajor Governmental Funds**

**Nonmajor Special Revenue Funds**

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

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

**Nonmajor Debt Service Fund**

Debt Service – accounts for the restricted property tax revenues for the payment of principal, interest, and related costs of County debt.

**Watonwan County  
St. James, Minnesota**

**Exhibit B-1**

**Combining Balance Sheet  
Nonmajor Governmental Funds  
December 31, 2023**

	Special Revenue Funds			Debt Service Fund	Total Nonmajor Governmental Funds (Exhibit 3)
	County Library	Solid Waste	Total		
<b><u>Assets</u></b>					
Cash and pooled investments	\$ 1,420,438	\$ 360,268	\$ 1,780,706	\$ 235,358	\$ 2,016,064
Taxes receivable – delinquent	11,490	272	11,762	2,619	14,381
Special assessments receivable – delinquent	-	14,651	14,651	-	14,651
Due from other funds	45	-	45	-	45
<b>Total Assets</b>	<b>\$ 1,431,973</b>	<b>\$ 375,191</b>	<b>\$ 1,807,164</b>	<b>\$ 237,977</b>	<b>\$ 2,045,141</b>
<b><u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u></b>					
<b>Liabilities</b>					
Accounts payable	\$ 1,750	\$ 4,455	\$ 6,205	\$ -	\$ 6,205
Salaries payable	17,697	943	18,640	-	18,640
Due to other funds	-	16,047	16,047	-	16,047
<b>Total Liabilities</b>	<b>\$ 19,447</b>	<b>\$ 21,445</b>	<b>\$ 40,892</b>	<b>\$ -</b>	<b>\$ 40,892</b>
<b>Deferred Inflows of Resources</b>					
Unavailable revenue	\$ 7,275	\$ 11,402	\$ 18,677	\$ 1,804	\$ 20,481
<b>Fund Balances</b>					
Restricted for					
Library operations from donations	\$ 560,404	\$ -	\$ 560,404	\$ -	\$ 560,404
Debt service	-	-	-	236,173	236,173
Committed for library operations	844,847	-	844,847	-	844,847
Assigned to solid waste	-	342,344	342,344	-	342,344
<b>Total Fund Balances</b>	<b>\$ 1,405,251</b>	<b>\$ 342,344</b>	<b>\$ 1,747,595</b>	<b>\$ 236,173</b>	<b>\$ 1,983,768</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 1,431,973</b>	<b>\$ 375,191</b>	<b>\$ 1,807,164</b>	<b>\$ 237,977</b>	<b>\$ 2,045,141</b>

**Watonwan County  
St. James, Minnesota**

**Exhibit B-2**

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended December 31, 2023**

	Special Revenue Funds			Debt Service Fund	Total Nonmajor Governmental Funds (Exhibit 5)
	County Library	Solid Waste	Total		
<b>Revenues</b>					
Taxes	\$ 709,867	\$ 19,136	\$ 729,003	\$ 136,855	\$ 865,858
Special assessments	-	163,248	163,248	-	163,248
Intergovernmental	89,884	73,954	163,838	2,762	166,600
Charges for services	4,719	7,689	12,408	-	12,408
Fines and forfeits	2,488	-	2,488	-	2,488
Gifts and contributions	1,970	-	1,970	-	1,970
<b>Total Revenues</b>	<b>\$ 808,928</b>	<b>\$ 264,027</b>	<b>\$ 1,072,955</b>	<b>\$ 139,617</b>	<b>\$ 1,212,572</b>
<b>Expenditures</b>					
<b>Current</b>					
Sanitation	\$ -	\$ 335,423	\$ 335,423	\$ -	\$ 335,423
Culture and recreation	770,108	-	770,108	-	770,108
<b>Debt service</b>					
Principal	-	-	-	130,000	130,000
Interest	-	-	-	12,720	12,720
Administrative charges	-	-	-	1,425	1,425
<b>Total Expenditures</b>	<b>\$ 770,108</b>	<b>\$ 335,423</b>	<b>\$ 1,105,531</b>	<b>\$ 144,145</b>	<b>\$ 1,249,676</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 38,820</b>	<b>\$ (71,396)</b>	<b>\$ (32,576)</b>	<b>\$ (4,528)</b>	<b>\$ (37,104)</b>
<b>Other Financing Sources (Uses)</b>					
Transfers in	28,802	-	28,802	-	28,802
<b>Net Change in Fund Balances</b>	<b>\$ 67,622</b>	<b>\$ (71,396)</b>	<b>\$ (3,774)</b>	<b>\$ (4,528)</b>	<b>\$ (8,302)</b>
<b>Fund Balances – January 1</b>	<b>1,337,629</b>	<b>413,740</b>	<b>1,751,369</b>	<b>240,701</b>	<b>1,992,070</b>
<b>Fund Balances – December 31</b>	<b>\$ 1,405,251</b>	<b>\$ 342,344</b>	<b>\$ 1,747,595</b>	<b>\$ 236,173</b>	<b>\$ 1,983,768</b>

**Watonwan County  
St. James, Minnesota**

**Exhibit B-3**

**Budgetary Comparison Schedule  
County Library Special Revenue Fund  
For the Year Ended December 31, 2023**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 727,287	\$ 727,287	\$ 709,867	\$ (17,420)
Intergovernmental	50,375	50,375	89,884	39,509
Charges for services	4,000	4,000	4,719	719
Fines and forfeits	2,000	2,000	2,488	488
Gifts and contributions	1,000	1,000	1,970	970
Investment earnings	3,000	3,000	-	(3,000)
Miscellaneous	500	500	-	(500)
<b>Total Revenues</b>	<b>\$ 788,162</b>	<b>\$ 788,162</b>	<b>\$ 808,928</b>	<b>\$ 20,766</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Culture and recreation</b>				
County library	788,162	788,162	770,108	18,054
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	\$ -	\$ -	\$ 38,820	\$ 38,820
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	-	28,802	28,802
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 67,622</b>	<b>\$ 67,622</b>
<b>Fund Balance – January 1</b>	<b>1,337,629</b>	<b>1,337,629</b>	<b>1,337,629</b>	<b>-</b>
<b>Fund Balance – December 31</b>	<b>\$ 1,337,629</b>	<b>\$ 1,337,629</b>	<b>\$ 1,405,251</b>	<b>\$ 67,622</b>

**Watonwan County  
St. James, Minnesota**

***Exhibit B-4***

**Budgetary Comparison Schedule  
Solid Waste Special Revenue Fund  
For the Year Ended December 31, 2023**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 17,020	\$ 17,020	\$ 19,136	\$ 2,116
Special assessments	170,000	170,000	163,248	(6,752)
Intergovernmental	73,620	73,620	73,954	334
Charges for services	15,000	15,000	7,689	(7,311)
<b>Total Revenues</b>	<b>\$ 275,640</b>	<b>\$ 275,640</b>	<b>\$ 264,027</b>	<b>\$ (11,613)</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Sanitation</b>				
SCORE	342,387	342,387	335,423	6,964
<b>Net Change in Fund Balance</b>	<b>\$ (66,747)</b>	<b>\$ (66,747)</b>	<b>\$ (71,396)</b>	<b>\$ (4,649)</b>
<b>Fund Balance – January 1</b>	<b>413,740</b>	<b>413,740</b>	<b>413,740</b>	<b>-</b>
<b>Fund Balance – December 31</b>	<b>\$ 346,993</b>	<b>\$ 346,993</b>	<b>\$ 342,344</b>	<b>\$ (4,649)</b>

**Watonwan County  
St. James, Minnesota**

***Exhibit B-5***

**Budgetary Comparison Schedule  
Debt Service Fund  
For the Year Ended December 31, 2023**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
<b>Revenues</b>				
Taxes	\$ 140,000	\$ 140,000	\$ 136,855	\$ (3,145)
Intergovernmental	-	-	2,762	2,762
<b>Total Revenues</b>	<b>\$ 140,000</b>	<b>\$ 140,000</b>	<b>\$ 139,617</b>	<b>\$ (383)</b>
<b>Expenditures</b>				
<b>Debt service</b>				
Principal	\$ 130,000	\$ 130,000	\$ 130,000	\$ -
Interest	12,721	12,721	12,720	1
Administrative charges	2,490	2,490	1,425	1,065
<b>Total Expenditures</b>	<b>\$ 145,211</b>	<b>\$ 145,211</b>	<b>\$ 144,145</b>	<b>\$ 1,066</b>
<b>Net Change in Fund Balance</b>	<b>\$ (5,211)</b>	<b>\$ (5,211)</b>	<b>\$ (4,528)</b>	<b>\$ 683</b>
<b>Fund Balance – January 1</b>	<b>240,701</b>	<b>240,701</b>	<b>240,701</b>	<b>-</b>
<b>Fund Balance – December 31</b>	<b>\$ 235,490</b>	<b>\$ 235,490</b>	<b>\$ 236,173</b>	<b>\$ 683</b>



# **Watonwan County St. James, Minnesota**

## **Fiduciary Funds**

## **Custodial Funds**

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

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

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

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

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

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

**Watonwan County  
St. James, Minnesota**

**Combining Statement of Fiduciary Net Position  
Fiduciary Funds – Custodial Funds  
December 31, 2023**

	<u>Taxes and Penalties</u>	<u>State Revenue</u>
<b><u>Assets</u></b>		
Cash and pooled investments	\$ 185,058	\$ 61,957
Due from other governments	-	-
Taxes receivable for other governments	252,120	-
Special assessments receivable for other governments	44,635	-
Accounts receivable	-	14,068
Accrued interest receivable	-	-
	<hr/>	<hr/>
<b>Total Assets</b>	<b>\$ 481,813</b>	<b>\$ 76,025</b>
	<hr/>	<hr/>
<b><u>Liabilities</u></b>		
Due to others	\$ -	\$ -
Due to other governments	185,058	76,025
	<hr/>	<hr/>
<b>Total Liabilities</b>	<b>\$ 185,058</b>	<b>\$ 76,025</b>
	<hr/>	<hr/>
<b><u>Net Position</u></b>		
Restricted for individuals, organizations, and other governments	\$ 296,755	\$ -
	<hr/> <hr/>	<hr/> <hr/>

**Exhibit C-1**

<b>Soil and Water Conservation</b>	<b>Jail Canteen</b>	<b>Cemetery</b>	<b>Vision for Family and Community</b>	<b>Total Custodial Funds</b>
\$ 671,171	\$ 1,780	\$ 58,371	\$ 174,405	\$ 1,152,742
105,000	-	-	20,097	125,097
-	-	-	-	252,120
-	-	-	-	44,635
-	-	-	11,935	26,003
-	-	2,317	-	2,317
<b>\$ 776,171</b>	<b>\$ 1,780</b>	<b>\$ 60,688</b>	<b>\$ 206,437</b>	<b>\$ 1,602,914</b>
\$ 3,697	\$ -	\$ -	\$ 444	\$ 4,141
50,060	-	-	-	311,143
<b>\$ 53,757</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 444</b>	<b>\$ 315,284</b>
<b>\$ 722,414</b>	<b>\$ 1,780</b>	<b>\$ 60,688</b>	<b>\$ 205,993</b>	<b>\$ 1,287,630</b>

**Watonwan County  
St. James, Minnesota**

**Combining Statement of Changes in Fiduciary Net Position  
Fiduciary Funds – Custodial Funds  
For the Year Ended December 31, 2023**

	<u>Taxes and Penalties</u>	<u>State Revenue</u>
<b><u>Additions</u></b>		
Contributions from individuals	\$ -	\$ 357,621
Interest earnings	-	-
Property tax collections for other governments	9,012,239	-
Fees collected for the state	-	3,334,215
Payments from the state	-	-
Payments from other entities	-	-
	<hr/>	<hr/>
<b>Total Additions</b>	<b>\$ 9,012,239</b>	<b>\$ 3,691,836</b>
	<hr/>	<hr/>
<b><u>Deductions</u></b>		
Payments of property tax to other governments	\$ 8,918,968	\$ -
Payments to the state	-	3,691,836
Payments to other entities	-	-
	<hr/>	<hr/>
<b>Total Deductions</b>	<b>\$ 8,918,968</b>	<b>\$ 3,691,836</b>
	<hr/>	<hr/>
<b>Change in Net Position</b>	<b>\$ 93,271</b>	<b>\$ -</b>
	<hr/>	<hr/>
<b>Net Position – January 1</b>	<b>203,484</b>	<b>-</b>
	<hr/>	<hr/>
<b>Net Position – December 31</b>	<b>\$ 296,755</b>	<b>\$ -</b>
	<hr/>	<hr/>

**Exhibit C-2**

<b>Soil and Water Conservation</b>	<b>Jail Canteen</b>	<b>Cemetery</b>	<b>Vision for Family and Community</b>	<b>Total Custodial Funds</b>
\$ -	\$ -	\$ -	\$ -	\$ 357,621
-	-	3,327	-	3,327
-	-	-	-	9,012,239
-	-	-	-	3,334,215
459,272	-	-	63,760	523,032
126,511	35,673	-	46,826	209,010
<b>\$ 585,783</b>	<b>\$ 35,673</b>	<b>\$ 3,327</b>	<b>\$ 110,586</b>	<b>\$ 13,439,444</b>
\$ -	\$ -	\$ -	\$ -	\$ 8,918,968
-	-	-	-	3,691,836
333,935	34,109	-	102,738	470,782
<b>\$ 333,935</b>	<b>\$ 34,109</b>	<b>\$ -</b>	<b>\$ 102,738</b>	<b>\$ 13,081,586</b>
\$ 251,848	\$ 1,564	\$ 3,327	\$ 7,848	\$ 357,858
470,566	216	57,361	198,145	929,772
<b>\$ 722,414</b>	<b>\$ 1,780</b>	<b>\$ 60,688</b>	<b>\$ 205,993</b>	<b>\$ 1,287,630</b>

## **Schedules**

**Watonwan County  
St. James, Minnesota**

**Exhibit D-1**

**Schedule of Intergovernmental Revenue  
For the Year Ended December 31, 2023**

**Appropriations and Shared Revenue**

**State**

Aquatic invasive species prevention aid	\$ 31,885
County program aid	769,191
Disparity reduction aid	5,064
Enhanced 911	195,602
Highway users tax	4,608,362
Local homeless prevention aid	16,784
Market value credit	222,765
Medical assistance renewal aid	78,108
Deputy registrar aid	18,561
PERA aid	192,286
Police aid	96,190
SCORE	72,440

<b>Total appropriations and shared revenue</b>	<b>\$ 6,307,238</b>
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**Reimbursement for Services**

**State**

Minnesota Department of Human Services	\$ 941,051
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**Payments**

**Local**

Local contributions	\$ 25,096
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**Grants**

**State**

Minnesota Department/Board of	
Corrections	\$ 87,381
Health	169,243
Human Services	943,952
Natural Resources	271,199
Public Safety	92,516
Transportation	510,993
Veterans Affairs	7,500
Water and Soil Resources	45,219
Pollution Control Agency	29,042
Secretary of State	4,444

<b>Total state</b>	<b>\$ 2,161,489</b>
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**Federal**

Department/Institute of	
Agriculture	\$ 275,788
Education	2,100
Health and Human Services	1,302,794
Homeland Security	91,864
Transportation	165,707
Treasury	364,070

<b>Total federal</b>	<b>\$ 2,202,323</b>
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<b>Total state and federal grants</b>	<b>\$ 4,363,812</b>
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<b>Total Intergovernmental Revenue</b>	<b>\$ 11,637,197</b>
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**Watonwan County  
St. James, Minnesota**

**Exhibit D-2**

**Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2023**

<b>Federal Grantor Pass-Through Agency Program or Cluster Title</b>	<b>Assistance Listing Number</b>	<b>Pass-Through Grant Numbers</b>	<b>Expenditures</b>
<b>U.S. Department of Agriculture</b>			
Passed Through Minnesota Department of Health Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	222MN004W1003	\$ 131,652
Passed Through Minnesota Department of Human Services SNAP Cluster			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	232MN101S2520	142,979
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (Total State Administrative Matching Grants for the Supplemental Nutrition Assistance Program 10.561 \$144,136)	10.561	232MN127Q7503	1,157
<b>Total U.S. Department of Agriculture</b>			<b>\$ 275,788</b>
<b>U.S. Department of Transportation</b>			
Passed Through Minnesota Department of Transportation Formula Grants for Rural Areas and Tribal Transit Program	20.509	AGR#1051364	\$ 204,048
Passed Through Blue Earth County, Minnesota Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	Not Provided	10,483
<b>Total U.S. Department of Transportation</b>			<b>\$ 214,531</b>
<b>U.S. Department of the Treasury</b>			
Direct			
COVID-19 – Coronavirus State and Local Fiscal Recovery Funds	21.027		\$ 264,070
COVID-19 – Local Assistance and Tribal Consistency Fund	21.032		100,000
<b>Total U.S. Department of the Treasury</b>			<b>\$ 364,070</b>
<b>U.S. Department of Education</b>			
Passed Through Minnesota Department of Health Special Education – Grants for Infants and Families	84.181	NGA B04MC32551	<b>\$ 2,100</b>
<b>U.S. Department of Health and Human Services</b>			
Passed Through Minnesota Department of Health			
Public Health Emergency Preparedness	93.069	NU90TP922026	\$ 16,893
Early Hearing Detection and Intervention	93.251	H61MC00035	1,125
COVID-19 – Immunization Cooperative Agreements	93.268	NH23IP922628	5,943
COVID-19 – Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	NU50CK000508	28,885
Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response	93.354	NU90TP922188	22,122
Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families 93.558 \$159,811)	93.558	NGA 1801MNTANF	27,175
Maternal and Child Health Services Block Grant to the States	93.994	NGA B04MC32551	24,509



**Watonwan County  
St. James, Minnesota**

**Exhibit D-2  
(Continued)**

**Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2023**

Federal Grantor Pass-Through Agency Program or Cluster Title	Assistance Listing Number	Pass-Through Grant Numbers	Expenditures
<b>U.S. Department of Health and Human Services (Continued)</b>			
Passed Through Minnesota Department of Human Services			
Promoting Safe and Stable Families	93.556	2201MNFPS	2,442
Temporary Assistance for Needy Families	93.558	2301MNTANF	132,636
(Total Temporary Assistance for Needy Families 93.558 \$159,811)			
Child Support Enforcement	93.563	2301MNCSES	247,332
Child Support Enforcement	93.563	2301MNCES	46,277
(Total Child Support Enforcement 93.563 \$293,609)			
Refugee and Entrant Assistance – State Administered Programs	93.566	2301MNRCSA	508
CCDF Cluster			
Child Care and Development Block Grant	93.575	2301MNCDF	2,067
Stephanie Tubbs Jones Child Welfare Services Program	93.645	2201MNCWSS	3,964
Foster Care – Title IV-E	93.658	2301MNFOS	46,025
Social Services Block Grant	93.667	2301MNSOSR	101,803
John H. Chafee Foster Care Program for Successful Transition			
to Adulthood	93.674	2301MNCILP	14,332
Children's Health Insurance Program	93.767	2305MN5021	582
Medicaid Cluster			
Medical Assistance Program	93.778	2305MNSADM	587,659
Medical Assistance Program	93.778	2305MNSMAP	7,537
(Total Medical Assistance Program 93.778 \$595,196)			
<b>Total U.S. Department of Health and Human Services</b>			<b>\$ 1,319,816</b>
<b>U.S. Department of Homeland Security</b>			
Passed Through Minnesota Department of Public Safety			
Emergency Management Performance Grants	97.042	EMC-2021-EP-00011	\$ 16,767
COVID-19 – Emergency Management Performance Grants	97.042	EMC-2021-EP-00012	54,000
Emergency Management Performance Grants	97.042	EMC-2022-EP-00007	21,097
(Total Emergency Management Performance Grants 97.042 \$91,864)			
<b>Total U.S. Department of Homeland Security</b>			<b>\$ 91,864</b>
<b>Total Federal Awards</b>			<b>\$ 2,268,169</b>
<b>Totals by Cluster</b>			
Total expenditures for SNAP Cluster			\$ 144,136
Total expenditures for CCDF Cluster			2,067
Total expenditures for Medicaid Cluster			595,196

The County did not pass any federal awards through to subrecipients during the year ended December 31, 2023.

# Watonwan County

## St. James, Minnesota

### Notes to the Schedule of Expenditures of Federal Awards As of and for the Year Ended December 31, 2023

#### Note 1 – Summary of Significant Accounting Policies

##### Reporting Entity

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

##### Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Watonwan County under programs of the federal government for the year ended December 31, 2023. 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 of Expenditures of Federal Awards presents only a selected portion of the operations of Watonwan County, it is not intended to and does not present the financial position, changes in net position, or cash flows of Watonwan County.

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

#### Note 2 – De Minimis Cost Rate

Watonwan County has elected 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	\$ 2,202,323
Grants received more than 60 days after year-end, considered unavailable revenue in 2023	
Formula Grants for Rural Areas and Tribal Transit Program (AL No. 20.509)	48,824
Promoting Safe and Stable Families (AL No. 93.556)	496
Temporary Assistance for Needy Families (AL No. 93.558)	19,088
Stephanie Tubbs Jones Child Welfare Services Program (AL No. 93.645)	494
Foster Care – Title IV-E (AL No. 93.558)	544
Unavailable revenue in 2022, recognized as revenue in 2023	
Community-Based Child Abuse Prevention Grants (AL No. 93.590)	(3,600)
Expenditures per Schedule of Expenditures of Federal Awards	\$ 2,268,169

## **Management and Compliance Section**

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

Independent Auditor's Report

Board of County Commissioners  
Watonwan County  
St. James, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Watonwan County, Minnesota, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 17, 2024.

**Report on Internal Control Over Financial Reporting**

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs as item 2023-001 that we consider to be a material weakness.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Watonwan County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial

statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Minnesota Legal Compliance**

In connection with our audit, we noted that Watonwan County failed to comply with the provisions of the miscellaneous provisions 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 2023-003. Also, in connection with our audit, nothing came to our attention that caused us to believe that Watonwan County failed to comply with the provisions of the contracting – bid laws, depositories of public funds and public investments, conflicts of interest, public indebtedness, and claims and disbursements sections of the *Minnesota Legal Compliance Audit Guide for Counties*, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the County's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

### **Watonwan County's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on Watonwan County's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs and 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 and compliance, and the provisions of the *Minnesota Legal Compliance Audit Guide for Counties* and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.

/s/Julie Blaha

Julie Blaha  
State Auditor

September 17, 2024

/s/Chad Struss

Chad Struss, CPA  
Deputy State Auditor

**Report on Compliance for Each Major Federal Program and Report on Internal  
Control Over Compliance Required by the Uniform Guidance**Independent Auditor's Report

Board of County Commissioners  
Watonwan County  
St. James, Minnesota

**Report on Compliance for Each Major Federal Program*****Opinion on Each Major Federal Program***

We have audited Watonwan County's compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of Watonwan County's major federal programs for the year ended December 31, 2023. Watonwan County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, Watonwan County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2023.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

***Responsibilities of Management for Compliance***

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

### ***Auditor's Responsibilities for the Audit of Compliance***

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

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

- exercise professional judgment and maintain professional skepticism throughout the audit;
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Watonwan County's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances; and
- obtain an understanding of Watonwan County's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances, and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Watonwan County's internal control over compliance. Accordingly, no such opinion is expressed.

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

### ***Other Matters***

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance, and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2023-002. Our opinion on each major federal program is not modified with respect to this matter.

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

### ***Report on Internal Control Over Compliance***

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

However, as discussed below, we did identify a deficiency in internal control over compliance that we consider to be a significant deficiency.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2023-002 to be a significant deficiency.

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

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

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

*/s/Julie Blaha*

*/s/Chad Struss*

Julie Blaha  
State Auditor

Chad Struss, CPA  
Deputy State Auditor

September 17, 2024



# Watonwan County St. James, Minnesota

## Schedule of Findings and Questioned Costs For the Year Ended December 31, 2023

### Section I – Summary of Auditor’s Results

#### Financial Statements

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

Internal control over financial reporting:

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

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

#### Federal Awards

Internal control over major federal programs:

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

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

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

Identification of major federal programs:

Assistance Listing Number	Name of Federal Program or Cluster
21.027	COVID-19 – Coronavirus State and Local Fiscal Recovery Funds
93.563	Child Support Enforcement
93.778	Medicaid Cluster

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

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

### Section II – Financial Statement Findings

#### 2023-001      Audit Adjustment

Prior Year Finding Number: N/A

Year of Finding Origination: 2023

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

## Watonwan County St. James, Minnesota

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define a material weakness as 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.

**Condition:** A material audit adjustment was identified that resulted in a significant change to the County's financial statements.

**Context:** The inability to make all necessary accrual adjustments or to detect misstatements in the financial statements increases the likelihood that the financial statements would not be fairly presented. The adjustment was found in the audit; however, independent external auditors cannot be considered part of the County's internal control.

**Effect:** The following audit adjustment was reviewed and approved by management and is reflected in the financial statements: increased unearned revenue and decreased special assessments revenue by \$1,043,447 in the County Ditch Special Revenue Fund for special assessments collected from landowners that were paid in anticipation of future assessments expected to be approved by the County.

**Cause:** Staff overlooked this activity when financial statement information was prepared.

**Recommendation:** We recommend the County review the financial statement closing procedures, trial balances, and journal entries in detail to ensure the County's financial statements are fairly presented in accordance with generally accepted accounting principles in the United States of America.

**View of Responsible Official:** Acknowledge

### Section III – Federal Award Findings and Questioned Costs

#### **2023-002      Local Collaborative Time Study (LCTS) Annual Spending Report**

**Prior Year Finding Number:** N/A

**Year of Finding Origination:** 2023

**Type of Finding:** Internal Control Over Compliance and Compliance

**Severity of Deficiency:** Significant Deficiency and Other Matter

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

**Program:** 93.778 Medical Assistance Program

**Award Number and Year:** 2305MN5ADM, 2023

**Pass-Through Agency:** Minnesota Department of Human Services

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

For County federal awards received from the Minnesota Department of Human Services (DHS), the County should establish and maintain internal control to provide assurance that program reports submitted to DHS are completed accurately and in accordance with reporting instructions. As part of Watonwan County's reporting

## Watonwan County St. James, Minnesota

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requirements for the Medical Assistance Program, the County submits the Local Collaborative Time Study (LCTS) Annual Spending Report on an annual basis.

**Condition:** The following exceptions were noted in the 2023 LCTS Annual Spending Report reviewed:

- Reported LCTS funds received were understated by \$9,796.
- Reported LCTS funds spent on services and administration were understated by \$4,560.

**Questioned Costs:** None.

**Context:** DHS relies on accurate reporting of program costs to ensure that resulting grant funds paid to the County are for allowable federal program activities/costs and provide detailed information necessary for maintaining proper oversight over federal programs. The County has since reviewed the LCTS Annual Spending Report to correct the errors identified in the audit and has resubmitted the report to DHS.

**Effect:** The 2023 LCTS Annual Spending Report submitted to DHS was not accurate.

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

**Recommendation:** We recommend Watonwan County implement controls to ensure accurate reporting to DHS in accordance with federal program guidance and DHS instructions.

**View of Responsible Official:** Acknowledge

### Section IV – Other Findings and Recommendations

#### **2023-003      Publication of County Board Minutes**

**Prior Year Finding Number:** N/A

**Year of Finding Origination:** 2023

**Type of Finding:** Minnesota Legal Compliance

**Criteria:** Minnesota Statutes Section 375.12 requires that County Board minutes be published within 30 days of the meeting and include an individualized, itemized list of County Board-approved payments over \$2,000. For claims \$2,000 or less, the total number of claims and total amounts shall be stated.

**Condition:** Based on review of the affidavits of publication related to the publishing of summary Board minutes for 2023, not all of the summaries were published in the County's official newspaper within the 30-day requirement. Additionally, none of the publications included an itemized list of County Board-approved payments over \$2,000 or included the total number of claims and total amount for payments under \$2,000 as required.

**Context:** Of the eight published summaries reviewed, seven were not published within the 30-day requirement.

**Effect:** Noncompliance with Minn. Stat. § 375.12.

**Cause:** The County indicated that, due to staffing shortages, not all Board minutes were published within the 30 days required.

## **Watonwan County St. James, Minnesota**

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**Recommendation:** We recommend the County publish its summaries of the County Board minutes within the timeframe required. We also recommend the publication include a list of County Board-approved payments over \$2,000 and include the total number of claims and total amount for payments under \$2,000 in compliance with Minn. Stat. § 375.12.

**View of Responsible Official:** Acknowledge

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

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ST. JAMES, MN 56081  
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**Representation of Watonwan County**  
**St. James, Minnesota**  
**Corrective Action Plan**  
**For the Year Ended December 31, 2023**

**Finding Number: 2023-001**

**Finding Title: Audit Adjustment**

Name of Contact Person Responsible for Corrective Action:

Kelly Pauling

Corrective Action Planned:

Management will have additional staff review the ditch fund to ensure financial statements are fairly presented.

Anticipated Completion Date:

12/31/2024

**Finding Number: 2023-002**

**Finding Title: Local Collaborative Time Study (LCTS) Annual Spending Report**

**Program: 93.778 Medical Assistance Program**

Name of Contact Person Responsible for Corrective Action:

Erin Marks

Corrective Action Planned:

The 2023 report was revised and completed by the Fiscal Officer. Effective immediately and on-going, the spending report will be completed by the Fiscal Officer and reviewed by the Supervisor. Narrative detail and programmatic reporting will be completed by the Collaborative Coordinator and reviewed by the Director.

Anticipated Completion Date:

12/31/2024

**Finding Number: 2023-003**

**Finding Title: Publication of County Board Minutes**

Name of Contact Person Responsible for Corrective Action:

Kelly Pauling

Corrective Action Planned:

Added staff and shifted job duties to ensure timely publication of minutes. Will begin publishing claims over \$2,000 by the end of the year.

Anticipated Completion Date:

12/31/2024