

WASECA COUNTY

Waseca, Minnesota

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Year Ended December 31, 2019

WASECA COUNTY

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INDEPENDENT AUDITORS' REPORT

To the County Board of Commissioners
Waseca County
Waseca, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Waseca County, Minnesota, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise Waseca County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Minnesota Prairie County Alliance or South Country Health Alliance, in which Waseca County has equity interests, which represent 4.6%, 5.7% and 1.6%, respectively, of the assets, net position and revenues of the governmental activities. Those statements were audited by other auditors whose reports have been furnished to us. The statements for South Country Health Alliance were prepared in accordance with the financial reporting provisions of the Department of Health of the State of Minnesota. We have applied audit procedures on the conversion adjustments to the financial statements of South Country Health Alliance, which conform those financial statements to accounting principles generally accepted in the United States of America. Our opinion, insofar, as it relates to the amounts included for the Minnesota Prairie County Alliance and South Country Health Alliance (prior to these conversion adjustments), is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of South Country Health Alliance were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control over financial reporting relevant to Waseca County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of Waseca County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Waseca County, Minnesota, as of December 31, 2019 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, 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 Waseca County's basic financial statements. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. 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 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 29, 2020 on our consideration of Waseca 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 Waseca 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 Waseca County's internal control over financial reporting and compliance.

Baker Tilly US, LLP

Baker Tilly US, LLP (formerly known as Baker Tilly Virchow Krause, LLP)
Minneapolis, Minnesota
September 29, 2020

WASECA COUNTY, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) As of and for the Year Ended December 31, 2019

As management of Waseca County, Minnesota, we offer readers of the county's financial statements this narrative overview and analysis of the financial statements of Waseca County, Minnesota for the fiscal year ended December 31, 2019.

The county is presenting prior year data for various comparisons and analyses.

Financial Highlights

The assets and deferred outflows of Waseca County exceeded its liabilities and deferred inflows at the close of the most recent year by \$80,114,529 (net position). Approximately 16% of this total amount, \$12,912,758 is available for spending at the county's discretion (unrestricted net position).

The county's total net position increased by \$3,303,707.

The county's total general-obligation debt as of December 31, 2019 was \$5,105,000. \$450,000 of principal related to debt issued in prior years was paid off on the general obligation debt during 2019.

Overview of the Financial Statements

This discussion and analysis is designed to be an introduction to Waseca County, Minnesota's basic financial statements. The county's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The report also contains other supplementary information in addition to the basic financial statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the county's finances, in a manner similar to a private-sector business. The government-wide statements are comprised of the statement of net position and the statement of activities.

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

The statement of activities presents information showing how the county'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. This means, some revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods. (E.g., uncollected taxes and earned but unused vacation leave.)

The government-wide financial statements can be found on pages 1 and 2 of the report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The county uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the county can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

WASECA COUNTY, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) As of and for the Year Ended December 31, 2019

Governmental Funds

Governmental funds are used to account for essentially the same functions as governmental activities in the government-wide financial statements; however, the governmental fund financial statements focus on near-term inflows and outflows of resources, as well as on balances of resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

The county maintains 10 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balance for the general fund, road and bridge, ditch, waste management, and debt service, all of which are considered major funds. Data from the other 5 funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major funds is provided in the combining statements found elsewhere in this report.

The county adopts annual appropriation budgets for 6 of its governmental type funds. Budgetary comparison statements have been provided for these funds to demonstrate compliance with these budgets.

The basic governmental fund financial statements can be found on pages 3 and 5 of this report.

Proprietary Funds

The county maintains one proprietary fund known as the Internal Service Fund. Internal service funds are used to accumulate and allocate costs internally among various functions. The county uses the internal service fund to account for its self-funded health insurance. The proprietary fund financial statements are on pages 8-10.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the county's own programs. The accounting used in fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statement can be found on page 11 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 12-54 of this report.

Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information regarding budget to actual data, other postemployment benefit information and net pension liability and contribution information for the three PERA funds that the county participates in. Required supplementary information can be found on pages 55-67 of this report.

The combined statements referred to in connection with non-major governmental funds are presented as a component of the supplementary information. Supplementary information can be found on pages 68-80.

WASECA COUNTY, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

As of and for the Year Ended December 31, 2019

Government-Wide Financial Analysis

As discussed earlier, net position may serve over time as a useful indicator of a government's financial position. The assets and deferred outflows of the county exceeded liabilities and deferred inflows by \$80,114,529 at the close of 2019.

By far, the largest portion of the county's net position (81%) reflects its investment in capital assets (\$70,147,597) (i.e., land, buildings, improvements, equipment, and infrastructure), less any related debt (excluding unspent proceeds) and premium/discount (\$5,328,809) used to acquire those assets that is still outstanding. The county uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt (\$64,818,788), it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The county also reported restricted net position totaling \$2,382,983 for debt service, statutory requirements, ARMER radio system, missing heirs, road and bridge, and small cities development.

The remaining balance of \$12,912,758 designated as unrestricted net position may be used to meet the government's ongoing obligations to citizens and creditors.

The statement of net position for Waseca County is summarized in the table below.

	<u>2019</u>	<u>2018</u>
ASSETS		
Current and other assets	\$ 24,149,488	\$ 25,825,783
Capital assets (net)	70,147,597	60,813,330
Investment in joint ventures	<u>4,530,716</u>	<u>2,989,928</u>
Total assets	98,827,801	89,629,041
DEFERRED OUTFLOWS OF RESOURCES	<u>1,514,334</u>	<u>2,348,194</u>
LIABILITIES		
Current liabilities	2,608,510	1,162,150
Noncurrent liabilities	<u>13,222,033</u>	<u>10,038,056</u>
Total liabilities	<u>15,830,543</u>	<u>11,200,206</u>
DEFERRED INFLOWS OF RESOURCES	<u>4,397,063</u>	<u>3,966,207</u>
NET POSITION		
Net investment in capital assets	64,818,788	58,409,658
Restricted	2,382,983	1,868,833
Unrestricted	<u>12,912,758</u>	<u>16,532,331</u>
Total Net position	<u>\$ 80,114,529</u>	<u>\$ 76,810,822</u>

WASECA COUNTY, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) As of and for the Year Ended December 31, 2019

The statement of activities for Waseca County is summarized in the table below.

REVENUES	2019	2018
Program revenues:		
Charges for services	\$ 2,299,462	\$ 3,298,026
Operating grants and contributions	3,925,215	3,688,640
Capital grants and contributions	3,225,746	3,246,070
General revenues:		
Taxes	16,460,595	15,189,109
Intergovernmental revenues	1,211,896	1,253,003
Investment income (including unrealized gains/losses)	445,302	249,147
Gain on disposal of capital assets	-	1,553,596
Miscellaneous	696,581	335,184
Total Revenues	28,264,797	28,812,775
 EXPENSES		
Program expenses:		
General government	6,476,988	5,718,793
Public safety	4,250,175	4,597,026
Public works	5,509,158	7,010,593
Sanitation	1,060,687	852,751
Health and human services	4,503,789	5,313,208
Culture, recreation, and education	874,521	368,297
Conservation and development	1,530,491	1,878,779
Interest and fiscal charges	203,443	24,096
Special item – tax court settlement	551,838	-
Total Expenses	24,961,090	25,763,543
 Change in net position	3,303,707	3,049,232
Net position – beginning of year	76,810,822	73,761,590
Net position – end of year	\$ 80,114,529	\$ 76,810,822

Governmental Activities

Governmental activities increased the county's net position by \$3,303,707. This is up from the increase of \$3,049,232 in 2018 due to a variety of offsetting factors and a notable increase in investments returns based on market conditions.

Financial Analysis of the Government's Funds

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

Governmental Funds

The focus on the county's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the county's financial requirements. Note how 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.

WASECA COUNTY, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

As of and for the Year Ended December 31, 2019

As of December 31, 2019, the county's governmental funds reported combined ending fund balances of \$17,889,537 which represents a decrease of \$2,365,992 from the previous year's fund balance. Approximately 75% of this total (\$13,427,948) constitutes the unassigned, assigned, and committed fund balances, which is available for spending at the government's discretion. The remainder of fund balance (\$4,461,589) is included in restricted or nonspendable fund balance to indicate that it is not available for new spending primarily due to the following:

- > The Small Cities Development fund originated from a federal grant for housing rehabilitation loans. One of the conditions of the grant is that the fund balance (\$39,358) derived from loan repayments be used for other housing rehabilitation activities.
- > Funds that have been set aside in the Special Revenue fund (\$1,087,863) are subject to various statutory requirements.
- > Debt service funds (\$670,823) are restricted solely to repayment of the county's outstanding bonded indebtedness.
- > Missing heirs (\$24,132) is set by court order and held by the county for missing heirs of estates pursuant to MN Statutes.
- > Nonspendable inventory (\$218,279) for Road and Bridge is recorded as expenditure when it is acquired per MN DOT requirements. Road and Bridge reports inventory as an expense when the inventory is consumed. Thus, a journal entry moves the inventory from an expense item to a nonspendable fund balance item.
- > A portion of the General fund nonspendable balance (\$1,785,122) represents advances to other funds that are not anticipated to be repaid within one year.

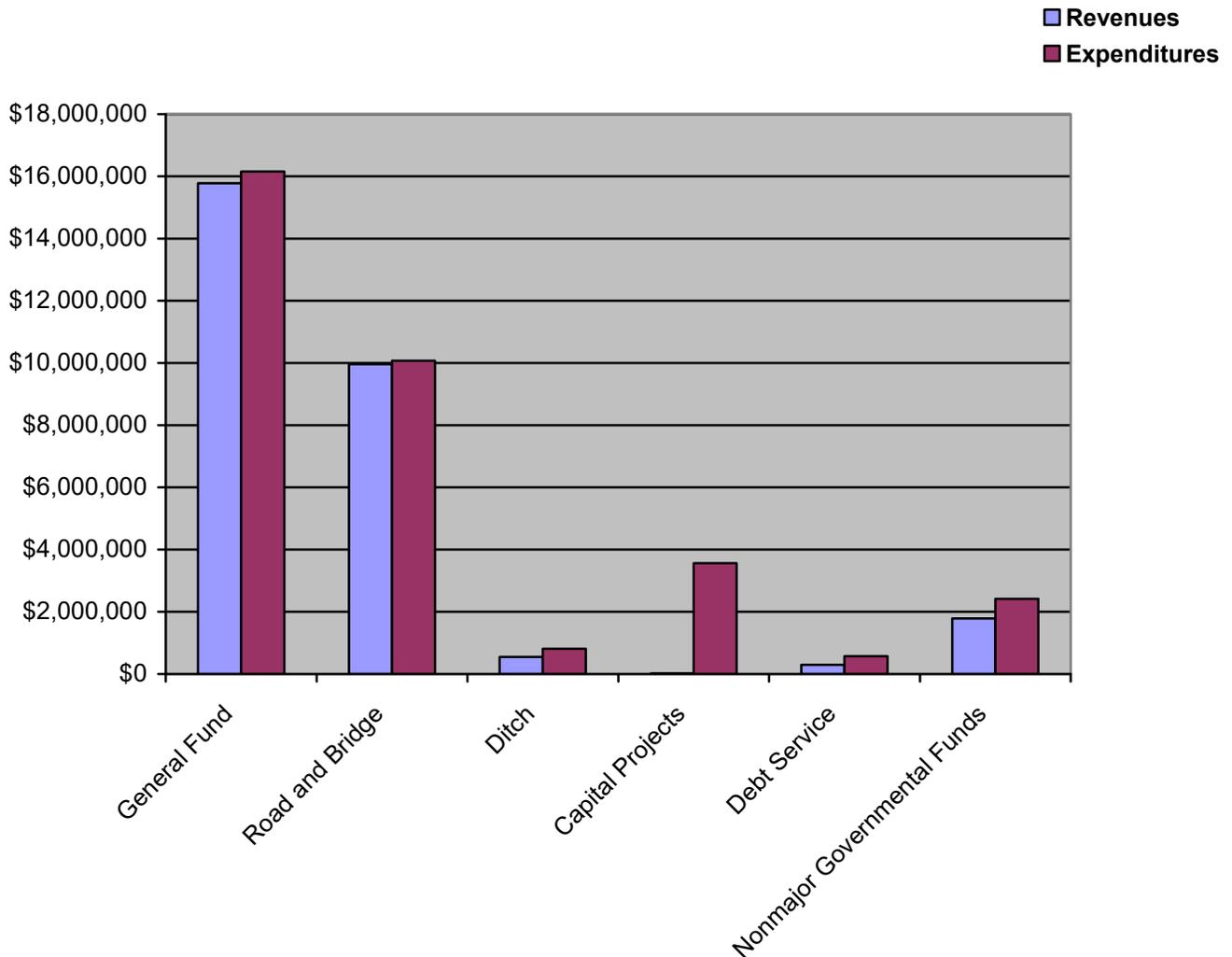
WASECA COUNTY, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
As of and for the Year Ended December 31, 2019

2019 Revenues & Expenditures By Fund

Funds	Revenues	Expenditures	Balance
General Fund	\$ 15,776,478	\$ 16,156,636	\$ (380,158)
Road and Bridge	9,964,164	10,071,414	(107,250)
Ditch	550,399	809,039	(258,640)
Debt Service	296,776	573,313	(276,537)
Capital Projects	13,607	3,560,991	(3,547,384)
Nonmajor Governmental Funds	1,785,359	2,412,084	(626,725)
	<u>\$ 28,386,783</u>	<u>\$ 33,583,477</u>	<u>\$ (5,196,694)</u>

Revenues and Expenditures by Fund



WASECA COUNTY, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
As of and for the Year Ended December 31, 2019

2019 Revenues By Fund

Fund	Percent	Revenues
General Fund	55.58%	\$ 15,776,478
Road and Bridge	35.10%	9,964,164
Ditch	1.94%	550,399
Debt Service	1.04%	296,776
Capital Projects	0.05%	13,607
Nonmajor Governmental Funds	6.29%	1,785,359
Total Revenue	100.00%	\$ 28,386,783

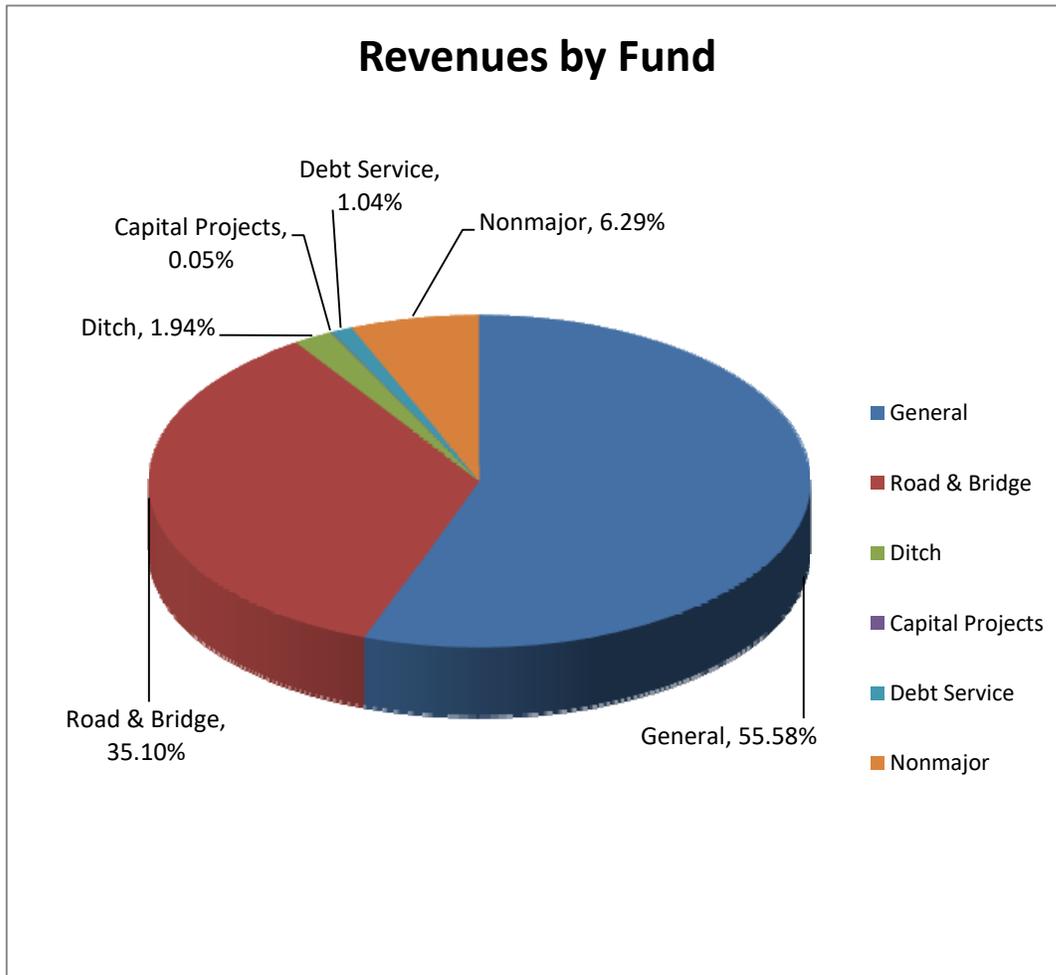


Figure 1

WASECA COUNTY, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
As of and for the Year Ended December 31, 2019

2019 Expenditures By Fund

Fund	Percent	Expenditures
General Fund	48.11%	\$ 16,156,636
Road and Bridge	29.99%	10,071,414
Ditch	2.41%	809,039
Debt Service	1.71%	573,313
Capital Projects	10.60%	3,560,991
Nonmajor Governmental Funds	7.18%	2,412,084
Total Expenditures	100.00%	\$ 33,583,477

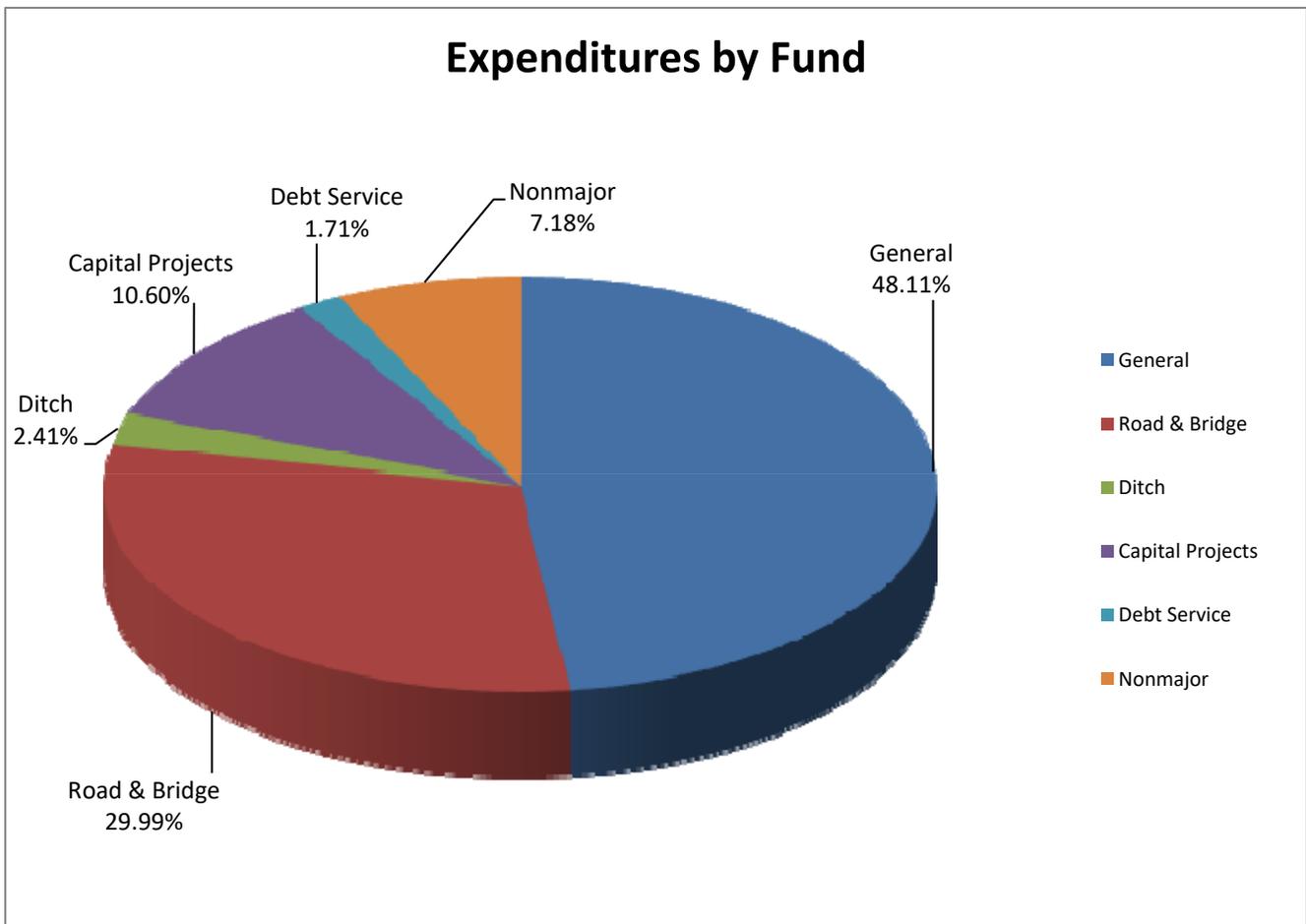


Figure 2

WASECA COUNTY, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) As of and for the Year Ended December 31, 2019

General Fund

The general fund is the chief operating fund of the county. At the end of the current fiscal year, the total fund balance was \$7,210,726. The general fund has an unassigned fund balance of \$3,865,745, assigned fund balance of \$1,484,850, restricted fund balance of \$24,132 and a nonspendable fund balance of \$1,835,999. The unassigned portion approximates 24% of the general fund's annual expenditures and including the assigned portion increases that coverage of annual expenditures to approximately 33%.

The general fund balance decreased by \$1,216,889 during the current fiscal year due to an additional equity contribution made to the SCHA joint venture in the amount of \$1,102,341 and a tax court settlement of \$551,838.

Road & Bridge Fund

The Road and Bridge Fund ended the year with a fund balance of \$9,548,134. The committed fund balance at the end of the fiscal year was \$8,830,248. The fund balance also consists of \$218,279 that is nonspendable related to inventory. The total fund balance of the Road and Bridge Fund decreased \$344,335 during the current fiscal year primarily due to capital outlay expenditures (other than road construction projects which were primarily funded by state aid).

Ditch Fund

The Ditch Fund had a total fund balance deficit of (\$1,461,976). This amount includes a \$2,667 nonspendable balance and a (\$1,464,643) unassigned fund balance deficit. The total fund balance of the Ditch Fund decreased by \$258,640 during the current fiscal year due to expenditures being more significant during 2019 than anticipated.

Capital Projects Fund

The Capital Projects Fund had a total fund balance deficit of (\$1,059,902). This amount includes a restricted balance of \$77,160 and a (\$1,137,062) unassigned fund balance deficit. The total fund balance of the Capital Projects Fund decreased by 1,255,474 during the current fiscal year due to the Public Health and Human Services renovation. General obligation bonds were issued in January 2020 and proceeds were used to replenish this deficit.

Debt Service Fund

The Debt Service Fund had a total fund balance of \$670,823. The entire amount represents restricted funds. The total fund balance decreased by \$20,059 during the current fiscal year which was comparable to budget.

Nonmajor Government Funds

All other government funds had a total fund balance of \$2,981,732. A balance of \$1,532,030 represents the committed fund balance, \$316,780 for assigned fund balance, \$1,127,221 is classified as restricted and \$5,701 is nonspendable. Total fund balance of all other government funds increased by \$729,405 during the current fiscal year mainly from insurance proceeds received in the latter part of 2019 related to a fire that occurred in December 2018.

General Fund Budgetary Highlights

There were no changes made to the original budget for 2019. The variance of budgeted amounts to actual revenues and other financing sources in the general fund was \$1,716,586 above budget mainly tied to a transfer in from the capital projects fund of \$1,100,000 to reimburse the general fund for initial costs for the Public Health building. The variance of budgeted amounts to actual expenditures and other financing uses (including special items) in the general fund was \$2,933,475 over budget primarily due to an additional equity contribution to the SCHA joint venture of \$1,102,341, tax court settlement of \$551,838 and capital outlay expenditures exceeding budget by \$1,287,222 mostly related to the Public Health building purchase noted above.

WASECA COUNTY, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) As of and for the Year Ended December 31, 2019

Capital Assets and Debt Administration: Capital Assets

The county's investment in capital assets for its governmental activities as of December 31, 2019 amount to \$70,147,597 (net of accumulated depreciation). Investment in capital assets includes land, buildings, improvements, machinery and equipment, roads, highways, bridges, right of ways, and construction in progress. The county showed an increase in the overall investment in capital assets for the current fiscal year of \$9,334,267, or 15%

Additional information on the county's capital assets can be found on pages 1, 4, 6, 19, and 28 of this report.

Capital asset activity for the year ended December 31, 2019 was as follows:

	Beginning Balance	Adjustments	Additions	Deletions	Ending Balance
Capital Assets Not Being Depreciated:					
Land	\$ 687,902	\$ 49,034	\$ 134,331	\$ -	\$ 871,267
Right of Way	1,159,599	-	-	-	1,159,599
Construction in Progress	2,137,946	-	11,921,065	(7,663,449)	6,395,562
Total Capital Assets Not Being Depreciated	3,985,447	49,034	12,055,396	(7,663,449)	8,426,427
Capital Assets Being Depreciated:					
Buildings	6,258,810	(405,940)	92,553	-	5,945,423
Improvements	1,275,749	440,266	462,917	-	2,178,932
Machinery and Equipment	10,042,230	(26,360)	362,570	(309,203)	10,069,237
Roads	70,636,304	-	7,605,959	(1,444,491)	76,797,772
Bridges	6,048,081	-	-	-	6,048,081
Total Capital Assets Being Depreciated	94,261,174	7,966	8,523,999	(1,753,694)	101,039,445
Less: Accumulated Depreciation for					
Buildings	(2,470,927)	205,291	(76,794)	-	(2,342,430)
Improvements	(19,607)	(226,963)	(66,938)	-	(313,508)
Machinery and Equipment	(5,771,174)	18,567	(939,895)	291,868	(6,400,634)
Roads	(28,201,956)	-	(2,161,775)	1,152,295	(29,211,436)
Bridges	(969,627)	-	(80,641)	-	(1,050,268)
Total Accumulated Depreciation	(37,433,291)	(3,105)	(3,326,043)	1,444,163	(39,318,276)
Capital Assets, Net of Depreciation	\$ 56,827,883	\$ 4,861	\$ 5,197,956	\$ (309,531)	\$ 61,721,169

WASECA COUNTY, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) As of and for the Year Ended December 31, 2019

Long-Term Debt

At the end of the current fiscal year, the county had total bonded debt outstanding of \$5,105,000 backed by the full faith and credit of the county. General obligation bonds will be retired by future tax levies accumulated by the debt service fund.

The county's total general obligation bonds payable increased during the current year by \$2,640,000. 61% of Waseca County's general obligation debt is attributable to capital improvement bonds with a final maturity date of 2029. 22% of the general obligation debt is attributable to capital improvement bonds with a final maturity date of 2023. 11% of the general obligation debt is bonded for state-aid highway use with a final maturity date of 2025. 6% of the general obligation debt is attributable to state-aid highway use with a final maturity date of 2022.

State statute limits the amount of net debt a governmental entity may issue to 3 percent of the total market value of taxable property in the county. The current debt limitation for the county is approximately \$85 million which is significantly in excess of its outstanding general obligation debt of \$5,105,000. \$4,434,177 is the county's outstanding general obligation debt net of the debt service reserve of \$670,823. It should also be noted that the State-Aid highway bonds are not subject to the debt limitation.

Additional information on the county's long-term debt can be found in the footnotes on pages 20 and 30-31 of this report.

General obligation debt payable for the county at December 31, 2019, consists of the following:

<u>General Obligation Debt</u>	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>Balance 12-31-2019</u>
State-Aid Highway Bonds	2007	2022	3.75-4.20%	\$ 1,240,000	\$ 315,000
Capital Improvement Bonds	2013	2023	.8-2.6%	2,145,000	1,135,000
State-Aid Highway Bonds	2015	2025	2.00-2.15%	910,000	565,000
Capital Improvement Bonds	2019	2029	3.00-4.00%	3,090,000	<u>3,090,000</u>
					<u>\$ 5,105,000</u>

Economic and Demographic Factors and County Budget Trends

- > The estimated county population was 18,612 in 2019, which consists of 23% under the age of 18 and 19% 65 or older.
- > The median income for a household in the county is \$55,612.
- > The county unemployment rate is 5.7%. This compares to the state's average unemployment rate of 3.7%.
- > The county is most noted for agribusiness, printing and electronics industries. Historically, these industries have tended to maintain relative stability in both good and bad economic times.
- > The general fund finished the year with an unassigned fund balance of \$3,865,745. The county's fund balance policy calls for unassigned general fund balance equal to 45%-55% of the next year's operating budget.
- > The county's 2020 adopted budget was balanced, with no budgeted use of available fund balances.

These and other factors are considered in the county's annual budget planning for 2021. Historically, Waseca County has been quite conservative concerning property tax increases.

WASECA COUNTY, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

As of and for the Year Ended December 31, 2019

In December 2019, a novel strain of coronavirus was reported in Wuhan, Hubei province, China. In the first several months of 2020, the virus, SARS-CoV-2, and resulting disease, COVID-19, spread to the United States, including to areas impacting the county. The extent of the impact of COVID-19 on the county's operational and financial performance will depend on future developments, including the duration and spread of the outbreak and related governmental or other regulatory actions.

Request For Information

This financial report is designed to provide a general overview of Waseca County, Minnesota's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Waseca County Administrator's Office
307 North State Street
Waseca, Minnesota 56093
Phone: 507-835-0630

WASECA COUNTY

STATEMENT OF NET POSITION As of December 31, 2019

	<u>Governmental Activities</u>
ASSETS	
Cash and investments	\$ 21,110,786
Delinquent taxes receivable	278,324
Accounts receivable	358,726
Due from other governments	1,696,755
Interest receivable	52,291
Special assessments receivable	259,202
Notes receivable, net	115,880
Inventories and prepaid items	277,524
Capital Assets	
Land	871,267
Right of way	1,159,599
Construction in progress	6,395,562
Other capital assets, net of depreciation	61,721,169
Investment in joint ventures	4,530,716
Total Assets	<u>98,827,801</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension related amounts	1,439,826
Other postemployment benefits related amounts	74,508
Total Deferred Outflows of Resources	<u>1,514,334</u>
LIABILITIES	
Accounts payable	1,755,669
Accrued liabilities and deposits	667,745
Due to other governments	158,103
Unearned revenues	26,993
Noncurrent liabilities	
Due within one year	1,208,795
Due in more than one year	12,013,238
Total Liabilities	<u>15,830,543</u>
DEFERRED INFLOWS OF RESOURCES	
Pension related amounts	2,463,640
Other postemployment benefits related amounts	396,216
Unearned revenues	1,537,207
Total Deferred Inflows of Resources	<u>4,397,063</u>
NET POSITION	
Net investment in capital assets	64,818,788
Restricted for:	
Debt service	646,498
Statutory requirements	1,087,863
ARMER radio system	15,832
Missing heirs	24,132
Road and bridge	499,607
Small cities development	109,051
Unrestricted	12,912,758
TOTAL NET POSITION	<u>\$ 80,114,529</u>

See accompanying notes to the financial statements.

WASECA COUNTY

STATEMENT OF ACTIVITIES For the Year Ended December 31, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
General government	\$ 6,476,988	\$ 613,018	\$ 283,523	\$ 357,707	\$ (5,222,740)
Public safety	4,250,175	302,834	697,893	-	(3,249,448)
Public works	5,509,158	329,109	1,678,520	2,868,039	(633,490)
Sanitation	1,060,687	543,264	70,671	-	(446,752)
Health and human services	4,503,789	263,178	937,616	-	(3,302,995)
Culture, recreation, and education	874,521	31,453	-	-	(843,068)
Conservation and development	1,530,491	216,606	256,992	-	(1,056,893)
Interest and fiscal charges	203,443	-	-	-	(203,443)
Total Governmental Activities	<u>24,409,252</u>	<u>2,299,462</u>	<u>3,925,215</u>	<u>3,225,746</u>	<u>(14,958,829)</u>
Totals	<u>\$ 24,409,252</u>	<u>\$ 2,299,462</u>	<u>\$ 3,925,215</u>	<u>\$ 3,225,746</u>	<u>(14,958,829)</u>
General Revenues					
Taxes					
Property taxes, levied for general purposes					15,423,913
Property taxes, levied for debt service					289,746
Other taxes					746,936
Intergovernmental revenues not restricted to specific programs					1,211,896
Investment income (including unrealized gains/losses)					445,302
Miscellaneous					696,581
Total General Revenues					<u>18,814,374</u>
Special Item					
Tax court settlement					<u>(551,838)</u>
Change in Net Position					3,303,707
NET POSITION - Beginning of Year					<u>76,810,822</u>
NET POSITION - END OF YEAR					<u>\$ 80,114,529</u>

See accompanying notes to the financial statements.

WASECA COUNTY

BALANCE SHEET
GOVERNMENTAL FUNDS
As of December 31, 2019

	General Fund	Special Revenue		Debt Service	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
		Road & Bridge	Ditch				
ASSETS							
Cash and investments	\$ 4,973,103	\$ 10,909,993	\$ 995,553	\$ 669,718	\$ -	\$ 3,562,419	\$ 21,110,786
Receivables							
Delinquent taxes	208,057	64,348	-	5,919	-	-	278,324
Accounts	89,562	-	-	-	-	269,164	358,726
Due from other governments	228,121	1,260,320	145,344	-	-	62,970	1,696,755
Interest	52,291	-	-	-	-	-	52,291
Special assessments	-	-	247,329	-	-	11,873	259,202
Notes, net	-	-	-	-	-	115,880	115,880
Due from other funds	139,220	-	-	-	-	-	139,220
Inventories and prepaid items	50,877	218,279	2,667	-	-	5,701	277,524
Advances to other funds	2,385,122	-	-	-	-	-	2,385,122
TOTAL ASSETS	\$ 8,126,353	\$ 12,452,940	\$ 1,390,893	\$ 675,637	\$ -	\$ 4,028,007	\$ 26,673,830
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES							
Liabilities							
Accounts payable	\$ 415,308	\$ 251,093	\$ 7,095	\$ -	\$ 920,682	\$ 161,491	\$ 1,755,669
Accrued liabilities	201,222	35,348	-	-	-	12,631	249,201
Due to other governments	62,902	1,312	91,469	-	-	2,420	158,103
Due to other funds	-	-	-	-	139,220	-	139,220
Advances from other funds	-	-	2,385,122	-	-	-	2,385,122
Unearned revenues	-	-	-	-	-	26,993	26,993
Deposits	-	-	-	-	-	389,406	389,406
Total Liabilities	<u>679,432</u>	<u>287,753</u>	<u>2,483,686</u>	<u>-</u>	<u>1,059,902</u>	<u>592,941</u>	<u>5,103,714</u>
Deferred Inflows of Resources							
Unearned revenues	-	1,416,366	-	-	-	120,841	1,537,207
Unavailable revenues	236,195	1,200,687	369,183	4,814	-	332,493	2,143,372
Total Deferred Inflows of Resources	<u>236,195</u>	<u>2,617,053</u>	<u>369,183</u>	<u>4,814</u>	<u>-</u>	<u>453,334</u>	<u>3,680,579</u>
Fund Balances							
Nonspendable	1,835,999	218,279	2,667	-	-	5,701	2,062,646
Restricted	24,132	499,607	-	670,823	77,160	1,127,221	2,398,943
Committed	-	8,830,248	-	-	-	1,532,030	10,362,278
Assigned	1,484,850	-	-	-	-	316,780	1,801,630
Unassigned (deficit)	3,865,745	-	(1,464,643)	-	(1,137,062)	-	1,264,040
Total Fund Balances (Deficit)	<u>7,210,726</u>	<u>9,548,134</u>	<u>(1,461,976)</u>	<u>670,823</u>	<u>(1,059,902)</u>	<u>2,981,732</u>	<u>17,889,537</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 8,126,353	\$ 12,452,940	\$ 1,390,893	\$ 675,637	\$ -	\$ 4,028,007	\$ 26,673,830

See accompanying notes to the financial statements.

WASECA COUNTY

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET WITH THE STATEMENT OF NET POSITION As of December 31, 2019

Total fund balance - governmental funds		\$ 17,889,537
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in government activities are not financial resources and, therefore, are not reported in the fund statements. See Note III.C.		70,147,597
Certain receivables that are not considered available are reported as unavailable revenue in the fund financial statements and are recognized as revenue when earned in the government-wide financial statements. See Note III B.		2,143,372
Investments in joint ventures are not financial resources and, therefore, are not reported in the funds.		4,530,716
Deferred outflows of resources do not relate to current financial resources and are not reported in the fund statements.		
Deferred outflows - pension related amounts	\$ 1,439,826	
Deferred outflows - other postemployment benefit related amounts	<u>74,508</u>	1,514,334
Deferred inflows of resources do not relate to current financial resources and are not reported in the fund statements.		
Deferred inflows - pension related amounts	(2,463,640)	
Deferred inflows - other postemployment benefits related amounts	<u>(396,216)</u>	(2,859,856)
Long-term liabilities, including bond and notes payable, are not due in the current period, and therefore, are not reported in the fund statements.		
Long-term liabilities at year end consist of:		
General obligation debt	(5,105,000)	
Capital lease liability	(77,150)	
Unamortized premium on debt	(285,137)	
Accrued interest on general obligation debt	(29,138)	
Net pension liability	(5,059,507)	
Compensated absences	(1,064,348)	
Other postemployment benefits	<u>(1,630,891)</u>	<u>(13,251,171)</u>
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES		<u>\$ 80,114,529</u>

See accompanying notes to the financial statements.

WASECA COUNTY

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2019

	General Fund	Special Revenue		Debt Service	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
		Road & Bridge	Ditch				
REVENUES							
Taxes	\$ 11,724,509	\$ 4,367,991	\$ -	\$ 289,727	\$ -	\$ -	\$ 16,382,227
Special assessments	-	-	550,399	-	-	248,105	798,504
Intergovernmental	2,390,931	5,331,386	-	7,049	13,607	815,710	8,558,683
Licenses and permits	343,611	-	-	-	-	13,055	356,666
Public charges for services	686,893	242,180	-	-	-	538,209	1,467,282
Investment income (including unrealized gains)	416,046	-	-	-	-	11,373	427,419
Miscellaneous	214,488	22,607	-	-	-	158,907	396,002
Total Revenues	15,776,478	9,964,164	550,399	296,776	13,607	1,785,359	28,386,783
EXPENDITURES							
Current							
General government	5,451,302	-	-	-	31,605	84,406	5,567,313
Public safety	3,422,617	-	-	-	-	709,652	4,132,269
Public works	-	9,251,162	-	-	-	-	9,251,162
Sanitation	-	-	-	-	-	962,165	962,165
Health and human services	4,576,386	-	-	-	-	34,370	4,610,756
Culture, recreation, and education	424,451	-	-	-	-	3,989	428,440
Conservation and development	523,813	-	782,437	-	-	41,288	1,347,538
Capital Outlay	1,758,067	820,252	-	-	3,469,892	576,214	6,624,425
Debt Service							
Principal retirement	-	-	-	450,000	-	-	450,000
Interest and fiscal charges	-	-	26,602	123,313	59,494	-	209,409
Total Expenditures	16,156,636	10,071,414	809,039	573,313	3,560,991	2,412,084	33,583,477
Excess (deficiency) of revenues over expenditures	<u>(380,158)</u>	<u>(107,250)</u>	<u>(258,640)</u>	<u>(276,537)</u>	<u>(3,547,384)</u>	<u>(626,725)</u>	<u>(5,196,694)</u>
OTHER FINANCING SOURCES (USES)							
Long term debt issued	-	-	-	-	3,090,000	-	3,090,000
Capital leases issued	78,061	-	-	-	-	-	78,061
Premium on debt issued	-	-	-	-	301,910	-	301,910
Transfers in	1,225,675	-	-	256,478	-	442,288	1,924,441
Transfers out	(486,288)	(212,478)	-	-	(1,100,000)	(125,675)	(1,924,441)
Insurance recovery on capital assets	-	-	-	-	-	1,039,517	1,039,517
Total Other Financing Sources (Uses)	817,448	(212,478)	-	256,478	2,291,910	1,356,130	4,509,488
SPECIAL ITEMS							
Equity contribution to SCHA joint venture	(1,102,341)	-	-	-	-	-	(1,102,341)
Tax court settlement	(551,838)	-	-	-	-	-	(551,838)
Total Special Items	(1,654,179)	-	-	-	-	-	(1,654,179)
Net change in fund balances	(1,216,889)	(319,728)	(258,640)	(20,059)	(1,255,474)	729,405	(2,341,385)
FUND BALANCES (DEFICIT) - Beginning of Year	8,427,615	9,892,469	(1,203,336)	690,882	195,572	2,252,327	20,255,529
Decrease in inventories	-	(24,607)	-	-	-	-	(24,607)
FUND BALANCES (DEFICIT) - END OF YEAR	\$ 7,210,726	\$ 9,548,134	(1,461,976)	\$ 670,823	\$ (1,059,902)	\$ 2,981,732	\$ 17,889,537

See accompanying notes to the financial statements.

WASECA COUNTY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES For the Year Ended December 31, 2019

Net change in fund balances - total governmental funds	\$ (2,341,385)
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. The following differ in their presentation in the two statements:

Capital outlay is reported as an expenditure in the fund financial statements but is capitalized in the government-wide financial statements.	6,624,425
Some items reported as capital outlay were not capitalized.	(495,296)
Some expenditures charged to the functional areas were capitalized.	6,514,650
Depreciation is reported in the government-wide statements.	(3,326,043)

In the statement of activities, only the gain or loss on the disposal of capital assets is reported.	(309,531)
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Contributed capital assets are reported as revenues in the government-wide financial statements.	326,062
--	---------

Delinquent taxes, special assessments and certain accounts receivable are reported as unavailable revenue in the fund financial statements but are recognized as revenue when earned in the government-wide financial statements. \$4,299,607 recognized as revenue on the fund statements was recognized in the government-wide statement in prior years. \$2,143,372 is reported as unavailable revenue in the fund statements but recognized as revenue in the government-wide statements in the current year.	(2,156,235)
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Debt issued provides current financial resources to governmental funds, but issuing debt governmental increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the funds, but the repayment reduces long-term liabilities in the statement of net position.	
Principal repaid	450,000
Debt issued	(3,090,000)
Capital lease issued	(78,061)
Capital lease repayments	40,568

Some expenses in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. This amount is the change in the following liabilities:	
Net pension liability (and pension related deferred outflows/inflows of resources)	37,764
Compensated absences	(138,223)
Other postemployment benefits (and related deferred outflows/inflows of resources)	18,934

Governmental funds reported the effect of losses on refunding, premiums, discounts, and similar items when debt was first issued, whereas these amounts were amortized in the statement of activities.	(285,137)
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See accompanying notes to the financial statements.

Interest on long-term debt in the statement of activities differs from the amount reported in the fund financial statements because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities interest expense is recognized as the interest accrues regardless of when it is due.	\$ (4,966)
The proportionate share of the change in net position related to joint ventures reported in the statement of activities neither provides or uses current financial resources are not reported in the fund statements.	1,540,788
Change in inventory value	<u>(24,607)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 3,303,707</u>

WASECA COUNTY

STATEMENT OF NET POSITION
INTERNAL SERVICE FUND
As of December 31, 2019

	<u>Self Insurance</u>
ASSETS	
Cash and investments	\$ -
Total Assets	<u>-</u>
LIABILITIES	
Accounts payable	-
Accrued liabilities	<u>-</u>
Total Liabilities	<u>-</u>
NET POSITION	
Unrestricted	<u>-</u>
TOTAL NET POSITION	<u><u>\$ -</u></u>

See accompanying notes to the financial statements.

WASECA COUNTY

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
INTERNAL SERVICE FUND
For the Year Ended December 31, 2019

	Self Insurance
OPERATING REVENUES	
Charges for services	<u>\$ 2,052,989</u>
OPERATING EXPENSES	
HSA and VEBA contributions	216,156
Premiums	<u>1,836,833</u>
Total Operating Expenses	<u>2,052,989</u>
Change in net position	-
NET POSITION - Beginning of Year	<u>-</u>
NET POSITION - END OF YEAR	<u><u>\$ -</u></u>

See accompanying notes to the financial statements.

WASECA COUNTY

**STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUND
For the Year Ended December 31, 2019**

	<u>Self Insurance</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received for interfund services	\$ 2,052,989
Cash paid for HSA and VEBA contributions	(216,156)
Cash paid for premiums	<u>(1,836,833)</u>
Net Cash Provided by Operating Activities	<u>-</u>
Net decrease in cash and cash equivalents	-
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>-</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ -</u></u>
RECONCILIATION OF OPERATING INCOME TO CASH FLOWS FROM OPERATING ACTIVITIES	
Operating income	\$ -
Adjustments to reconcile operating income to net cash provided by operating activities:	
Change in assets and liabilities:	
Accounts payable	-
Accrued liabilities	<u>-</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ -</u></u>
NONCASH CAPITAL, INVESTING, AND FINANCING ACTIVITIES	
None	

See accompanying notes to the financial statements.

WASECA COUNTY

STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUNDS
As of December 31, 2019

	<u>Agency Funds</u>
ASSETS	
Cash and investments	\$ 919,249
TOTAL ASSETS	<u>\$ 919,249</u>
LIABILITIES	
Due to other governments	\$ 800,472
Accounts payable	4,833
Deposits	<u>113,944</u>
TOTAL LIABILITIES	<u>\$ 919,249</u>

See accompanying notes to the financial statements.

WASECA COUNTY

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WASECA COUNTY

NOTES TO THE FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Waseca County, Minnesota conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The accepted standard-setting body for establishing governmental accounting and financial reporting principles is the Governmental Accounting Standards Board (GASB).

A. REPORTING ENTITY

Waseca County was established February 27, 1857, and is an organized County having the powers, duties, and privileges granted counties by Minn. Statute 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. The county auditor-treasurer serves as the clerk of the board of commissioners but has no vote.

This report includes all of the funds of the county. The reporting entity for the county consists of the primary government and its component units. Component units are legally separate organizations for which the primary government is financially accountable or other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading. The county has not identified any organizations that meet this criteria.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

In March 2018, the GASB issued statement No. 88 - *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This Statement defines debt for purposes of disclosure in notes to financial statements and establishes additional financial statement note disclosure requirements related to debt obligations of governments, including direct borrowings and direct placements. This standard was implemented January 1, 2019.

Government-Wide Financial Statements

The statement of net position and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. All of Waseca County's activities are considered governmental activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Waseca County does not allocate indirect expenses to functions in the statement of activities. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not included among program revenues are reported as general revenues. Internally dedicated resources are reported as general revenues rather than as program revenues.

WASECA COUNTY

NOTES TO THE FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (cont.)

Fund Financial Statements

Financial statements of the county are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position/fund equity, revenues, and expenditures/expenses.

Funds are organized as major funds or non-major funds within the governmental fund statements. An emphasis is placed on major funds within the governmental categories. A fund is considered major if it is the primary operating fund of Waseca County or meets the following criteria:

- a. Total assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, or expenditures of that individual governmental fund are at least 10 percent of the corresponding total for all governmental funds.
- b. In addition, any other governmental fund that Waseca County believes is particularly important to financial statement users may be reported as a major fund.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Waseca County reports the following major governmental funds:

General Fund – accounts for Waseca County’s primary operating activities. It is used to account for and report all financial resources except those required to be accounted for in another fund.

Road and Bridge Special Revenue Fund – used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures relating to public works for the establishment, location, vacation, construction, reconstruction, improvement, and maintenance of County state-aid highways, County highways, and County bridges.

Ditch Special Revenue Fund – used to account for and report resources restricted or committed for the financing of construction and maintenance of the county’s ditches.

Debt Service Fund – used to account for and report financial resources that are restricted, committed, or assigned to expenditures for the payment of general long-term debt principal, interest, and related costs.

Capital Projects Fund – used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

WASECA COUNTY

NOTES TO THE FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (cont.)

Fund Financial Statements (cont.)

Waseca County reports the following non-major governmental funds:

Special Revenue Funds – used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes (other than debt service or capital projects).

- Library
- Special Revenue
- Small Cities Development
- Economic Development
- Waste Management

In addition, Waseca County reports the following fund types:

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the county, or to other governmental units, on a cost-reimbursement basis.

- Self-Insurance

Agency funds are used to account for assets held by Waseca County as an agent for individuals, private organizations, and/or other governmental units.

- Taxes and Penalties
- Insurance
- State Revenue
- Social Welfare Trust Account

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

Government-Wide Financial Statements

The government-wide statement of net position and statement of activities are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met. Special assessments are recorded as revenue when earned. Unbilled receivables are recorded as revenues when services are provided.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

WASECA COUNTY

NOTES TO THE FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (cont.)

Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, Waseca County considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt, claims, judgments, compensated absences, and pension expenditures, which are recorded as a fund liability when expected to be paid with expendable available financial resources.

Property taxes are recorded as receivables in the year levied. They are recognized as revenues when collected in the current year and in the first 60 days of the succeeding year.

Intergovernmental aids and grants are recognized as revenues in the period Waseca County is entitled to the resources and the amounts are available. Amounts owed to the county which are not available are recorded as receivables and unavailable revenues. Amounts received before eligibility requirements (excluding time requirements) are met are recorded as liabilities. Amounts received in advance of meeting time requirements are recorded as deferred inflows.

Special assessments are recorded as revenues when they become measurable and available as current assets. Annual installments due in future years are reflected as receivables and unavailable revenues.

Revenues susceptible to accrual include property taxes, miscellaneous taxes, public charges for services, special assessments and interest. Other general revenues such as fines and forfeitures, inspection fees, recreation fees, and miscellaneous revenues are recognized when received in cash or when measurable and available under the criteria described above.

Proprietary fund and fiduciary financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as described previously in this note.

The proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for proprietary funds include the cost of sales and services and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

All Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make 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 expenditures/expenses during the reporting period. Actual results could differ from those estimates.

WASECA COUNTY

NOTES TO THE FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY

1. Deposits and Investments

For purposes of the statement of cash flows, the county considers all highly liquid investments with an initial maturity of three months or less when acquired to be cash equivalents.

Minnesota statutes authorize the county board to designate a depository for public funds and to invest in certificates of deposit. Minnesota statutes require that all deposits be covered by insurance, surety bond, or collateral.

Investments are limited to:

- > Bonds, notes, bills, mortgages, and other securities, which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by Congress, except mortgage-backed securities defined as “high risk” by Minnesota statutes.
- > State and local securities that meet specified bond ratings by a national rating service.
- > Commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by at least two nationally recognized rating agencies and matures in 270 days or less.
- > Mutual fund through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments.
- > Banker’s acceptances of United States banks.
- > Repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts, with certain restrictions.

The county has adopted an investment policy. This policy follows the state statutes for allowable investments.

Custodial Credit Risk

The county’s investment policy requires that documentation be obtained (e.g. broker certification forms and documentation of perfected security interests in pledged collateral) from institutions with which the county will do business.

Credit Risk

Credit risk is addressed through the investment restrictions detailed above.

Concentration of Credit Risk

The policy requires diversification of the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

WASECA COUNTY

NOTES TO THE FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

1. Deposits and Investments (cont.)

Interest Rate Risk

The investment portfolio will be structured so that securities mature as needed for ongoing operations, thereby avoiding the need to sell securities in the open market. The average maturity shall not exceed seven years from the date of purchase.

Investments are generally stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on methods and inputs as outlined in Note III.A. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income. Investment income on commingled investments of municipal accounting funds is allocated to the General Fund. The difference between the bank balance and carrying value is due to outstanding checks and/or deposits in transit.

Waseca 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. Statute 471.59. The county's MAGIC portfolio investment is reported at amortized cost. Shares of the county's MAGIC term series investment are purchased to mature upon pre-determined dates and are reported at a net asset value. Financial information for the MAGIC Fund can be obtained online at <https://www.magicfund.org/forms-and-documents/>.

See Note III.A. for further information.

2. Receivables

The county levies and collects property taxes and special assessments for all governmental units within the county. Property tax collections and payments to other governmental units are accounted for in agency funds.

The county is required to distribute the collections to the various governmental units three times each year on a schedule prescribed in Minn. Statute 276.

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 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.

Notes receivable have been shown net of an allowance for uncollectible accounts. No allowance for uncollectible delinquent taxes has been provided because of the county's demonstrated ability to recover any losses through the sale of the applicable property.

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. Short-term interfund loans are reported as "due to and from other funds." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the statement of net position.

WASECA COUNTY

NOTES TO THE FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

2. Receivables (cont.)

It is the county's policy to record unavailable revenue for the net amount of the notes receivable balances. As loans are repaid, revenue is recognized. When new loans are made from the repayments, expenditures are recorded. Interest received from loan repayments is recognized as revenue when received in cash. Any unspent loan repayments at year end are presented as restricted or committed fund balance in the fund financial statements.

3. Inventories and Prepaid Items

Inventory, if material, is valued at cost based on average costs using the purchases method and consists of supplies held for consumption.

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

4. Capital Assets

Government –Wide Statements

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an estimated useful life in excess of one year and an initial cost of \$5,000 or more. All capital assets are valued at historical cost, or estimated historical cost if actual amounts are unavailable. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Machinery and Equipment	5-25 Years
Improvements	20 Years
Buildings	50-150 Years
Roads	25-50 Years
Bridges	75 Years

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

5. Deferred Outflows of Resources

A deferred outflow of resources represents a consumption of net position/fund balance that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until that future time.

WASECA COUNTY

NOTES TO THE FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

6. Compensated Absences

Under terms of employment, employees are granted sick leave and vacations in varying amounts. Only benefits considered to be vested are disclosed in these statements.

All vested vacation and sick leave pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements, and are payable with expendable available resources.

Payments for vacation and sick leave will be made at rates in effect when the benefits are used. Accumulated vacation and sick leave liabilities at December 31, 2019 are determined on the basis of current salary rates and include salary related payments.

7. Long-Term Obligations

All long-term obligations to be repaid from governmental resources are reported as liabilities in the government-wide statements. The long-term obligations consist primarily of bonds payable, capital lease liability, other postemployment benefits, accrued compensated absences and the net pension liability.

Long-term obligations for governmental funds are not reported as liabilities in the fund financial statements. The face value of debts (plus any premiums) are reported as other financing sources and payments of principal and interest are reported as expenditures.

For the government-wide statements, bond premiums and discounts are amortized over the life of the issue using the straight-line method. The balance at year end is shown as an increase or decrease in the liability section of the statement of net position.

8. Deferred Inflows of Resources

A deferred inflow of resources represents an acquisition of net position that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until that future time.

9. Equity Classifications

Government–Wide Statements

Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances (excluding unspent bond proceeds) of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

WASECA COUNTY

NOTES TO THE FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

9. Equity Classifications (cont.)

Government–Wide Statements (cont.)

- b. Restricted net position – Consists of net position with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or, 2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – All other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

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

Fund Statements

Governmental fund equity is classified as fund balance and displayed as follows:

- a. Nonspendable - Includes fund balance amounts that cannot be spent either because they are not in spendable form or because legal or contractual requirements require them to be maintained intact.
- b. Restricted - Consists of fund balances with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or 2) law through constitutional provisions or enabling legislation.
- c. Committed - Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority. Fund balance amounts are committed through a formal action (resolution) of the county board. This formal action must occur prior to the end of the reporting period, but the amount of the commitment, which will be subject to the constraints, may be determined in the subsequent period. Any changes to the constraints imposed required the same formal action of the county board that originally created the commitment.
- d. Assigned - Includes spendable fund balance amounts that are intended to be used for specific purposes that are not considered restricted or committed. The county board can assign amounts for a specific purpose. Assignments may take place after the end of the reporting period.
- e. Unassigned - Includes residual positive fund balance within the general fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those purposes.

Proprietary fund equity is classified the same as in the government-wide statements.

WASECA COUNTY

NOTES TO THE FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

9. Equity Classifications (cont.)

Fund Statements (cont.)

The county considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents / contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the county would first use committed, then assigned and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The county board has approved maintaining approximately six months' worth of expenditures in fund balance for cash flow purposes. Approximate amounts available for such cash flow coverage at December 31, 2019 were as follows: \$3.9 million for the general fund and \$8.8 million for roads and bridges.

10. Pension

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. Investments are reported at fair value.

11. Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the total OPEB liability and OPEB expense, the county's single-employer defined benefit retiree healthcare plan recognizes benefit payments when due and payable in accordance with the benefit terms.

WASECA COUNTY

NOTES TO THE FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

NOTE II – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

A budget has been adopted for the general fund, certain special revenue funds and the debt service fund. A budget has not been formally adopted for the Library, Small Cities Development, Economic Development or Capital Projects fund.

B. EXCESS EXPENDITURES OVER APPROPRIATIONS

Fund	Budgeted Expenditures and Other Financing Uses	Actual Expenditures, Other Financing Uses and Special Items	Excess Over Budget
General Fund	\$ 15,363,628	\$ 18,297,103	\$ 2,933,475
Ditch	600,000	809,039	209,039
Debt Service	510,291	573,313	63,022
Special Revenue	793,023	1,275,658	482,635
Waste Management	821,587	1,262,101	440,514

The county controls expenditures at the department level. Some individual departments experienced expenditures which exceeded appropriations. The detail of those items can be found in the county's year-end budget to actual report.

C. DEFICIT BALANCES

Generally accepted accounting principles require disclosure of individual funds that have deficit balances at year end.

As of December 31, 2019, the Ditch fund held a deficit balance of \$1,461,976 due to expenditures in excess of revenues. The deficit is anticipated to be funded with future special assessments.

As of December 31, 2019, the Capital Projects fund held a deficit balance of \$1,059,902 due to expenditures in excess of revenues. The deficit is anticipated to be funded with future bond proceeds.

WASECA COUNTY

NOTES TO THE FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

NOTE III – DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

The county maintains a cash and investment pool that is available for use by all funds. Each fund's portion in this pool is displayed on statement of net position and balance sheet as cash and investments. In addition, investments are separately held by several of the county's funds. The county's cash and investments at year end were comprised of the following:

	Carrying Value	Bank Balance	Associated Risks
Deposits	\$ 12,425,746	\$ 13,054,942	Custodial credit
Negotiable CD's	3,139,978	3,139,978	Custodial credit, credit, concentration of credit, interest rate
MAGIC portfolio	6,409,321	6,408,090	Credit, interest rate
U.S. treasuries	28,040	40,998	Custodial credit, interest rate
Petty cash	26,950	-	N/A
Total Cash and Investments	\$ 22,030,035	\$ 22,644,008	
Reconciliation to financial statements			
Per statement of net position			
Unrestricted cash and investments	\$ 21,110,786		
Per statement of assets and liabilities –			
Agency Funds	919,249		
Total Cash and Investments	\$ 22,030,035		

WASECA COUNTY

NOTES TO THE FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)

A. DEPOSITS AND INVESTMENTS (cont.)

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for time and savings accounts (including NOW accounts) and \$250,000 for demand deposit amounts (interest-bearing and noninterest bearing). In addition, if deposits are held in an institution outside of the state in which the government is located, insured amounts are further limited to a total of \$250,000 for the combined amount of all deposits.

The Securities Investor Protection Corporation (SIPC), created by the Securities Investor Protection Act of 1970, is an independent government-sponsored corporation (not an agency of the U.S. government). SIPC membership provides account protection up to a maximum of \$500,000 per customer, of which \$250,000 may be in cash. Additionally, through Lexington Insurance Company, accounts have additional securities coverage of up to a firm aggregate of \$1 billion, including \$1.9 million for cash per client.

The county maintains collateral agreements with its banks. At December 31, 2019, the banks had pledged various government securities totaling \$16,998,888 to secure the county's deposits.

The county categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The valuation methods for recurring fair value measurements are as follows:

- > Quoted market prices
- > Matrix pricing models

Investment Type	December 31, 2019			
	Level 1	Level 2	Level 3	Total
Negotiable CD's	\$ -	\$ 3,139,978	\$ -	\$ 3,139,978
U.S. treasuries	-	40,998	-	40,998
Totals	\$ -	\$ 3,180,976	\$ -	\$ 3,180,976

Custodial Credit Risk

Deposits – Custodial credit risk is the risk that in the event of a financial institution failure, the county's deposits may not be returned to the county. The county does not have any deposits exposed to custodial credit risk.

Investments – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the county will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The county does not have any investments exposed to custodial credit risk.

WASECA COUNTY

NOTES TO THE FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)

A. DEPOSITS AND INVESTMENTS (cont.)

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

The county held investments in Minnesota Association of Governments Investing for Counties (MAGIC), which is an unrated external investment pool. In addition the county's Negotiable CD's are not rated.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The county does not have any investments exposed to concentration of credit risk.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the value of an investment.

As of December 31, 2019, the county's investments were as follows:

Investment Type	Bank Balance	Maturity (in years)		
		Less than 1 year	1 - 5 years	More than 5 years
Negotiable CD's	\$ 3,139,978	\$ 648,244	\$ 2,491,735	\$ -
MAGIC	6,408,090	6,408,090	-	-
U.S. treasuries	40,998	-	40,998	-
Totals	<u>\$ 9,589,066</u>	<u>\$ 7,056,333</u>	<u>\$ 2,532,733</u>	<u>\$ -</u>

See Note I.D.1. for further information on deposit and investment policies.

WASECA COUNTY

NOTES TO THE FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)

B. RECEIVABLES

Receivables as of year end for the county's individual major funds and nonmajor funds in the aggregate are as follows:

Fund	Receivables	Amounts Not Expected to Be Collected Within One Year
General Fund	\$ 578,031	\$ 82,500
Road & Bridge	1,324,668	21,278
Ditch	392,673	2,185
Debt Service	5,919	1,882
Nonmajor Governmental Funds	459,887	116,269

Governmental funds report *unavailable* or *unearned revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *unavailable revenue* and *unearned revenue* reported in the governmental funds were as follows:

	Unearned	Unavailable
Delinquent property taxes receivable	\$ -	\$ 219,119
Accounts receivable	-	226,249
Due from other governments	-	1,275,103
Interest receivable	-	52,291
Special assessments receivable	-	254,730
Notes receivable	-	115,880
Grant drawdowns prior to meeting eligibility requirements	26,993	-
Grants received in advance of time requirements	1,537,207	-
	<u>1,537,207</u>	<u>-</u>
 Total Unavailable/Unearned Revenue for Governmental Funds	 <u>\$ 1,564,200</u>	 <u>\$ 2,143,372</u>
 Unearned revenue included in liabilities	 \$ 26,993	
Unearned revenue included in deferred inflows	<u>1,537,207</u>	
 Total Unearned Revenue for Governmental Funds	 <u>\$ 1,564,200</u>	

Loans were given out by the county in 1992 and are accounted for in the Small Cities Development fund. These loans are due and payable upon the sale of real estate and are offset by unavailable revenues. At December 31, 2019, there were nine such loans outstanding with a balance of \$69,693.

Economic development loans made by the county are accounted for in the Economic Development fund. Three loans were given out by the county, two during 2005 and one during 2018, and all were accounted for in this fund. The first loan, a twenty-year loan with an interest rate of 7.25%, has an outstanding balance of \$8,884 as of December 31, 2019. The second loan, an eight-year loan with an interest rate of 5.9%, has an outstanding balance of \$17,587 as of December 31, 2019, which is offset by an allowance for doubtful accounts to cover the full amount. The third loan, a fifteen-year loan with an interest rate of 3%, has an outstanding balance of \$37,303 as of December 31, 2019.

WASECA COUNTY

NOTES TO THE FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)

C. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2019 was as follows:

	Beginning Balance	Adjustments*	Additions	Deletions	Ending Balance
Capital Assets Not Being Depreciated					
Land	\$ 687,902	\$ 49,034	\$ 134,331	\$ -	\$ 871,267
Right of way	1,159,599	-	-	-	1,159,599
Construction in progress	2,137,946	-	11,921,065	(7,663,449)	6,395,562
Total Capital Assets Not Being Depreciated	\$ 3,985,447	\$ 49,034	\$ 12,055,396	\$ (7,663,449)	\$ 8,426,427
Capital Assets Being Depreciated					
Buildings	\$ 6,258,810	\$ (405,940)	\$ 92,553	\$ -	\$ 5,945,423
Improvements	1,275,749	440,266	462,917	-	2,178,932
Machinery and equipment	10,042,230	(26,360)	362,570	(309,203)	10,069,237
Roads	70,636,304	-	7,605,959	(1,444,491)	76,797,772
Bridges	6,048,081	-	-	-	6,048,081
Total Capital Assets Being Depreciated	94,261,174	7,966	8,523,999	(1,753,694)	101,039,445
Less: Accumulated Depreciation for					
Buildings	(2,470,927)	205,291	(76,794)	-	(2,342,430)
Improvements	(19,607)	(226,963)	(66,938)	-	(313,508)
Machinery and equipment	(5,771,174)	18,567	(939,895)	291,868	(6,400,634)
Roads	(28,201,956)	-	(2,161,775)	1,152,295	(29,211,436)
Bridges	(969,627)	-	(80,641)	-	(1,050,268)
Total Accumulated Depreciation	(37,433,291)	(3,105)	(3,326,043)	1,444,163	(39,318,276)
Capital Assets Being Depreciated, Net of Depreciation	\$ 56,827,883	\$ 4,861	\$ 5,197,956	\$ (309,531)	\$ 61,721,169

*Adjustments are to reclassify certain capital assets and related accumulated depreciation to better align with the definition of the capital asset categories assigned.

Depreciation expense was charged to functions as follows:

Governmental Activities

General government	\$ 273,080
Public safety	458,920
Public works, which includes the depreciation of roads and bridges	2,559,756
Health and human services	1,075
Sanitation	33,212
Total Governmental Activities Depreciation Expense	\$ 3,326,043

WASECA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2019

NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)

D. INTERFUND RECEIVABLES/PAYABLES, ADVANCES AND TRANSFERS

Interfund Receivables/Payables

The following is a schedule of interfund receivables and payable including any overdrafts on pooled cash and investment accounts:

Receivable Fund	Payable Fund	Amount
General Fund	Capital Projects	\$ 139,220
Less: Fund eliminations		(139,220)
Total - Government-Wide Statement of Net Position		\$ -

All amounts are expected to be repaid within one year.

The principal purpose of this interfund is to cover an overdraft on pooled cash and investments.

Advances

The general fund is advancing funds to the ditch fund. The amount advanced is the net overdraft in pooled cash and investment accounts. The advance is accruing interest at 1%. No repayment schedule has been established.

The following is a schedule of interfund advances:

Receivable Fund	Payable Fund	Amount	Amount Not Due Within One Year
General Fund	Ditch	\$ 2,385,122	\$ 1,785,122
Less: Fund eliminations		(2,385,122)	
Total - Government-Wide Statement of Net Position		\$ -	

WASECA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2019

NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)

D. INTERFUND RECEIVABLES/PAYABLES, ADVANCES AND TRANSFERS (cont.)

Transfers

The following is a schedule of interfund transfers:

<u>Fund Transferred To</u>	<u>Fund Transferred From</u>	<u>Amount</u>	<u>Principal Purpose</u>
Special Revenue	General Fund	\$ 442,288	E911, HRIS software package, SaaS payments, new tax system, election tech fund
General Fund	Special Revenue	125,675	Grant payments, reimbursement for software purchase and utilities
General Fund	Capital Projects	1,100,000	Reimbursement for purchase of Public HHS Building
Debt Service	General Fund	44,000	Community services building debt
Debt Service	Road and Bridge	<u>212,478</u>	Payment of debt
Subtotal - Fund Financial Statements		1,924,441	
Less: Fund eliminations		<u>(1,924,441)</u>	
Total - Government-Wide Statement of Activities		<u>\$ -</u>	

Generally, transfers are used to (1) move revenues from the fund that collects them to the fund that the budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

WASECA COUNTY

NOTES TO THE FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)

E. LONG-TERM OBLIGATIONS

Long-term obligations activity for the year ended December 31, 2019 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Bonds and Notes Payable					
General obligation debt	\$ 2,465,000	\$ 3,090,000	\$ 450,000	\$ 5,105,000	\$ 715,000
Premiums/(discounts)	-	301,910	16,773	285,137	-
Sub-totals	2,465,000	3,391,910	466,773	5,390,137	715,000
Other Liabilities					
Other postemployment benefits	1,625,493	249,141	243,743	1,630,891	-
Compensated absences	926,125	536,632	398,409	1,064,348	457,873
Capital lease liability	39,657	78,061	40,568	77,150	35,922
Net pension liability	4,981,781	457,724	379,998	5,059,507	-
Total Other Liabilities	7,573,056	1,321,558	1,062,718	7,831,896	493,794
Total Long-Term Liabilities	\$ 10,038,056	\$ 4,713,468	\$ 1,529,491	\$ 13,222,033	\$ 1,208,795

General Obligation Debt

All general obligation bonds payable are backed by the full faith and credit of the county. General obligation bonds will be retired by future property tax levies accumulated by the debt service fund.

In accordance with Minnesota Statutes, net indebtedness of the county may not exceed 3% of the market value of taxable property within the county's jurisdiction. The debt limit as of December 31, 2019 was approximately \$85 million. General obligation debt outstanding at year end subject to the debt limit was \$4,225,000.

General obligation debt payable for the county at December 31, 2019, consists of the following:

	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance December 31, 2019
State-Aid Highway Bonds	2007	2022	3.75-4.20%	\$ 1,240,000	\$ 315,000
Capital Improvement Bonds	2013	2023	0.80-2.60%	2,145,000	1,135,000
State-Aid Highway Bonds	2015	2025	2.00-2.15%	910,000	565,000
Capital Improvement Bonds	2019	2029	3.00-4.00%	3,090,000	3,090,000
					\$ 5,105,000

WASECA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2019

NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)

E. LONG-TERM OBLIGATIONS (cont.)

General Obligation Debt (cont.)

Debt service requirements to maturity are as follows:

<u>Years</u>	<u>General Obligation Debt</u>	
	<u>Principal</u>	<u>Interest</u>
2020	\$ 715,000	\$ 165,918
2021	745,000	141,388
2022	775,000	116,398
2023	680,000	93,306
2024	395,000	75,750
2025 – 2029	<u>1,795,000</u>	<u>177,225</u>
Totals	<u>\$ 5,105,000</u>	<u>\$ 769,985</u>

Other Debt Information

Estimated payments of compensated absences, other postemployment benefits, capital lease liability and net pension liability are not included in the debt service requirement schedules. These liabilities attributable to governmental activities will be liquidated primarily by the general fund and road & bridge fund.

F. LEASE DISCLOSURES

Lessee – Capital Leases

In 2017 and 2019, the county acquired capital assets through a lease/purchase agreement. The gross amount of these assets under capital leases is \$152,866, which are included in capital assets in the governmental activities. The future minimum lease obligations and the net present value on these minimum lease payments as of December 31, 2019, are as follows:

<u>Years</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 35,922	\$ 3,347	\$ 39,269
2021	19,977	1,995	21,972
2022	<u>21,251</u>	<u>721</u>	<u>21,972</u>
Totals	<u>\$ 77,150</u>	<u>\$ 6,063</u>	<u>\$ 83,213</u>

WASECA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2019

NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)

G. NET POSITION / FUND BALANCES

Net position reported on the government wide statement of net position at December 31, 2019 includes the following:

Net Investment in Capital Assets	
Land	\$ 871,267
Right of way	1,159,599
Construction in progress	6,395,562
Other capital assets, net of accumulated depreciation	61,721,169
Less: related long-term debt outstanding (excluding unspent capital related debt proceeds, if applicable)	(5,043,672)
Less: Unamortized debt premium	<u>(285,137)</u>
Total Net Investment in Capital Assets	<u>\$ 64,818,788</u>

WASECA COUNTY

NOTES TO THE FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)

G. NET POSITION / FUND BALANCES (cont.)

Governmental fund balances reported on the fund financial statements at December 31, 2019, include the following:

	General Fund	Road and Bridge	Ditch	Debt Service	Capital Projects	Nonmajor Funds	Totals
Nonspendable:							
Inventories and prepaids	\$ 50,877	\$ 218,279	\$ 2,667	\$ -	\$ -	\$ 5,701	\$ 277,524
Long-term advances	1,785,122	-	-	-	-	-	1,785,122
Restricted for:							
Missing heirs	24,132	-	-	-	-	-	24,132
Road and bridge	-	499,607	-	-	-	-	499,607
Debt service	-	-	-	670,823	-	-	670,823
ARMER radio system	-	-	-	-	15,832	-	15,832
Other capital projects	-	-	-	-	61,328	-	61,328
Small cities development	-	-	-	-	-	39,358	39,358
Veteran's memorial	-	-	-	-	-	45,400	45,400
Statutory requirements	-	-	-	-	-	1,042,463	1,042,463
Committed to:							
Economic development	-	-	-	-	-	80,896	80,896
Waste management	-	-	-	-	-	1,451,134	1,451,134
Road and bridge	-	8,830,248	-	-	-	-	8,830,248
Assigned to:							
Compensated absences	675,951	-	-	-	-	-	675,951
Squad car purchases	589,399	-	-	-	-	-	589,399
Regional radio upgrade	145,000	-	-	-	-	-	145,000
Veterans van purchase	2,500	-	-	-	-	-	2,500
Land acquisition	35,000	-	-	-	-	-	35,000
Jail monitoring system	37,000	-	-	-	-	-	37,000
Other minor items	-	-	-	-	-	316,780	316,780
Unassigned (deficit):	3,865,745	-	(1,464,643)	-	(1,137,062)	-	1,264,040
Total Fund Balances (Deficit)	\$ 7,210,726	\$ 9,548,134	\$ (1,461,976)	\$ 670,823	\$ (1,059,902)	\$ 2,981,732	\$ 17,889,537

WASECA COUNTY

NOTES TO THE FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

NOTE IV – OTHER INFORMATION

A. EMPLOYEES' RETIREMENT SYSTEM

Public Employees Retirement Association (PERA)

Plan Description. The county participates in the following cost-sharing multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA's defined benefit pension plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

1. General Employees Retirement Plan

Unless qualified for one of the plans below, all full-time and certain part-time employees of the county are covered by the General Employees Plan. General Employees Plan members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

2. Public Employees Police and Fire Plan

The Police and Fire Plan, originally established for police officers and firefighters not covered by a local relief association, now covers all police officers and firefighters hired since 1980. Effective July 1, 1999, the Police and Fire Plan also covers police officers and firefighters belonging to local relief associations that elected to merge with and transfer assets and administration to PERA.

3. Local Government Correctional Plan

The Correctional Plan was established for correctional officers serving in county and regional corrections facilities. Eligible participants must be responsible for the security, custody, and control of the facilities and their inmates.

Benefits Provided. PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state Legislature. Vested, terminated employees who are entitled to benefits, but are not receiving them yet, are bound by the provisions in effect at the time they last terminated their public service.

WASECA COUNTY

NOTES TO THE FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

NOTE IV – OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Public Employees Retirement Association (PERA) (cont.)

Benefits Provided. (cont.)

1. General Employees Plan Benefits

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2 percent of average salary for each of the first 10 years of service and 1.7 percent of average salary for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7 percent of average salary for all years of service. For 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.

Annuities, disability benefits, and survivor benefits are increased effective every January 1. Beginning January 1, 2019, the postretirement increase will be equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.5 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. For recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

2. Police and Fire Plan Benefits

Benefits for Police and Fire Plan members first hired after June 30, 2010, but before July 1, 2014, vest on a prorated basis from 50 percent after five years up to 100 percent after ten years of credited service. Benefits for Police and Fire Plan members first hired after June 30, 2014, vest on a prorated basis from 50 percent after ten years up to 100 percent after twenty years of credited service. The annuity accrual rate is 3 percent of average salary for each year of service. A full, unreduced pension is earned when members are age 55 and vested, or for members who were first hired prior to July 1, 1989, when age plus years of service equal at least 90.

Annuities, disability benefits, and survivor benefits are increased effective every January 1. Beginning January 1, 2019, the postretirement increase will be fixed at 1 percent. 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. For 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.

WASECA COUNTY

NOTES TO THE FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

NOTE IV – OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Public Employees Retirement Association (PERA) (cont.)

Benefits Provided. (cont.)

3. Correctional Plan Benefits

Benefits for Correctional Plan members first hired after June 30, 2010, vest on a prorated basis from 50 percent after five years up to 100 percent after ten years of credited service. The annuity accrual rate is 1.9 percent of average salary for each year of service in that plan. A full, unreduced pension is earned when members are age 55 and vested, or for members who were first hired prior to July 1, 1989, when age plus years of service equal at least 90.

Annuities, disability benefits, and survivor benefits are increased effective every January 1. Beginning January 1, 2019, the postretirement increase will be equal to 100 percent of the COLA announced by SSA, with a minimum increase of at least 1 percent and a maximum of 2.5 percent. If the 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 2.5 percent to 1.5 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. For 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.

Contributions. Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state Legislature.

1. General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2019 and the county was required to contribute 7.50 percent for Coordinated Plan members. The county's contributions to the General Employees Fund for the year ended December 31, 2019 were \$415,177. The county's contributions were equal to the required contributions as set by state statute.

2. Police and Fire Fund Contributions

Police and Fire member's contribution rates increased from 10.80 percent of pay to 11.3 percent and employer rates increased from 16.2 percent to 16.95 percent on January 1, 2019. The county's contributions to the Police and Fire Fund for the year ended December 31, 2019 were \$153,379. The county's contributions were equal to the required contributions as set by state statute.

3. Correctional Fund Contributions

Plan members were required to contribute 5.83 percent of their annual covered salary and the county was required to contribute 8.75 percent of pay for plan members in fiscal year 2019. The county's contributions to the Correctional Fund for the year ended December 31, 2019, were \$33,729. The county's contributions were equal to the required contributions as set by state statute.

WASECA COUNTY

NOTES TO THE FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

NOTE IV – OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Public Employees Retirement Association (PERA) (cont.)

Pension Costs.

1. General Employees Fund Pension Costs

At December 31, 2019, the county reported a liability of \$4,135,524 for its proportionate share of the General Employees Fund's net pension liability. The county's net pension liability reflected a deduction due to the State of Minnesota's contribution of \$16 million to the fund in 2019. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the county totaled \$128,494. The net pension liability was measured as of June 30, 2019 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, 2018 through June 30, 2019 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019 the county's proportion share was 0.0748 percent which was an increase of 0.0005 percent from its proportion measured as of June 30, 2018.

County's proportionate share of the net pension liability	\$ 4,135,524
State of Minnesota's proportionate share of the net pension liability associated with the county	<u>128,494</u>
Total	<u>\$ 4,264,018</u>

For the year ended December 31, 2019 the county recognized pension expense of \$395,264 for its proportionate share of the General Employees Plan's pension expense. In addition, the county recognized an additional \$9,623 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

WASECA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2019

NOTE IV – OTHER INFORMATION (cont.)

A. EMPLOYEES’ RETIREMENT SYSTEM (cont.)

Public Employees Retirement Association (PERA (cont.)

Pension Costs. (cont.)

At December 31, 2019, 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:

1. General Employees Fund Pension Costs (cont.)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 115,288	\$ 1
Changes in actuarial assumptions	-	326,533
Net collective difference between projected and actual investment earnings	-	438,118
Changes in proportion	146,656	47,879
Contributions paid to PERA subsequent to the measurement date	209,618	-
Totals	\$ 471,562	\$ 812,531

\$209,618 reported as deferred outflows of resources related to pensions resulting from county contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31:	Pension Expense Amount
2020	\$ (130,269)
2021	(351,703)
2022	(75,279)
2023	6,664

WASECA COUNTY

NOTES TO THE FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

NOTE IV – OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Public Employees Retirement Association (PERA) (cont.)

Pension Costs. (cont.)

2. Police and Fire Fund Pension Costs

At December 31, 2019, the county reported a liability of \$899,588 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2019 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, 2018 through June 30, 2019 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019 the county's proportionate was 0.0845 percent which was an increase of 0.0066 percent from its proportion measured as of June 30, 2018. The county also recognized \$11,407 for the year ended December 31, 2019 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Fund. Legislation passed in 2013 required the State of Minnesota to begin contributing \$9 million to the Police and Fire Fund each year until the plan is 90 percent funded or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90 percent funded, whichever occurs later. In addition, the state will pay \$4.5 million on October 1, 2018 and October 1, 2019 in direct state aid. Thereafter, by October 1 of each year, the state will pay \$9 million until full funding is reached or July 1, 2048, whichever is earlier.

For the year ended December 31, 2019, the county recognized pension expense of \$122,672 for its proportionate share of the Police and Fire Plan's pension expense.

At December 31, 2019, the county reported its proportionate share of the Police and Fire Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 37,333	\$ 134,496
Changes in actuarial assumptions	733,263	1,013,827
Net collective difference between projected and actual investment earnings	-	181,094
Changes in proportion	102,357	63,906
Contributions paid to PERA subsequent to the measurement date	77,296	-
Totals	\$ 950,249	\$ 1,393,323

WASECA COUNTY

NOTES TO THE FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

NOTE IV – OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Public Employees Retirement Association (PERA) (cont.)

Pension Costs. (cont.)

2. Police and Fire Fund Pension Costs (cont.)

\$77,296 reported as deferred outflows of resources related to pensions resulting from county contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31:</u>	<u>Pension Expense Amount</u>
2020	\$ (54,781)
2021	(124,064)
2022	(347,703)
2023	(4,780)
2024	10,958

3. Correctional Plan Pension Costs

At December 31, 2019 the county reported a liability of \$24,395 for its proportionate share of the Correctional Plan's net pension liability. The net pension liability was measured as of June 30, 2019 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, 2018 through June 30, 2019 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019 the county's proportion was 0.1762 percent which was a decrease of 0.0037 percent from its proportion measured as of June 30, 2018.

For the year ended December 31, 2019, the county recognized pension expense of \$46,585 for its proportionate share of the Correctional Plan's pension expense.

WASECA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2019

NOTE IV – OTHER INFORMATION (cont.)

A. EMPLOYEES’ RETIREMENT SYSTEM (cont.)

Public Employees Retirement Association (PERA) (cont.)

Pension Costs. (cont.)

3. Correctional Plan Pension Costs (cont.)

At December 31, 2019, the county reported its proportionate share of the Correctional Plan’s deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 915	\$ 4,022
Changes in actuarial assumptions	1	221,087
Net collective difference between projected and actual investment earnings	-	32,078
Changes in proportion	-	599
Contributions paid to PERA subsequent to the measurement date	17,099	-
Totals	\$ 18,015	\$ 257,786

\$17,099 reported as deferred outflows of resources related to pensions resulting from county contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31:	Pension Expense Amount
2020	\$ (133,217)
2021	(115,992)
2022	(7,895)
2023	234

Total Pension Expense. The total pension expense for all plans recognized by the county for the year ended December 31, 2019 was \$574,145.

WASECA COUNTY

NOTES TO THE FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

NOTE IV – OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Public Employees Retirement Association (PERA) (cont.)

Actuarial Assumptions

The total pension liability in the June 30, 2019, actuarial valuation was determined using an individual entry-age normal actuarial cost method and the following actuarial assumptions:

Inflation	2.50 percent per year
Active Member Payroll Growth	3.25 percent per year
Investment Rate of Return	7.50 percent

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants for all plans were based on RP 2014 tables for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases after retirement for retirees are assumed to be 1.25 percent per year for the General Employees Plan, 1.0 percent per year for the Police and Fire Plan, and 2.0 percent per year for the Correctional Plan.

Actuarial assumptions used in the June 30, 2019 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2019. The most recent four-year experience study for Police and Fire Plan was completed in 2016. The five-year experience study for the Correctional Plan, prepared by a former actuary, was completed in 2012. The mortality assumption for the Correctional Plan is based on the Police and Fire Plan experience study completed in 2016. Economic assumptions were updated in 2018 based on a review of inflation and investment return assumptions.

The following changes in actuarial assumptions and plan provisions occurred in 2019:

General Employees Fund

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

- > The employer supplemental contribution was changed prospectively, decreasing from \$31.0 million to \$21.0 million per year. The State's special funding contribution was changed prospectively, requiring \$16.0 million due per year through 2031.

WASECA COUNTY

NOTES TO THE FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

NOTE IV – OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Public Employees Retirement Association (PERA) (cont.)

Actuarial Assumptions (cont.)

Police and Fire Fund

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

- > There have been no changes since the prior valuation.

Correctional Fund

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

- > There have been no changes since the prior valuation.

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

Asset Class	Long-Term Real Rate of Return	Target Allocation
Domestic Equity	5.10%	35.5%
Private Markets	5.90	25.0
Fixed Income	0.75	20.0
International Equity	5.90	17.5
Cash Equivalents	0.00	2.0

Discount Rate. The discount rate used to measure the total pension liability in 2019 was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net positions of the General Employees Fund, the Police and Fire Fund, and the Correctional Fund were projected to be available to make all projected future benefit payments of current plan members. 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.

WASECA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2019

NOTE IV – OTHER INFORMATION (cont.)

A. EMPLOYEES’ RETIREMENT SYSTEM (cont.)

Public Employees Retirement Association (PERA) (cont.)

Pension Liability Sensitivity. The following presents the county’s proportionate share of the net pension liability (asset) for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the county’s proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

	1% Decrease to Discount Rate	Current Discount Rate	1% Increase to Discount Rate
County’s proportionate share of the General Employees Fund net pension liability	\$6,798,579	\$4,135,524	\$1,936,643
County’s proportionate share of the Police and Fire Fund net pension liability	1,966,332	899,588	17
County’s proportionate share of the Correctional Fund net pension liability (asset)	259,999	24,395	(164,127)

Pension Plan Fiduciary Net Position. Detailed information about each 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.

B. OTHER POSTEMPLOYMENT BENEFITS

Plan description. The county’s other postemployment benefit (“OPEB”) plan provides health insurance benefits for eligible retirees and their eligible dependent(s) through the county’s group health insurance plan, which covers both active and retired members. The county administers its single-employer defined benefit healthcare plan. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Benefits provided. The county provides benefits for retirees as required by Minnesota Statute §471.61 subdivision 2b. Active employees who retire from the county when eligible to receive a retirement benefit from PERA (or similar plan) and do not participate in any other health benefits program providing coverage similar to that herein described, will be eligible to continue coverage with respect to both themselves and their eligible dependent(s) under the county’s health benefit program. Pursuant to the provisions of the plan, retirees are required to pay for the full cost of coverage unless they are eligible for continuation of paid insurance premiums.

WASECA COUNTY

NOTES TO THE FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

NOTE IV – OTHER INFORMATION (cont.)

B. OTHER POSTEMPLOYMENT BENEFITS (cont.)

Employees covered by benefit terms. At December 31, 2019, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefit payments	17
Inactive plan members entitled to but not yet receiving benefit payments	-
Active plan members	<u>119</u>
	<u>136</u>

TOTAL OPEB LIABILITY

The county's total OPEB liability of \$1,630,891 was measured as of December 31, 2019, and was determined by an actuarial valuation as of January 1, 2019, projected on a “no gain/no loss” basis to get to the December 31, 2019 measurement date.

Actuarial assumptions and other inputs. The total OPEB liability as of December 31, 2019 was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.5 percent
Salary increases	Based on the same assumptions used in the PERA of Minnesota Actuarial Valuations for General employees and Police/Fire as of July 1, 2018
Healthcare cost trend rates	7.5 percent, decreasing 0.5 percent per year to an ultimate rate of 4.5 percent for 2026 and later years
Retirees' share of benefit-related costs	Assumed to increase according to health care trend rates

The discount rate was based on the Bond Buyer 20-Bond GO Index and the S&P Municipal Bond 20 Year High Grade Rate Index.

Mortality rates were based on the RP-2018 Total Dataset Mortality Table fully generational using scale MP-2018.

The actuarial assumptions used in the January 1, 2019 valuation were based on input from a variety of published sources of historical and projected future data.

WASECA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2019

NOTE IV – OTHER INFORMATION (cont.)

B. OTHER POSTEMPLOYMENT BENEFITS (cont.)

CHANGES IN THE TOTAL OPEB LIABILITY

	<u>Total OPEB Liability</u>
Balances at December 31, 2018	\$ 1,625,493
Changes for the year:	
Service cost	95,883
Interest	68,106
Differences between expected and actual experience	(113,841)
Changes in assumptions or other inputs	85,152
Benefit payments	<u>(129,902)</u>
Net changes	<u>5,398</u>
Balances at December 31, 2019	<u>\$ 1,630,891</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 4.11 percent in 2018 to 3.26 percent in 2019. The trend rate assumption has not changed since the initial valuation. The initial rate shown above is as of December 31, 2019 and has decreased from the initial rate in the January 1, 2019 actuarial valuation due to the assumed decrease over the selected period.

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the county, as well as what the county's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	<u>1% Decrease (2.26%)</u>	<u>Discount Rate (3.26%)</u>	<u>1% Increase (4.26%)</u>
Total OPEB liability	\$ 1,737,317	\$ 1,630,891	\$ 1,531,220

WASECA COUNTY

NOTES TO THE FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

NOTE IV – OTHER INFORMATION (cont.)

B. OTHER POSTEMPLOYMENT BENEFITS (cont.)

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the county, as well as what the county's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease (6.5% Decreasing to 3.5%)	Healthcare Cost Trend Rates (7.5% Decreasing to 4.5%)	1% Increase (8.5% Decreasing to 5.5%)
Total OPEB liability	\$ 1,478,791	\$ 1,630,891	\$ 1,806,067

OPEB EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO OPEB

For the year ended December 31, 2019, the county recognized OPEB expense of \$110,968. At December 31, 2019, the county reported deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 371,149
Changes of assumptions	74,508	25,067
Total	<u>\$ 74,508</u>	<u>\$ 396,216</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended December 31:</u>	<u>OPEB Expense Amount</u>
2020	\$ (53,021)
2021	(53,021)
2022	(53,021)
2023	(53,021)
2024	(53,021)
Thereafter	(56,603)

WASECA COUNTY

NOTES TO THE FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

NOTE IV – OTHER INFORMATION (cont.)

C. RISK MANAGEMENT

The county is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; workers compensation; and health care of its employees. The county has entered into a joint powers agreement with other Minnesota counties to form the Minnesota Counties Intergovernmental Trust (MCIT) to protect against liabilities from workers compensation and property and casualty. The county purchases commercial insurance to cover all other risks. Settled claims have not exceeded coverage in any of the past three years. There were no significant reductions in coverage compared to the prior year.

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 claim liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at \$500,000 per claim in 2019. Should workers compensation liabilities of the MCIT workers compensation division exceed its 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 liabilities of the property and casualty division exceed its assets, MCIT may assess the county in a method and amount to be determined by MCIT.

D. COMMITMENTS AND CONTINGENCIES

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. The liability and expenditure for claims and judgments are only reported in governmental funds if it has matured. Claims and judgments are recorded in the government-wide statements and proprietary funds as expenses when the related liabilities are incurred.

From time to time, the county is party to various other pending claims and legal proceedings. Although the outcome of such matters cannot be forecasted with certainty, it is the opinion of management and the county attorney that the likelihood is remote that any such claims or proceeds will have a material adverse effect of the county's financial position or results of operations.

The county has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grants. Management believes such disallowances, if any, would be immaterial.

In 1993, the South Central Minnesota Multi-County Housing Authority issued \$20,315,000 of revenue bonds to construct housing units in Waseca 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. The proportionate shares of the counties may change for years through 2024 if there are changes in the taxable market value over the 2001 taxable market value.

WASECA COUNTY

NOTES TO THE FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

NOTE IV – OTHER INFORMATION (cont.)

D. COMMITMENTS AND CONTINGENCIES (cont.)

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

The county has active construction projects as of December 31, 2019. Work that has been completed on these projects but not yet paid for (including contract retainages) is reflected as accounts payable and expenditures.

The county has open contracts of approximately \$2.4 million at December 31, 2019 related to various projects.

E. JOINTLY-GOVERNED ORGANIZATIONS

Jointly governed organizations are a regional government or multi-governmental arrangement governed by representatives of each creating government. Participants do not retain an ongoing financial interest or responsibility.

Waseca County, in conjunction with other local governments, has formed joint powers boards to provide a variety of services. The county appoints at least one member to the following organizations:

- > South Central Minnesota Region Nine Emergency Medical Services
- > Minnesota River Board (formerly Minnesota River Basin Joint Powers Board)
- > South Central Regional IMMTRACK Joint Powers Board
- > Waseca County Collaborative for Families
- > Waseca-LeSueur Regional Library
- > Southeastern Minnesota Private Industry Council
- > Minnesota Counties Computer Cooperative
- > Greater Blue Earth River Basin Alliance
- > HSEM Emergency Managers Region 1
- > Sentence to Service Program
- > South Central Minnesota County Comprehensive Water Planning Project
- > South Central Service Cooperative
- > Southeast Minnesota Recyclers' Exchange
- > Three Rivers Resource Conservation & Development

The county made payments of approximately \$135,000 to the Minnesota Counties Computer Cooperative and \$434,000 to the Waseca-LeSueur Regional Library during 2019. All other payments to the other jointly-governed organizations were minimal.

WASECA COUNTY

NOTES TO THE FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

NOTE IV – OTHER INFORMATION (cont.)

F. JOINT VENTURES

Minnesota Prairie County Alliance

Effective January 1, 2015, Waseca County is a participant with Dodge and Steele Counties in a joint venture to form a separate joint powers entity known as the Minnesota Prairie County Alliance (MNPrairie) under Minnesota Statutes §471.59 and §402A.35. The purpose of the entity is to administer essential human services programs and services mandated by Minnesota Statutes §402A.10. No county may withdraw from the agreement for five years from the original agreement date. A withdrawing member is allowed to recover their original equity contribution; however, the amount returned will not exceed its proportional share of MNPrairie's fund balance.

MNPrairie is governed by a joint powers board, which consists of two representatives of each member county.

During the year, Waseca County made payments of approximately \$2.8 million to MNPrairie. Each county is required to make an annual operating contribution. The operating contribution is based fifty percent on the proportion of each member county's population and fifty percent on each member county's estimated market value. The equity interest at December 31, 2019 is \$1,931,887, up from \$1,716,968 at December 31, 2018. No additional equity was required to be paid in for 2019.

Dodge County is acting as fiscal agent. Complete financial statements for MNPrairie can be obtained from its fiscal agent at 22 6th Street East, Mantorville, Minnesota 55955.

South Country Health Alliance

South Country Health Alliance (SCHA) was created by a Joint Powers Agreement between Brown, Cass, Crow Wing, Dodge, Freeborn, Goodhue, Kanabec, Morrison, Mower, Sibley, Steele, Todd, Wabasha, Wadena, and Waseca counties on July 24, 1998, under Minnesota Statute §471.59. Mower, Freeborn, Cass, and Crow Wing counties have since withdrawn. The agreement was in accordance with Section 256B.692, which allows the formation of a board of directors to operate, control, and manage all matters concerning the eleven participating member counties health care functions, referred to as County Based Purchasing.

SCHA is authorized to provide prepaid comprehensive health maintenance services to persons enrolled under Medicaid and General Assistance Medical Care in each of the above listed member counties.

While SCHA was created on July 2, 1998, it did not begin providing health maintenance services until November 1, 2001. At that time, SCHA began coverage of the beneficiaries enrolled under Medicaid and General Assistance Medical Care in the specified counties. Funding is provided from the State of Minnesota based on eligible participants within the member counties. In the event SCHA incurs operating deficits, the member counties would maintain SCHA's reserves to meet statutory and regulatory reserves requirements. Minnesota Statutes require SCHA to maintain capital surplus equal to or greater than one month's expenditures, but less than three months' expenditures. The county has an equity interest in the organization equal to its share of participation. The equity interest at December 31, 2019 is \$2,598,829, up from \$1,272,960 at December 31, 2018. In 2019, member counties were required to make an equity contribution. Waseca County's contribution was \$1,102,341, which is reported as a special item.

The counties of Morrison, Todd and Wadena withdrew from SCHA effective January 1, 2020. They are entitled to their capital and surplus as of December 31, 2019, which is expected to be paid over a period up to five years.

WASECA COUNTY

NOTES TO THE FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

NOTE IV – OTHER INFORMATION (cont.)

F. JOINT VENTURES (cont.)

South Country Health Alliance (cont.)

Complete financial statements for SCHA can be obtained from its fiscal agent at 630 Florence Avenue, P.O. Box 890, Owatonna, Minnesota 55060-0890.

South Central Human Relations Center

Waseca County is a participant with Dodge and Steele Counties in a joint venture to contract with the South Central Human Relations Center (SCHRC) (a nonprofit corporation) for mental health services and in-home family services. On dissolution of the corporation, net position shall be divided in proportion to the contributions made by all participants. The counties are obligated by contract to provide financial support annually based on population and usage factors.

During 2019, Waseca County's contribution to the SCHRC was minimal. Financial information for 2019 is not available. In 2018, the corporation experienced a positive change in unrestricted net assets of \$346,481. Complete financial statements for the SCHRC can be obtained from its administrative office at 610 Florence Avenue, Owatonna, Minnesota 55060.

South Central Minnesota Regional Radio Board

The South Central Minnesota Regional Radio Board (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 Radio 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.

During 2019, Waseca County's contribution to the Radio Board was minimal. Blue Earth County acts as the fiscal agent for the Radio Board.

South Central Workforce Service Area Joint Powers Board

In June 2012, the Waseca County entered into a joint powers agreement with Blue Earth, Brown, Faribault, LeSueur, Martin, Nicollet, Sibley, and Watonwan Counties, creating the South Central Workforce Services 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.

During 2019, Waseca County's contribution to the Board was minimal. Separate financial information can be obtained from the South Central Workforce Council, 706 North Victory Drive, Mankato, Minnesota 56001.

WASECA COUNTY

NOTES TO THE FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

NOTE IV – OTHER INFORMATION (cont.)

F. JOINT VENTURES (cont.)

South Central Drug Investigation Unit (Drug Task Force)

The South Central Drug Investigation Unit (Drug Task Force) was established to coordinate efforts among participating local governments to apprehend and prosecute drug offenders. During 2019, Waseca County's contribution to the Drug Task Force was minimal. The City of Owatonna acts as fiscal agent.

G. TAX ABATEMENTS

Tax abatements are a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

The county is disclosing individual abatement agreements over \$100,000. For 2019, none of the county's agreements were above this threshold.

H. SUBSEQUENT EVENTS

On January 23, 2020, the county issued general obligation bonds in the amount of \$2,675,000 with an interest rate of 2.00-3.00%. This amount will be used to fund the renovation of the county's Public Health and Human Services building and to finance a portion of the county's new Waste Management Facility.

I. EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT PERIOD FINANCIAL STATEMENTS

The Governmental Accounting Standards Board (GASB) has approved the following statements:

- Statement No. 84, *Fiduciary Activities*
- Statement No. 87, *Leases*
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*
- Statement No. 90, *Majority Equity Interests*
- Statement No. 91, *Conduit Debt Obligations*
- Statement No. 92, *Omnibus*
- Statement No. 93, *Replacement of Interbank Offered Rates*
- Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*
- Statement No. 96, *Subscription-Based Information Technology Arrangements*
- Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*

WASECA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2019

NOTE IV – OTHER INFORMATION (cont.)

I. EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT PERIOD FINANCIAL STATEMENTS (cont.)

The statements listed above through Statement No. 93 had their required effective dates postponed by one year with the issuance of Statement No. 95, *Postponement of Effective Dates of Certain Authoritative Guidance*, with the exception of Statement No. 87 which was postponed by one and a half years.

When they become effective, application of these standards may restate portions of these financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

WASECA COUNTY

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended December 31, 2019

	Budget Original / Final	Actual	Variance with Budget
REVENUES			
Taxes	\$ 11,676,173	\$ 11,724,509	\$ 48,336
Intergovernmental	2,294,001	2,390,931	96,930
Licenses and permits	242,530	343,611	101,081
Charges for services	889,374	686,893	(202,481)
Investment income (including unrealized gains)	60,000	416,046	356,046
Miscellaneous	47,850	214,488	166,638
Total Revenues	<u>15,209,928</u>	<u>15,776,478</u>	<u>566,550</u>
EXPENDITURES			
Current			
General government	5,550,738	5,451,302	99,436
Public safety	3,536,760	3,422,617	114,143
Health and human services	4,576,724	4,576,386	338
Culture, recreation, and education	446,394	424,451	21,943
Conservation and development	682,049	523,813	158,236
Capital Outlay			
General government	444,963	1,732,185	(1,287,222)
Public safety	125,000	25,882	99,118
Total Expenditures	<u>15,362,628</u>	<u>16,156,636</u>	<u>(794,008)</u>
Excess (deficiency) of revenues over expenditures	<u>(152,700)</u>	<u>(380,158)</u>	<u>(227,458)</u>
OTHER FINANCING SOURCES (USES)			
Capital leases issued	-	78,061	78,061
Transfers in	153,700	1,225,675	1,071,975
Transfers out	(1,000)	(486,288)	(485,288)
Total Other Financing Sources (Uses)	<u>152,700</u>	<u>817,448</u>	<u>664,748</u>
SPECIAL ITEMS			
Equity contribution to SCHA joint venture	-	(1,102,341)	(1,102,341)
Tax court settlement	-	(551,838)	(551,838)
Total Special Items	<u>-</u>	<u>(1,654,179)</u>	<u>(1,654,179)</u>
Net change in fund balances	-	(1,216,889)	(1,216,889)
FUND BALANCES - Beginning of Year	<u>8,427,615</u>	<u>8,427,615</u>	<u>-</u>
FUND BALANCES - END OF YEAR	<u>\$ 8,427,615</u>	<u>\$ 7,210,726</u>	<u>\$ (1,216,889)</u>

See auditors' report and accompanying notes to required supplementary information.

WASECA COUNTY

BUDGETARY COMPARISON SCHEDULE ROAD AND BRIDGE FUND For the Year Ended December 31, 2019

	Budget Original / Final	Actual	Variance with Budget
REVENUES			
Taxes	\$ 4,072,763	\$ 4,367,991	\$ 295,228
Intergovernmental	4,996,644	5,331,386	334,742
Public charges for services	185,000	242,180	57,180
Miscellaneous	-	22,607	22,607
Total Revenues	9,254,407	9,964,164	709,757
EXPENDITURES			
Current			
Public works			
Administration	305,344	256,565	48,779
Operation and maintenance	2,873,869	2,834,968	38,901
Street construction	6,698,714	6,159,129	539,585
Other	-	500	(500)
Capital Outlay			
Public works	610,000	820,252	(210,252)
Total Expenditures	10,487,927	10,071,414	416,513
Excess of revenues over expenditures	(1,233,520)	(107,250)	1,126,270
OTHER FINANCING SOURCES (USES)			
Transfers in	1,431,456	-	(1,431,456)
Transfers out	(197,936)	(212,478)	(14,542)
Total Other Financing Sources (Uses)	1,233,520	(212,478)	(1,445,998)
Net change in fund balances	-	(319,728)	(319,728)
FUND BALANCES - Beginning of Year	9,892,469	9,892,469	-
Decrease in inventories	-	(24,607)	(24,607)
FUND BALANCES - END OF YEAR	\$ 9,892,469	\$ 9,548,134	\$ (344,335)

See auditors' report and accompanying notes to required supplementary information.

WASECA COUNTY

BUDGETARY COMPARISON SCHEDULE DITCH FUND

For the Year Ended December 31, 2019

	Budget Original / Final	Actual	Variance with Budget
REVENUES			
Special assessments	\$ 600,000	\$ 550,399	\$ (49,601)
Total Revenues	<u>600,000</u>	<u>550,399</u>	<u>(49,601)</u>
EXPENDITURES			
Current			
Conservation and development	600,000	782,437	(182,437)
Debt Service			
Interest and fiscal charges	-	26,602	(26,602)
Total Expenditures	<u>600,000</u>	<u>809,039</u>	<u>(209,039)</u>
Net change in fund balances	-	(258,640)	(258,640)
FUND BALANCES (DEFICIT) - Beginning of Year	<u>(1,203,336)</u>	<u>(1,203,336)</u>	-
FUND BALANCES (DEFICIT) - END OF YEAR	<u>\$ (1,203,336)</u>	<u>\$ (1,461,976)</u>	<u>\$ (258,640)</u>

See auditors' report and accompanying notes to required supplementary information.

WASECA COUNTY

SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS For the Year Ended December 31, 2019

	Year End Date	
	2018	2019
Total OPEB Liability		
Change due to implementation of GASB No. 75	\$ 1,659,391	\$ -
Service cost	129,072	95,883
Interest	69,292	68,106
Differences between expected and actual experience	(362,052)	(113,841)
Changes of assumptions	(33,423)	85,152
Benefit payments	(124,202)	(129,902)
Net Change in Total OPEB Liability	1,338,078	5,398
Total OPEB Liability - Beginning	287,415	\$ 1,625,493
Total OPEB Liability - Ending	\$ 1,625,493	\$ 1,630,891
Covered-employee payroll	\$ 6,557,450	\$ 6,721,386
Total OPEB liability as a percentage of covered-employee payroll	24.79%	24.26%

See independent auditors' report and accompanying notes to required supplementary information.

WASECA COUNTY

SCHEDULE OF COUNTY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY -
PERA GENERAL EMPLOYEES' RETIREMENT FUND
For the Year Ended December 31, 2019

County Fiscal Year End Date	PERA Fiscal Year End Date (Measurement Date)	County's Proportion of the Net Pension Liability	County's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with County (b)	County's and State's Proportionate Share of the Net Pension Liability Associated with County (a+b)	County's Covered Payroll (c)	County's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
12/31/19	6/30/19	0.0748%	\$ 4,135,524	\$ 128,494	\$ 4,264,018	\$ 5,294,921	78.10%	80.20%
12/31/18	6/30/18	0.0743%	4,121,859	135,315	4,257,174	5,005,376	82.35%	79.50%
12/31/17	6/30/17	0.0758%	4,839,022	60,838	4,899,860	4,882,464	99.11%	75.90%
12/31/16	6/30/16	0.0696%	5,651,175	73,797	5,724,972	4,308,908	131.15%	68.90%
12/31/15	6/30/15	0.0847%	4,389,594	n/a	4,389,594	4,937,614	88.90%	78.20%

SCHEDULE OF EMPLOYER CONTRIBUTIONS -
PERA GENERAL EMPLOYEES' RETIREMENT FUND
For the Year Ended December 31, 2019

County Fiscal Year End Date	Statutorily Required Contributions (a)	Contributions in Relation to the Statutorily Required Contributions (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (d)	Contributions as a Percentage of Covered Payroll (b/d)
12/31/19	\$ 415,177	\$ 415,177	-	\$ 5,536,428	7.50%
12/31/18	386,520	386,520	-	5,162,356	7.50%
12/31/17	360,361	360,361	-	4,804,810	7.50%
12/31/16	335,582	335,582	-	4,474,435	7.50%
12/31/15	322,696	322,696	-	4,302,976	7.50%

See accompanying notes to required supplementary information and independent auditors' report.

WASECA COUNTY

SCHEDULE OF COUNTY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY -
PERA POLICE AND FIRE FUND
For the Year Ended December 31, 2019

County Fiscal Year End Date	PERA Fiscal Year End Date (Measurement Date)	County's Proportion of the Net Pension Liability	County's Proportionate Share of the Net Pension Liability (a)	County's Covered Payroll (b)	County's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
12/31/19	6/30/19	0.0845%	\$ 899,588	\$ 891,198	100.94%	89.30%
12/31/18	6/30/18	0.0779%	830,334	821,427	101.08%	88.80%
12/31/17	6/30/17	0.0850%	1,147,601	874,585	131.22%	85.40%
12/31/16	6/30/16	0.0830%	3,330,934	800,833	415.93%	63.90%
12/31/15	6/30/15	0.0830%	943,074	757,517	124.50%	86.60%

SCHEDULE OF EMPLOYER CONTRIBUTIONS -
PERA POLICE AND FIRE FUND
For the Year Ended December 31, 2019

County Fiscal Year End Date	Statutorily Required Contributions (a)	Contributions in Relation to the Statutorily Required Contributions (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (d)	Contributions as a Percentage of Covered Payroll (b/d)
12/31/19	\$ 153,379	\$ 153,379	\$ -	\$ 901,302	17.02%
12/31/18	139,044	139,044	-	858,294	16.20%
12/31/17	132,889	132,889	-	820,301	16.20%
12/31/16	134,482	134,482	-	830,133	16.20%
12/31/15	127,622	127,622	-	787,790	16.20%

See accompanying notes to required supplementary information and independent auditors' report.

WASECA COUNTY

SCHEDULE OF COUNTY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY -
PERA CORRECTIONAL FUND
For the Year Ended December 31, 2019

County Fiscal Year End Date	PERA Fiscal Year End Date (Measurement Date)	County's Proportion of the Net Pension Liability	County's Proportionate Share of the Net Pension Liability (a)	County's Covered Payroll (b)	County's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
12/31/19	6/30/19	0.1762%	\$ 24,395	\$ 375,753	6.49%	98.20%
12/31/18	6/30/18	0.1799%	29,588	367,316	8.06%	97.60%
12/31/17	6/30/17	0.1800%	513,002	359,065	142.87%	67.90%
12/31/16	6/30/16	0.1800%	657,565	338,762	194.11%	58.20%
12/31/15	6/30/15	0.1900%	29,374	333,023	8.82%	96.90%

SCHEDULE OF EMPLOYER CONTRIBUTIONS -
PERA CORRECTIONAL FUND
For the Year Ended December 31, 2019

County Fiscal Year End Date	Statutorily Required Contributions (a)	Contributions in Relation to the Statutorily Required Contributions (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (d)	Contributions as a Percentage of Covered Payroll (b/d)
12/31/19	\$ 33,729	\$ 33,729	\$ -	\$ 389,062	8.67%
12/31/18	32,573	32,573	-	372,262	8.75%
12/31/17	31,425	31,425	-	359,144	8.75%
12/31/16	29,486	29,486	-	336,983	8.75%
12/31/15	29,470	29,470	-	336,803	8.75%

See accompanying notes to required supplementary information and independent auditors' report.

WASECA COUNTY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION As of and for the Year Ended December 31, 2019

BUDGETARY INFORMATION

Budgetary information is derived from the annual operating budget and is presented using the same basis of accounting for each fund as described in Note I.C.

The budgeted amounts presented include any amendments made. Changes to the overall budget must be approved by board action.

Appropriations lapse at year end unless specifically carried over. There were no carryovers to the following year. Budgets are adopted at the fund level of expenditure.

The general fund and one major special revenue fund, the Ditch fund, experienced an overall excess of expenditures over appropriations during 2019. See Note II.B. for information on all funds with excess expenditures over appropriations.

PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA)

The amounts determined for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

The county is required to present the last ten fiscal years of data; however, accounting standards allow the presentation of as many years as are available until ten fiscal years are presented. For purposes of these schedules, covered payroll is defined as "pensionable wages."

Changes in Assumptions and Plan Provisions

General Employees Fund

2019 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- > The employer supplemental contribution was changed prospectively, decreasing from \$31.0 million to \$21.0 million per year. The State's special funding contribution was changed prospectively, requiring \$16.0 million due per year through 2031.

2018 Changes

Changes in Actuarial Assumptions:

- > The mortality projection scale was changed from MP-2015 to MP-2017.
- > The assumed benefit increase was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

Changes in Plan Provisions:

- > 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 4.0 percent to 3.0 percent, beginning July 1, 2018.
- > Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- > Contribution stabilizer provisions were repealed.

WASECA COUNTY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION As of and for the Year Ended December 31, 2019

PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) (cont.)

Changes in Assumptions and Plan Provisions (cont.)

General Employees Fund (cont.)

2018 Changes (cont.)

Changes in Plan Provisions (cont.)

- > Post-retirement benefit increases were changed from 1.0 percent per year with a provision to increase to 2.5 percent upon attainment of 90 percent funding ratio to 50 percent of the Social Security Cost of Living Adjustment, not less than 1.0 percent and not more than 1.5 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 Rule of 90 retirees, disability benefit recipients, or survivors.
- > Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 Changes

Changes in Actuarial Assumptions:

- > The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA loads are now 0.0 percent for active member liability, 15.00 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.

Changes in Plan Provisions:

- > The State's contribution for the Minneapolis Employees Retirement Fund equals \$16,000,000 in 2017 and 2018, and \$6,000,000 thereafter.
- > The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from \$21,000,000 to \$31,000,000 in calendar years 2019 to 2031. The state's contribution changed from \$16,000,000 to \$6,000,000 in calendar years 2019 to 2031.

2016 Changes

Changes in Actuarial Assumptions:

- > 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 per year for all years.
- > The assumed investment return was changed from 7.90 percent to 7.50 percent. The single discount rate was changed from 7.90 percent to 7.50 percent.
- > Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

Changes in Plan Provisions

- > There have been no changes since the prior valuation.

2015 Changes

Changes in Actuarial Assumptions:

- > The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2030 and 2.50 percent per year thereafter to 1.00 percent per year through 2035 and 2.50 percent per year thereafter.

WASECA COUNTY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION As of and for the Year Ended December 31, 2019

PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) (cont.)

Changes in Assumptions and Plan Provisions (cont.)

General Employees Fund (cont.)

2015 Changes (cont.)

Changes in Plan Provisions:

- > On January 1, 2015 the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increased the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised; the State's contribution of \$6 million, which meets the special funding situation definition, is due September 2015.

Police and Fire Fund

2019 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- > There have been no changes since the prior valuation.

2018 Changes

Changes in Actuarial Assumptions:

- > The mortality projection scale was changed from MP-2016 to MP-2017.

Changes in Plan Provisions:

- > Post-retirement benefit increases were changed to 1.0 percent for all years, with no trigger.
- > An end date of July 1, 2048 was added to the existing \$9.0 million state contribution.
- > New 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 from 10.8 percent to 11.3 percent of pay, effective January 1, 2019 and 11.8 percent of pay, effective January 1, 2020.
- > Employer contributions were changed from 16.20 percent to 16.95 percent of pay, effective January 1, 2019 and 17.70 percent of pay, effective January 1, 2020.
- > Interest credited on member contributions decreased from 4.0 percent to 3.0 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 Changes

Changes in Actuarial Assumptions:

- > 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.
- > Assumed rates of retirement were changed, resulting in fewer retirements.
- > The Combined Service Annuity (CSA) load was 30 percent for vested and non-vested deferred members. The CSA has been changed to 33 percent for vested members and 2 percent for non-vested members.

WASECA COUNTY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION As of and for the Year Ended December 31, 2019

PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) (cont.)

Changes in Assumptions and Plan Provisions (cont.)

Police and Fire Fund (cont.)

2017 Changes (cont.)

Changes in Actuarial Assumptions: (cont.)

- > 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 tables assumed for healthy retirees.
- > Assumed termination rates were decreased to 3.0 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- > Assumed percentage of married female members was decreased from 65 percent to 60 percent.
- > 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.

Changes in Plan Provisions

- > There have been no changes since the prior valuation.

2016 Changes

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions

- > There have been no changes since the prior valuation.

2015 Changes

Changes in Actuarial Assumptions:

- > The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2030 and 2.50 percent per year thereafter to 1.00 percent per year through 2037 and 2.50 percent per year thereafter.

Changes in Plan Provisions:

- > The post-retirement benefit increase to be paid after attainment of the 90 percent funding threshold was changed, from inflation up to 2.50 percent, to a fixed rate of 2.50 percent.

WASECA COUNTY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION As of and for the Year Ended December 31, 2019

PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) (cont.)

Changes in Assumptions and Plan Provisions (cont.)

Correctional Fund

2019 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- > There have been no changes since the prior valuation.

2018 Changes

Changes in Actuarial Assumptions:

- > The Single Discount Rate was changed from 5.96 percent per annum to 7.50 percent per annum.
- > The mortality projection scale was changed from MP-2016 to MP-2017.
- > The assumed post-retirement benefit increase was changed from 2.50 percent per year to 2.00 percent per year.

Changes in Plan Provisions:

- > 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 4.0 percent to 3.0 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 2.5 percent per year with a provision to reduce to 1.0 percent if the funding status declines to a certain level, to 100 percent of the Social Security Cost of Living Adjustment, not less than 1.0 percent and not more than 2.5 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 1.5 percent.
- > Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 Changes

Changes in Actuarial Assumptions:

- > 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 MP-2016).
- > The Combined Service Annuity (CSA) load was 30 percent for vested and non-vested, deferred members. The CSA has been changed to 35 percent for vested members and 1 percent for non-vested members.
- > The Single Discount Rate was changed from 5.31 percent per annum to 5.96 percent per annum.

Changes in Plan Provisions

- > There have been no changes since the prior valuation.

WASECA COUNTY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION As of and for the Year Ended December 31, 2019

PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) (cont.)

Changes in Assumptions and Plan Provisions (cont.)

Correctional Fund (cont.)

2016 Changes

Changes in Actuarial Assumptions:

- > The assumed investment return was changed from 7.90 percent to 7.50 percent. The single discount rate changed from 7.90 percent to 5.31 percent.
- > The assumed future salary increases, payroll growth, and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

Changes in Plan Provisions

- > There have been no changes since the prior valuation.

2015 Changes

Changes in Actuarial Assumptions:

- > There have been no changes since the prior valuation.

Changes in Plan Provisions

- > There have been no changes since the prior valuation.

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

The amounts determined for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

The county is required to present the last ten years of data; however, accounting standards allow the presentation of as many years as are available until ten fiscal years are presented.

Accumulation of assets. No assets have been accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Changes in benefits terms. There were no changes of benefit terms.

Changes in assumptions. The discount rate was changed from 4.11 percent in 2018 to 3.26 percent in 2019. The discount rate was changed from 3.44 percent in 2017 to 4.11 percent in 2018.

SUPPLEMENTARY INFORMATION

WASECA COUNTY

DETAILED BUDGETARY COMPARISON SCHEDULE GENERAL FUND For the Year Ended December 31, 2019

	Budget Original / Final	Actual	Variance with Budget
REVENUES			
Taxes	\$ 11,676,173	\$ 11,724,509	\$ 48,336
Intergovernmental	2,294,001	2,390,931	96,930
Licenses and permits	242,530	343,611	101,081
Charges for services	889,374	686,893	(202,481)
Investment income (including unrealized losses)	60,000	416,046	356,046
Miscellaneous	47,850	214,488	166,638
TOTAL REVENUES	\$ 15,209,928	\$ 15,776,478	\$ 566,550
EXPENDITURES			
General Government			
Commissioners	\$ 297,468	\$ 331,250	\$ (33,782)
Court administration	95,800	121,005	(25,205)
Court services	606,772	581,906	24,866
County administration	225,942	210,908	15,034
County auditor / treasurer	551,160	548,869	2,291
Human resources	159,729	155,690	4,039
Motor vehicle	256,079	256,850	(771)
County assessor	460,155	429,745	30,410
Elections	45,500	22,209	23,291
Data processing	747,461	618,296	129,165
Attorney	746,155	695,488	50,667
Recorder	210,557	214,890	(4,333)
Buildings and plant	547,855	590,649	(42,794)
Veterans services	226,409	195,474	30,935
Central services	283,696	389,175	(105,479)
Other	90,000	88,898	1,102
Total General Government	5,550,738	5,451,302	99,436
Public Safety			
Sheriff	3,330,882	3,265,955	64,927
Electronic monitoring	18,000	9,448	8,552
Coroner	25,000	29,725	(4,725)
Ambulance	5,000	5,000	-
Emergency government	157,878	112,489	45,389
Total Public Safety	3,536,760	3,422,617	114,143
Health and Human Services			
Nursing service	1,149,804	1,145,705	4,099
Community health services	581,826	585,587	(3,761)
Contributions to local organizations	2,845,094	2,845,094	-
Total Health and Human Services	4,576,724	4,576,386	338

WASECA COUNTY

DETAILED BUDGETARY COMPARISON SCHEDULE GENERAL FUND For the Year Ended December 31, 2019

	Budget <u>Original / Final</u>	<u>Actual</u>	Variance with <u>Budget</u>
EXPENDITURES (cont.)			
Culture, Recreation, and Education			
County extension	\$ 157,358	\$ 144,530	\$ 12,828
Parks	113,288	65,639	47,649
Snowmobile	-	38,424	(38,424)
Historical society	65,000	65,000	-
Arts	10,500	10,500	-
Other	100,248	100,358	(110)
Total Culture, Recreation, and Education	<u>446,394</u>	<u>424,451</u>	<u>21,943</u>
Conservation and Development			
Soil and water conservation	100,664	65,473	35,191
Agricultural society	47,775	47,775	-
Planning and zoning	486,611	363,037	123,574
Community development	35,619	36,148	(529)
Economic development	10,880	10,880	-
Other	500	500	-
Total Conservation and Development	<u>682,049</u>	<u>523,813</u>	<u>158,236</u>
Capital Outlay			
General government	444,963	1,732,185	(1,287,222)
Public safety	125,000	25,882	99,118
Total Capital Outlay	<u>569,963</u>	<u>1,758,067</u>	<u>(1,188,104)</u>
TOTAL EXPENDITURES	<u>\$ 15,362,628</u>	<u>\$ 16,156,636</u>	<u>\$ (794,008)</u>

WASECA COUNTY

**BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
For the Year Ended December 31, 2019**

	Budget Original / Final	Actual	Variance with Budget
REVENUES			
Taxes	\$ 290,764	\$ 289,727	\$ (1,037)
Intergovernmental	7,049	7,049	-
Total Revenues	<u>297,813</u>	<u>296,776</u>	<u>(1,037)</u>
EXPENDITURES			
Debt Service			
Principal	455,000	450,000	5,000
Interest and fiscal charges	55,291	123,313	(68,022)
Total Expenditures	<u>510,291</u>	<u>573,313</u>	<u>(63,022)</u>
Excess (deficiency) of revenues over expenditures	(212,478)	(276,537)	(64,059)
OTHER FINANCING SOURCES			
Transfers in	<u>212,478</u>	<u>256,478</u>	<u>44,000</u>
Net change in fund balances	-	(20,059)	(20,059)
FUND BALANCES - Beginning of Year	<u>690,882</u>	<u>690,882</u>	-
FUND BALANCES - END OF YEAR	<u>\$ 690,882</u>	<u>\$ 670,823</u>	<u>\$ (20,059)</u>

WASECA COUNTY

NONMAJOR GOVERNMENTAL FUNDS

December 31, 2019

Special Revenue Funds

Library Fund – Used to account for money collected for the library.

Special Revenue Fund – Used for various purposes (technology equipment, etc).

Small Cities Development Fund – Used for development activities.

Economic Development Fund – Used for economic development activities.

Waste Management Fund – Used to account for the solid waste and recycling activities of the county

WASECA COUNTY

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
As of December 31, 2019

	Special Revenue					Total Nonmajor Funds
	Library	Special Revenue	Small Cities Development	Economic Development	Waste Management	
ASSETS						
Cash	\$ 26,986	\$ 1,878,413	\$ 39,358	\$ 80,896	\$ 1,536,766	\$ 3,562,419
Receivables						
Accounts	-	34,078	-	-	235,086	269,164
Due from other governments	-	62,970	-	-	-	62,970
Special assessment	-	-	-	-	11,873	11,873
Notes, net	-	-	69,693	46,187	-	115,880
Inventories and prepaid items	-	5,501	-	-	200	5,701
TOTAL ASSETS	<u>\$ 26,986</u>	<u>\$ 1,980,962</u>	<u>\$ 109,051</u>	<u>\$ 127,083</u>	<u>\$ 1,783,925</u>	<u>\$ 4,028,007</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Liabilities						
Accounts payable	\$ 26,986	\$ 66,631	\$ -	\$ -	\$ 67,874	\$ 161,491
Accrued liabilities	-	4,359	-	-	8,272	12,631
Due to other governments	-	740	-	-	1,680	2,420
Unearned revenues	-	26,993	-	-	-	26,993
Deposits	-	386,100	-	-	3,306	389,406
Total Liabilities	<u>26,986</u>	<u>484,823</u>	<u>-</u>	<u>-</u>	<u>81,132</u>	<u>592,941</u>
Deferred Inflows of Resources						
Unearned revenues	-	85,995	-	-	34,846	120,841
Unavailable revenues	-	-	69,693	46,187	216,613	332,493
Total Deferred Inflows of Resources	<u>-</u>	<u>85,995</u>	<u>69,693</u>	<u>46,187</u>	<u>251,459</u>	<u>453,334</u>
Fund Balances						
Nonspendable	-	5,501	-	-	200	5,701
Restricted	-	1,087,863	39,358	-	-	1,127,221
Committed	-	-	-	80,896	1,451,134	1,532,030
Assigned	-	316,780	-	-	-	316,780
Total Fund Balances	<u>-</u>	<u>1,410,144</u>	<u>39,358</u>	<u>80,896</u>	<u>1,451,334</u>	<u>2,981,732</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 26,986</u>	<u>\$ 1,980,962</u>	<u>\$ 109,051</u>	<u>\$ 127,083</u>	<u>\$ 1,783,925</u>	<u>\$ 4,028,007</u>

WASECA COUNTY

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2019

	Special Revenue				Total Nonmajor Funds
	Special Revenue	Small Cities Development	Economic Development	Waste Management	
REVENUES					
Special assessments	\$ -	\$ -	\$ -	\$ 248,105	\$ 248,105
Intergovernmental	747,981	-	-	67,729	815,710
Licenses and permits	13,055	-	-	-	13,055
Public charges for services	275,461	-	-	262,748	538,209
Investment income	-	-	3,112	8,261	11,373
Miscellaneous	85,454	-	3,193	70,260	158,907
Total Revenues	<u>1,121,951</u>	<u>-</u>	<u>6,305</u>	<u>657,103</u>	<u>1,785,359</u>
EXPENDITURES					
Current					
General government	84,406	-	-	-	84,406
Public safety	709,652	-	-	-	709,652
Sanitation	-	-	-	962,165	962,165
Health and human services	34,370	-	-	-	34,370
Culture, recreation, and education	3,989	-	-	-	3,989
Conservation and development	41,288	-	-	-	41,288
Capital Outlay	276,278	-	-	299,936	576,214
Total Expenditures	<u>1,149,983</u>	<u>-</u>	<u>-</u>	<u>1,262,101</u>	<u>2,412,084</u>
Excess (deficiency) of revenues over expenditures	<u>(28,032)</u>	<u>-</u>	<u>6,305</u>	<u>(604,998)</u>	<u>(626,725)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	442,288	-	-	-	442,288
Transfers out	(125,675)	-	-	-	(125,675)
Insurance recovery on capital assets	-	-	-	1,039,517	1,039,517
Total Other Financing Sources (Uses)	<u>316,613</u>	<u>-</u>	<u>-</u>	<u>1,039,517</u>	<u>1,356,130</u>
Net change in fund balances	288,581	-	6,305	434,519	729,405
FUND BALANCES - Beginning of Year	<u>1,121,563</u>	<u>39,358</u>	<u>74,591</u>	<u>1,016,815</u>	<u>2,252,327</u>
FUND BALANCES - END OF YEAR	<u>\$ 1,410,144</u>	<u>\$ 39,358</u>	<u>\$ 80,896</u>	<u>\$ 1,451,334</u>	<u>\$ 2,981,732</u>

WASECA COUNTY

BUDGETARY COMPARISON SCHEDULE SPECIAL REVENUE FUND

For the Year Ended December 31, 2019

	Budget Original / Final	Actual	Variance with Budget
REVENUES			
Intergovernmental	\$ 665,009	\$ 747,981	\$ 82,972
Licenses and permits	5,000	13,055	8,055
Public charges for services	81,700	275,461	193,761
Miscellaneous	24,600	85,454	60,854
Total Revenues	<u>776,309</u>	<u>1,121,951</u>	<u>345,642</u>
EXPENDITURES			
Current			
General government	144,451	84,406	60,045
Public safety	568,897	709,652	(140,755)
Health and human services	-	34,370	(34,370)
Culture, recreation, and education	-	3,989	(3,989)
Conservation and development	53,200	41,288	11,912
Capital Outlay	3,900	276,278	(272,378)
Total Expenditures	<u>770,448</u>	<u>1,149,983</u>	<u>(379,535)</u>
Excess (deficiency) of revenues over expenditures	<u>5,861</u>	<u>(28,032)</u>	<u>(33,893)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	16,714	442,288	425,574
Transfers out	<u>(22,575)</u>	<u>(125,675)</u>	<u>(103,100)</u>
Total Other Financing Sources (Uses)	<u>(5,861)</u>	<u>316,613</u>	<u>322,474</u>
Net change in fund balances	-	288,581	288,581
FUND BALANCES - Beginning of Year	<u>1,121,563</u>	<u>1,121,563</u>	-
FUND BALANCES - END OF YEAR	<u>\$ 1,121,563</u>	<u>\$ 1,410,144</u>	<u>\$ 288,581</u>

WASECA COUNTY

BUDGETARY COMPARISON SCHEDULE WASTE MANAGEMENT FUND For the Year Ended December 31, 2019

	Budget <u>Original / Final</u>	<u>Actual</u>	Variance with <u>Budget</u>
REVENUES			
Special assessments	\$ 230,000	\$ 248,105	\$ 18,105
Intergovernmental	73,324	67,729	(5,595)
Public charges for services	230,000	262,748	32,748
Investment income	1,000	8,261	7,261
Miscellaneous	<u>183,400</u>	<u>70,260</u>	<u>(113,140)</u>
Total Revenues	<u>717,724</u>	<u>657,103</u>	<u>(60,621)</u>
EXPENDITURES			
Current			
Sanitation			
Transfer station	442,289	404,948	37,341
Special waste management	26,638	14,663	11,975
Recycling	238,108	418,815	(180,707)
Yardwaste management and education	10,236	1,683	8,553
Solid waste administration	88,316	122,056	(33,740)
Capital Outlay	<u>16,000</u>	<u>299,936</u>	<u>(283,936)</u>
Total Expenditures	<u>821,587</u>	<u>1,262,101</u>	<u>(440,514)</u>
Excess of revenues over expenditures	(103,863)	(604,998)	(501,135)
OTHER FINANCING SOURCES			
Transfers in	103,863	-	(103,863)
Insurance recovery on capital assets	<u>-</u>	<u>1,039,517</u>	<u>1,039,517</u>
Total Other Financing Sources	<u>103,863</u>	<u>1,039,517</u>	<u>935,654</u>
Net change in fund balances	-	434,519	434,519
FUND BALANCES - Beginning of Year	<u>1,016,815</u>	<u>1,016,815</u>	<u>-</u>
FUND BALANCES - END OF YEAR	<u>\$ 1,016,815</u>	<u>\$ 1,451,334</u>	<u>\$ 434,519</u>

WASECA COUNTY

AGENCY FUNDS
December 31, 2019

Taxes and Penalties – To account for property taxes and penalties collected and distributed to other governmental units and county funds.

Insurance – Used to account for insurance premiums held by the county before remitting to insurance carrier.

State Revenue – Used to account for funds collected on behalf of the State of Minnesota.

Social Welfare Trust Account – Used to account for funds held by the county for clients in a representative payee capacity.

WASECA COUNTY

COMBINING STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUNDS
As of December 31, 2019

	<u>Taxes and Penalties</u>	<u>Insurance</u>	<u>State Revenue</u>	<u>Social Welfare Trust Account</u>	<u>Total</u>
ASSETS					
Cash and Investments	\$ 826,576	\$ 4,510	\$ 83,391	\$ 4,772	\$ 919,249
TOTAL ASSETS	<u>\$ 826,576</u>	<u>\$ 4,510</u>	<u>\$ 83,391</u>	<u>\$ 4,772</u>	<u>\$ 919,249</u>
LIABILITIES					
Due to other governments	\$ 717,081	\$ -	\$ 83,391	\$ -	\$ 800,472
Accounts payable	323	4,510	-	-	4,833
Deposits	<u>109,172</u>	<u>-</u>	<u>-</u>	<u>4,772</u>	<u>113,944</u>
TOTAL LIABILITIES	<u>\$ 826,576</u>	<u>\$ 4,510</u>	<u>\$ 83,391</u>	<u>\$ 4,772</u>	<u>\$ 919,249</u>

WASECA COUNTY

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES AGENCY FUNDS For the Year Ended December 31, 2019

	Balance Jan. 1, 2019	Additions	Deletions	Balance Dec. 31, 2019
<u>Taxes and Penalties</u>				
Assets:				
Cash and investments	\$ 729,261	\$ 33,379,121	\$ 33,281,806	\$ 826,576
Liabilities:				
Unapportioned taxes and assessments	\$ -	\$ 15,647,502	\$ 15,647,502	\$ -
Due to other governments	437,704	17,622,124	17,342,747	717,081
Accounts payable	-	323	-	323
Deposits	291,557	109,172	291,557	109,172
Total Liabilities	\$ 729,261	\$ 33,378,798	\$ 33,281,806	\$ 826,576
<u>Insurance</u>				
Assets:				
Cash and investments	\$ 3,489	\$ 36,382	\$ 35,361	\$ 4,510
Liabilities:				
Accounts payable	\$ 3,489	\$ 36,382	\$ 35,361	\$ 4,510
<u>State Revenue</u>				
Assets:				
Cash and investments	\$ 70,422	\$ 920,808	\$ 907,839	\$ 83,391
Liabilities:				
Due to other governments	\$ 70,422	\$ 920,808	\$ 907,839	\$ 83,391
<u>Social Welfare Trust Account</u>				
Assets:				
Cash and investments	\$ 4,169	\$ 32,248	\$ 31,645	\$ 4,772
Liabilities:				
Deposits	\$ 4,169	\$ 32,248	\$ 31,645	\$ 4,772

WASECA COUNTY

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES AGENCY FUNDS For the Year Ended December 31, 2019

	<u>Balance</u> <u>Jan. 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>Dec. 31, 2019</u>
<u>Total All Agency Funds</u>				
Assets:				
Cash and investments	\$ 807,341	\$ 34,368,559	\$ 34,256,651	\$ 919,249
Liabilities:				
Unapportioned taxes and assessments	\$ -	\$ 15,647,502	\$ 15,647,502	\$ -
Due to other governments	508,126	18,542,932	18,250,586	800,472
Accounts payable	3,489	36,705	35,361	4,833
Deposits	295,726	141,420	323,202	113,944
Total Liabilities	<u>\$ 807,341</u>	<u>\$ 34,368,559</u>	<u>\$ 34,256,651</u>	<u>\$ 919,249</u>

WASECA COUNTY

SCHEDULE OF INTERGOVERNMENTAL REVENUES
For the Year Ended December 31, 2019

	Special Revenue				Debt Service	Capital Projects	Total All Funds
	General Fund	Road and Bridge	Special Revenue	Waste Management			
Shared Revenue							
State							
Highway users tax	\$ -	\$ 5,029,722	\$ -	\$ -	\$ 5,029,722	\$ -	\$ 5,029,722
State aid bond	-	212,478	-	-	212,478	-	212,478
County program aid	832,538	-	124,481	-	124,481	-	957,019
Conservation credit	64,753	20,411	-	-	20,411	1,613	86,777
PERA aid	24,566	-	-	-	-	-	24,566
State police aid	115,750	-	-	-	-	-	115,750
Agricultural preservation	208,208	65,629	-	-	65,629	5,187	279,024
Disparity aid	9,981	3,146	-	-	3,146	249	13,376
Total Shared Revenue	1,255,796	5,331,386	124,481	-	5,455,867	7,049	6,718,712
Reimbursement for Services							
Other counties, cities or townships	-	-	2,000	-	2,000	-	13,607
Total Reimbursement for Services	-	-	2,000	-	2,000	-	15,607
Grants							
State							
Minnesota Department of							
Health	400,473	-	6,721	-	6,721	-	407,194
Public Safety	14,066	-	197,449	-	197,449	-	211,515
Natural Resources	38,423	-	59,409	-	59,409	-	97,832
Corrections	147,364	-	-	-	-	-	147,364
Veterans Affairs	-	-	6,378	-	6,378	-	6,378
Pollution Control Agency	27,793	-	-	67,729	67,729	-	95,522
Board of Water and Soil Resources	3,852	-	-	-	-	-	3,852
Trial Court	-	-	259,719	-	259,719	-	259,719
Total State	631,971	-	529,676	67,729	597,405	-	1,229,376
Federal							
U.S. Department of							
Agriculture	274,809	-	-	-	-	-	274,809
Education	2,579	-	-	-	-	-	2,579
Homeland Security	10,741	-	-	-	-	-	10,741
Justice	-	-	91,824	-	91,824	-	91,824
Health and Human Services	179,855	-	-	-	-	-	179,855
Total Federal	467,984	-	91,824	-	91,824	-	559,808
Other							
Minnesota Historical Society	35,000	-	-	-	-	-	35,000
Prairie Lakes Regional Arts	180	-	-	-	-	-	180
Total Other	35,180	-	-	-	-	-	35,180
Total Grants	1,135,135	-	621,500	67,729	689,229	-	1,824,364
TOTAL INTERGOVERNMENTAL REVENUE	\$ 2,390,931	\$ 5,331,386	\$ 747,981	\$ 67,729	\$ 6,147,096	\$ 7,049	\$ 8,558,683

OTHER REPORTS

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*
AND *MINNESOTA LEGAL COMPLIANCE*

INDEPENDENT AUDITORS' REPORT

To the County Board of Commissioners
Waseca County
Waseca, Minnesota

We have audited, in accordance with the 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 Waseca County, Minnesota as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise Waseca County's basic financial statements, and have issued our report thereon dated September 29, 2020. Our report includes a reference to other auditors who audited the financial statements of the Minnesota Prairie County Alliance and the South Country Health Alliance, in which Waseca County has equity interests, as disclosed in our report on the county's financial statements. The financial statements of South Country Health Alliance were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with South Country Health Alliance.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Waseca County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Waseca County's internal control. Accordingly, we do not express an opinion on the effectiveness of Waseca County's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2019-001 and 2019-002 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Waseca 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 determination of financial statement amounts. 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

The *Minnesota Legal Compliance Audit Guide for Counties*, promulgated by the State Auditor pursuant to Minn. Stat. Section 6.65, contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit considered all of the listed categories, except that we did not test the provisions for tax increment financing because Waseca County does not have any tax increment financing districts.

In connection with our audit, nothing came to our attention that caused us to believe that Waseca County failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Counties*. 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 Waseca County's noncompliance with the above referenced provisions.

Waseca County's Response to Findings

Waseca County's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Waseca 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 and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Baker Tilly US, LLP". The signature is written in a cursive, flowing style.

Baker Tilly US, LLP (formerly known as Baker Tilly Virchow Krause, LLP)
Minneapolis, Minnesota
September 29, 2020

WASECA COUNTY

SCHEDULE OF FINDINGS AND RESPONSES For the Year Ended December 31, 2019

FINANCIAL STATEMENT FINDINGS REQUIRED TO BE REPORTED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

FINDING 2019-001: INTERNAL CONTROL OVER FINANCIAL REPORTING

Repeat of prior year finding 2018-001

Criteria: According to Statement on Auditing Standards (SAS) AU-C Section 315, county staff should present the auditor with a set of complete financial statements in such a condition that the auditor is not able to identify any material changes as a result of the audit. The county should also present the books and records to the auditor in such a condition that the auditor is not able to identify any material journal entries as a result of the audit procedures.

Condition: The county relies on its external auditors to draft the financial statements, and there were material journal entries made to the county's records.

Cause: Due to its size, the county has chosen to have the auditors prepare its annual financial statements.

Effect: Because of the lack of controls over year-end financial reporting, your financial statements may not contain all of the required disclosures and account balances. In addition, material errors could go undetected.

Recommendation: The county's management should consider whether it is cost effective to hire additional staff and/or arrange for significant additional training so that the county can draft its own materially correct financial statements.

Views of Responsible Officials: The county has improved in this area and will continue to develop a training plan and time-line for having county staff record material year-end adjustments and will review the financial statements for accuracy.

FINDING 2019-002: INTERNAL CONTROL ENVIRONMENT

Repeat of prior year finding 2018-002

Criteria: According to Statement on Auditing Standards (SAS) AU-C Section 315, a system of internal control should be in place to achieve a higher level of reliability that errors or irregularities in your processes would be discovered by your staff and to provide reasonable assurance that individuals have access to only one phase of the accounting process.

Condition: There is a lack of controls over payroll, receipting, and monthly and year-end accounting transaction cycles due to a lack segregation of duties in the accounting functions.

Cause: Due to its size, the county does not have an adequate number of employees needed to implement the controls over these transaction cycles.

Effect: Because of the lack of internal controls, it is less likely that errors or irregularities would be discovered internally. Because of the lack of segregation of duties, the accounting records may be misstated.

WASECA COUNTY

SCHEDULE OF FINDINGS AND RESPONSES For the Year Ended December 31, 2019

FINANCIAL STATEMENT FINDINGS REQUIRED TO BE REPORTED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* (cont.)

FINDING 2019-002: INTERNAL CONTROL ENVIRONMENT (cont.)

Recommendation: Most of the key controls lacking for these transaction cycles are not possible to cure without adding a significant number of staff. The county board should rely more heavily on their direct knowledge of the county's operations and day-to-day contact with employees to control and safeguard assets. The county board should also continue to make a reasonable effort to be knowledgeable about the county's key transaction cycles.

Views of Responsible Officials: The county is aware of the lack of controls over the payroll, receipting, and monthly and year-end accounting functions. In an organization the size of Waseca County, it is difficult to maintain the ideal segregation of duties. We will continue to develop additional internal controls and procedures to properly safeguard the county's assets.

MINNESOTA LEGAL COMPLIANCE FINDINGS

None noted.

OTHER ISSUES

The following prior year Minnesota Legal Compliance Finding has been resolved:

Finding 2018-003: Electronic Funds Transfer Policy