

# **Waseca County**

Financial Statements and  
Supplementary Information

December 31, 2020

# Waseca County

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## **Independent Auditors' Report**

To the County Board of Commissioners of  
Waseca County

### **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, 2020, 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 4.9 percent, 5.9 percent and 2.0 percent, respectively, of the assets, net position and revenues of the governmental activities. Those statements were audited by other auditors whose report has 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, 2020 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.

## **Emphasis of Matter**

As discussed in Note 1, Waseca County adopted the provisions of GASB Statement No. 84, *Fiduciary Activities*, effective January 1, 2020. Our opinions are not modified with respect to this matter.

## **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 will issue a report 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*

Minneapolis, Minnesota  
September 16, 2021

# Waseca County, Minnesota

Management's Discussion and Analysis (Unaudited)

December 31, 2020

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As management of Waseca County, Minnesota (the County), 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, 2020.

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 \$88,236,766 (net position). Approximately 20 percent of this total amount, \$18,032,421 is available for spending at the County's discretion (unrestricted net position).

The County's total net position increased by \$8,122,237.

The County's total general-obligation debt as of December 31, 2020 was \$7,020,000. \$760,000 of principal related to debt issued in prior years was paid off on the general obligation debt during 2020.

## 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.

## 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.

# Waseca County, Minnesota

Management's Discussion and Analysis (Unaudited)  
December 31, 2020

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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, special revenue and debt service, all of which are considered major funds. Data from the other 4 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 7-9.

## 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 10-11 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 12-49 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 50-65 of this report.

The combined statements referred to in connection with non-major governmental funds are presented as a component of the supplementary information. In addition, combining fiduciary fund statements are also presented here. Supplementary information can be found on pages 66-76.

# Waseca County, Minnesota

Management's Discussion and Analysis (Unaudited)  
December 31, 2020

## 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 \$88,236,766 at the close of 2020.

By far, the largest portion of the County's net position (75 percent) reflects its investment in capital assets \$73,641,454 (i.e., land, buildings, improvements, equipment and infrastructure), less any related debt (excluding unspent proceeds) and premium/discount \$7,395,258 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 \$66,246,196, 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 \$3,958,149 for debt service, statutory requirements, ARMER radio system, missing heirs, veteran's memorial, road and bridge and small cities development.

The remaining balance of \$18,032,421 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>2020</u>	<u>2019</u>
<b>Assets</b>		
Current and other assets	\$ 28,402,792	\$ 24,149,488
Capital assets (net)	73,641,454	70,147,597
Investment in joint ventures	5,216,665	4,530,716
Total assets	107,260,911	98,827,801
<b>Deferred Outflows of Resources</b>		
	1,525,519	1,514,334
<b>Liabilities</b>		
Current liabilities	2,589,809	2,608,510
Noncurrent liabilities	16,257,860	13,222,033
Total liabilities	18,847,669	15,830,543
<b>Deferred Inflows of Resources</b>		
	1,701,995	4,397,063
<b>Net Position</b>		
Net investment in capital assets	66,246,196	64,818,788
Restricted	3,958,149	2,382,983
Unrestricted	18,032,421	12,912,758
Total net position	<u>\$ 88,236,766</u>	<u>\$ 80,114,529</u>

# Waseca County, Minnesota

Management's Discussion and Analysis (Unaudited)  
December 31, 2020

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

	<u>2020</u>	<u>2019</u>
<b>Revenues</b>		
Program revenues:		
Charges for services	\$ 2,323,733	\$ 2,299,462
Operating grants and contributions	3,912,114	3,925,215
Capital grants and contributions	3,552,006	3,225,746
General revenues:		
Taxes	18,712,721	16,460,595
Intergovernmental revenues	3,625,135	1,211,896
Investment income (including unrealized gains/losses)	270,142	445,302
Miscellaneous	1,170,008	696,581
	<u>33,565,859</u>	<u>28,264,797</u>
<b>Expenses</b>		
Program expenses:		
General government	7,396,931	6,476,988
Public safety	4,192,597	4,250,175
Public works	5,669,416	5,509,158
Sanitation	941,077	1,060,687
Health and human services	4,610,510	4,503,789
Culture, recreation and education	381,180	874,521
Conservation and development	1,708,117	1,530,491
Interest and fiscal charges	268,367	203,443
	<u>25,168,195</u>	<u>24,409,252</u>
Special item, tax court settlement	<u>275,427</u>	<u>551,838</u>
Change in net position	8,122,237	3,303,707
<b>Net Position, Beginning</b>	<u>80,114,529</u>	<u>76,810,822</u>
<b>Net Position, Ending</b>	<u>\$ 88,236,766</u>	<u>\$ 80,114,529</u>

## Governmental Activities

Governmental activities increased the County's net position by \$8,122,237. This is up from the increase of \$3,303,707 in 2019 due to a variety of offsetting factors and an increase in intergovernmental revenues due to CARES Act funding.

## 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)  
December 31, 2020

As of December 31, 2020, the County's governmental funds reported combined ending fund balances of \$23,510,015 which represents an increase of \$5,620,478 from the previous year's fund balance. Approximately 73% of this total \$17,089,969 constitutes the unassigned, assigned and committed fund balances, which is available for spending at the government's discretion. The remainder of fund balance \$6,420,046 is included in restricted or nonspendable fund balance to indicate that it is not available for new spending primarily due to the following:

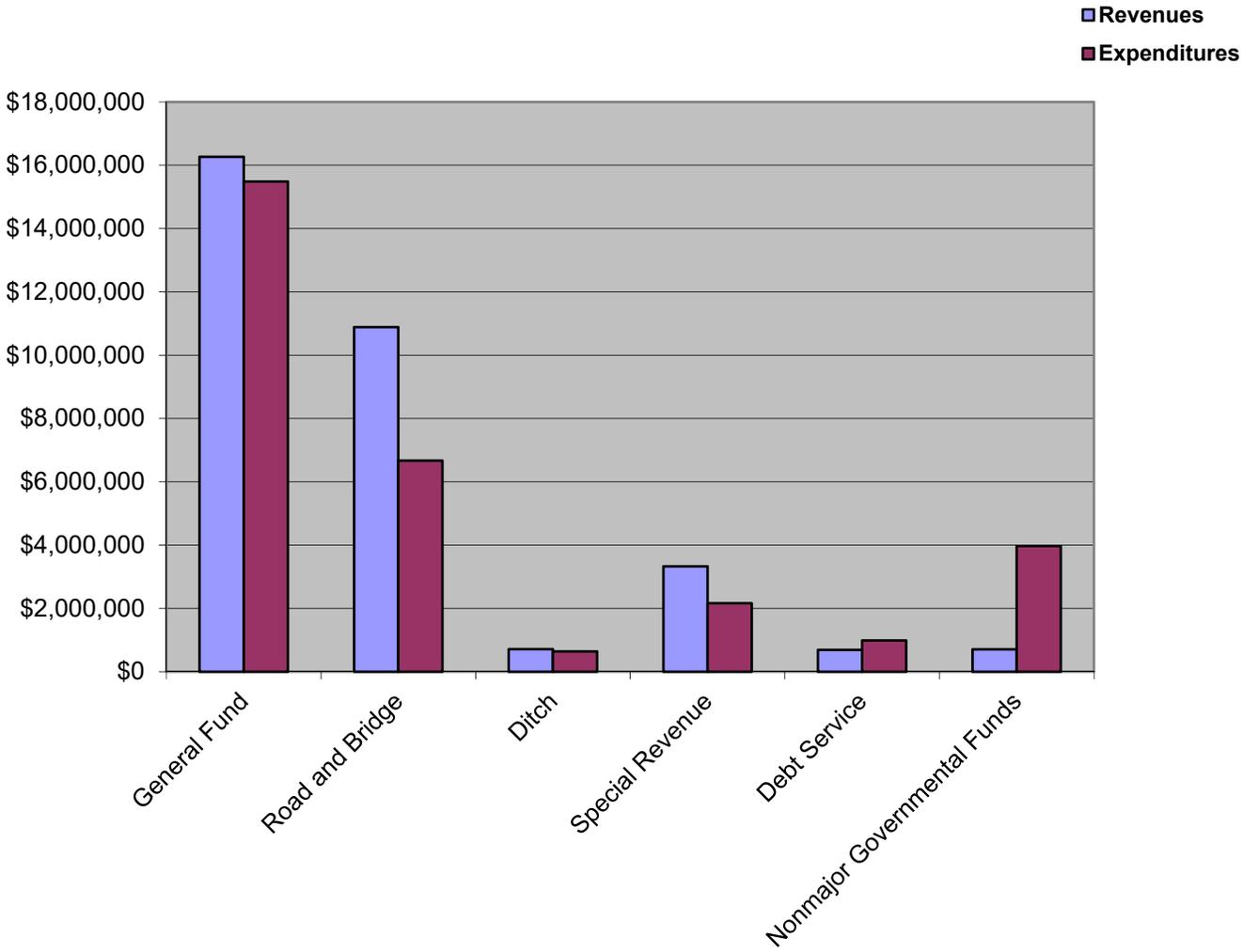
- The Small Cities Development fund originated from a federal grant for housing rehabilitation loans. One of the conditions of the grant is that the fund balance \$39,358 derived from loan repayments be used for other housing rehabilitation activities.
- Funds that have been set aside in the Special Revenue fund \$1,014,528 are subject to various statutory requirements.
- Debt service funds \$632,864 are restricted solely to repayment of the County's outstanding bonded indebtedness.
- Missing heirs \$24,875 is set by court order and held by the County for missing heirs of estates pursuant to MN Statutes.
- Nonspendable inventory \$347,829 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 \$1,612,752 represents advances to other funds that are not anticipated to be repaid within one year.

	<b>Revenues and Expenditures by Fund</b>		
	<b>Revenues</b>	<b>Expenditures</b>	<b>Balance</b>
General Fund	\$ 16,266,199	\$ 15,488,579	\$ 777,620
Road and Bridge	10,886,094	6,670,352	4,215,742
Ditch	715,139	640,040	75,099
Special Revenue	3,329,168	2,160,949	1,168,219
Debt Service	688,598	987,904	(299,306)
Nonmajor Governmental Funds	709,024	3,971,160	(3,262,136)
Total	<u>\$ 32,594,222</u>	<u>\$ 29,918,984</u>	<u>\$ 2,675,238</u>

# Waseca County, Minnesota

Management's Discussion and Analysis (Unaudited)  
December 31, 2020

## Revenues and Expenditures by Fund



# Waseca County, Minnesota

Management's Discussion and Analysis (Unaudited)  
 December 31, 2020

	Revenues by Fund	
	Percent	Revenues
General Fund	49.91 %	\$ 16,266,199
Road and Bridge	33.40	10,886,094
Ditch	2.19	715,139
Special Revenue	10.21	3,329,168
Debt Service	2.11	688,598
Nonmajor Governmental Funds	2.18	709,024
<b>Total revenue</b>	<b>100.00 %</b>	<b>\$ 32,594,222</b>

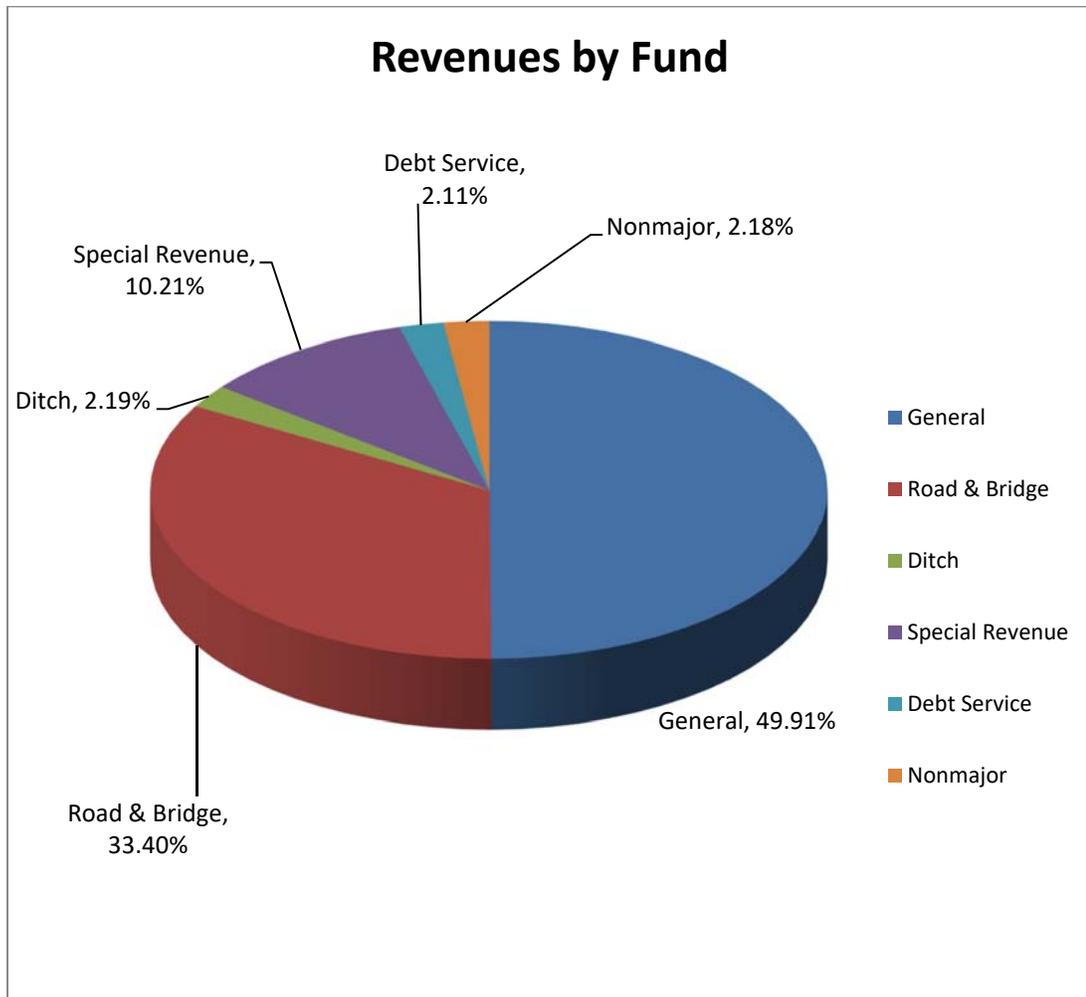


Figure 1

# Waseca County, Minnesota

Management's Discussion and Analysis (Unaudited)  
 December 31, 2020

	Expenditures by Fund	
	Percent	Expenditures
General Fund	51.78 %	\$ 15,488,579
Road and Bridge	22.29	6,670,352
Ditch	2.14	640,040
Special Revenue	7.22	2,160,949
Debt Service	3.30	987,904
Nonmajor Governmental Funds	13.27	3,971,160
<b>Total expenditures</b>	<b>100.00 %</b>	<b>\$ 29,918,984</b>

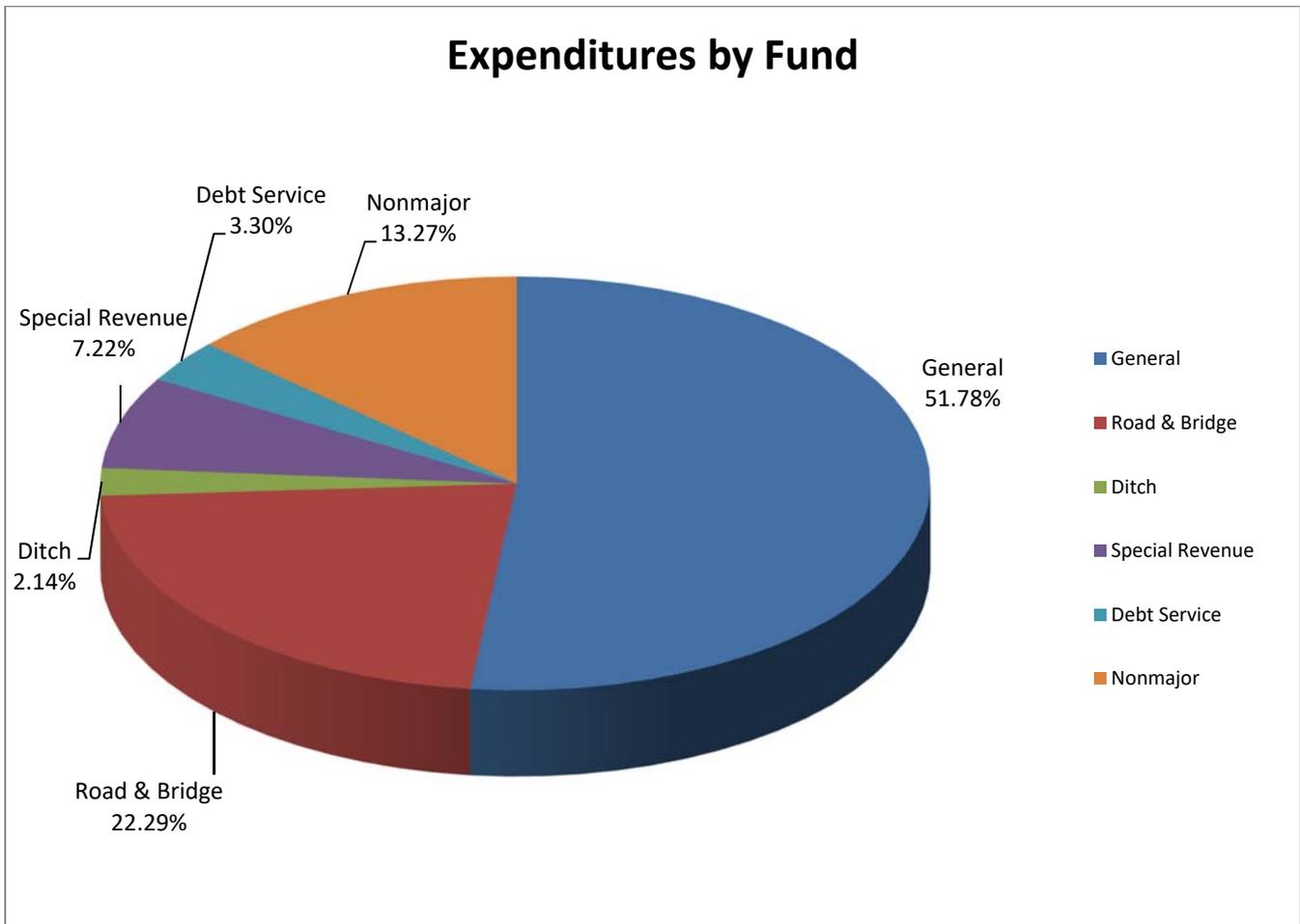


Figure 2

## 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 \$7,606,599. The general fund has an unassigned fund balance of \$4,474,129, assigned fund balance of \$1,481,227, restricted fund balance of \$24,875 and a nonspendable fund balance of \$1,626,368. The unassigned portion approximates 29 percent of the general fund's annual expenditures and including the assigned portion increases that coverage of annual expenditures to approximately 38 percent.

## **Waseca County, Minnesota**

Management's Discussion and Analysis (Unaudited)

December 31, 2020

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The general fund balance increased by \$395,873, or approximately 5 percent.

### **Road & Bridge Fund**

The Road and Bridge Fund ended the year with a fund balance of \$13,723,480. The committed fund balance at the end of the fiscal year was \$11,252,816. The fund balance also consists of \$2,122,835 that is restricted and \$347,829 that is nonspendable related to inventory. The total fund balance of the Road and Bridge Fund increased \$4,175,346. Actual expenditures were significantly less than budget due to fewer street construction projects in 2020.

### **Ditch Fund**

The Ditch Fund had a total fund balance deficit of \$1,386,877. This amount includes a \$2,667 nonspendable balance and a \$1,389,544 unassigned fund balance deficit. The total fund balance of the Ditch Fund increased by \$75,099 during the current fiscal year in part due to an emergency management grant.

### **Special Revenue Fund**

The Special Revenue Fund had a total fund balance of \$2,593,282. This amount includes a \$41,255 nonspendable balance, restricted balance of \$1,074,143 and a \$1,477,844 assigned fund balance. The total fund balance of the Special Revenue Fund increased by \$1,183,138 during the current fiscal year, primarily due to additional CARES Act funding received.

### **Debt Service Fund**

The Debt Service Fund had a total fund balance of \$632,864. The entire amount represents restricted funds. The total fund balance decreased by \$37,959 during the current fiscal year which was comparable to budget.

### **Nonmajor Government Funds**

All other government funds had a total fund balance of \$340,667. A balance of \$200 is nonspendable, \$547,010 is classified as restricted, \$408,646 represents the committed fund balance and a \$615,189 unassigned fund balance deficit. Total fund balance of all other government funds decreased by \$171,019 during the current fiscal year.

### **General Fund Budgetary Highlights**

There were no changes made to the original budget for 2020. The variance of budgeted amounts to actual revenues and other financing sources in the general fund was \$224,337 over budget. The variance of budgeted amounts to actual expenditures and other financing uses (including special items) in the general fund was \$171,536 under budget primarily due to the reclassification of certain activity to custodial funds under GASB 84 guidance.

## Waseca County, Minnesota

Management's Discussion and Analysis (Unaudited)  
December 31, 2020

### Capital Assets and Debt Administration: Capital Assets

The County's investment in capital assets for its governmental activities as of December 31, 2020 amount to \$73,641,454 (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 \$3,493,857 or 4.98 percent.

Additional information on the County's capital assets can be found on pages 1, 4, 6, 18, 19, 27 and 28 of this report.

Capital asset activity for the year ended December 31, 2020 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Capital Assets Not Being Depreciated</b>				
Land	\$ 871,267	\$ 192,000	\$ -	\$ 1,063,267
Right of way	1,159,599	-	-	1,159,599
Construction in progress	6,395,562	3,928,609	(8,109,867)	2,214,304
Total capital assets not being depreciated	<u>8,426,428</u>	<u>4,120,609</u>	<u>(8,109,867)</u>	<u>4,437,170</u>
<b>Capital Assets Being Depreciated</b>				
Buildings	5,945,423	6,973,883	-	12,919,306
Improvements	2,178,932	773,810	-	2,952,742
Machinery and equipment	10,069,237	2,398,738	(471,629)	11,996,346
Roads	76,797,772	149,509	-	76,947,281
Bridges	6,048,081	879,442	-	6,927,523
Total capital assets being depreciated	101,039,445	11,175,382	(471,629)	111,743,198
<b>Less Accumulated Depreciation For</b>				
Buildings	(2,342,430)	(131,653)	-	(2,474,083)
Improvements	(313,508)	(136,158)	-	(449,666)
Machinery and equipment	(6,400,634)	(1,108,900)	377,922	(7,131,612)
Roads	(29,211,436)	(2,141,208)	-	(31,352,644)
Bridges	(1,050,268)	(80,641)	-	(1,130,909)
Total accumulated depreciation	<u>(39,318,276)</u>	<u>(3,598,560)</u>	<u>377,922</u>	<u>(42,538,914)</u>
Capital assets, net of depreciation total	<u>\$ 61,721,169</u>	<u>\$ 7,576,822</u>	<u>\$ (93,707)</u>	<u>\$ 69,204,284</u>

### Long-Term Debt

At the end of the current fiscal year, the County had total bonded debt outstanding of \$7,020,000 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.

# Waseca County, Minnesota

Management's Discussion and Analysis (Unaudited)  
December 31, 2020

The County's total general obligation bonds payable increased during the current year by \$1,915,000. 40 percent of the County's general obligation debt is attributable to capital improvement bonds with a final maturity date of 2029. 12 percent of the general obligation debt is attributable to capital improvement bonds with a final maturity date of 2023. 7 percent of the general obligation debt is bonded for state-aid highway use with a final maturity date of 2025. 3 percent of the general obligation debt is attributable to state-aid highway use with a final maturity date of 2022. 38 percent of the general obligation debt is attributable to general obligation bonds with a final maturity date of 2032.

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 \$84 million which is significantly in excess of its outstanding general obligation debt of \$7,020,000. \$6,387,136 is the County's outstanding general obligation debt net of the debt service reserve of \$632,864. 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 19 and 29-30 of this report.

General obligation debt payable for the County at December 31, 2020, consists of the following:

General Obligation Debt	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance December 31, 2020
State-Aid Highway Bonds	2007	2022	3.75-4.20	\$ 1,240,000	\$ 215,000
Capital Improvement Bonds	2013	2023	0.80-2.60	2,145,000	865,000
State-Aid Highway Bonds	2015	2025	2.00-2.15	910,000	475,000
Capital Improvement Bonds	2019	2029	3.00-4.00	3,090,000	2,835,000
General Obligation Bonds	2020	2032	2.00-3.00	2,675,000	2,630,000
Total					<u>\$ 7,020,000</u>

## Economic and Demographic Factors and County Budget Trends

- The estimated County population was 18,968 in 2020, which consists of 23.2 percent under the age of 18 and 18.6 percent 65 or older.
- The median income for a household in the county is \$56,762.
- The County unemployment rate is 5.1 percent. This compares to the state's average unemployment rate of 6.5 percent.
- The County is most noted for agribusiness. Historically, this industry 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 \$4,474,129. The County's fund balance policy calls for unassigned general fund balance equal to 45% to 55% of the next year's operating budget.
- The County's 2021 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 2022. Historically, Waseca County has been quite conservative concerning property tax increases. The County is also evaluating potential uses for the American Rescue Plan Act funds.

## **Waseca County, Minnesota**

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Management's Discussion and Analysis (Unaudited)

December 31, 2020

### **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  
December 31, 2020

	<b>Governmental Activities</b>
<b>Assets</b>	
Cash and investments	\$ 25,109,716
Delinquent taxes receivable	198,608
Accounts receivable	177,920
Due from other governments	1,264,795
Interest receivable	26,425
Special assessments receivable	1,107,446
Notes receivable, net	112,315
Inventories and prepaid items	405,567
Capital assets:	
Land	1,063,267
Right of way	1,159,599
Construction in progress	2,214,304
Other capital assets, net of depreciation	69,204,284
Investment in joint ventures	5,216,665
	<hr/>
Total assets	107,260,911
<b>Deferred Outflows Of Resources</b>	
Pension related amounts	1,271,702
Other postemployment benefits related amounts	253,817
	<hr/>
Total deferred outflows of resources	1,525,519
<b>Liabilities</b>	
Accounts payable	1,346,232
Accrued liabilities and deposits	1,040,720
Due to other governments	184,605
Unearned revenues	18,252
Noncurrent liabilities:	
Due within one year	1,252,516
Due in more than one year	15,005,344
	<hr/>
Total liabilities	18,847,669
<b>Deferred Inflows Of Resources</b>	
Pension related amounts	1,127,659
Other postemployment benefits related amounts	510,095
Unearned revenues	64,241
	<hr/>
Total deferred inflows of resources	1,701,995
<b>Net Position</b>	
Net investment in capital assets	66,246,196
Restricted for:	
Debt service	611,115
Statutory requirements	1,014,528
ARMER radio system	16,130
Missing heirs	24,875
Veteran's memorial	59,615
Road and bridge	2,122,835
Small cities development	109,051
Unrestricted	18,032,421
	<hr/>
Total net position	\$ 88,236,766

See notes to financial statements

**Waseca County**

## Statement of Activities

Year Ended December 31, 2020

Functions/Programs	Expenses	Program Revenues			Net (Expenses)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenues and Changes in Net Position
					Governmental Activities
<b>Governmental Activities</b>					
General government	\$ 7,396,931	\$ 599,928	\$ 610,593	\$ 18,852	\$ (6,167,558)
Public safety	4,192,597	68,178	604,641	-	(3,519,778)
Public works	5,669,416	272,933	2,029,925	3,533,154	166,596
Sanitation	941,077	575,112	65,492	-	(300,473)
Health and human services	4,610,510	341,143	477,274	-	(3,792,093)
Culture, recreation and education	381,180	25,495	-	-	(355,685)
Conservation and development	1,708,117	440,944	124,189	-	(1,142,984)
Interest and fiscal charges	268,367	-	-	-	(268,367)
Total governmental activities	<u>25,168,195</u>	<u>2,323,733</u>	<u>3,912,114</u>	<u>3,552,006</u>	<u>(15,380,342)</u>
Total	<u>\$ 25,168,195</u>	<u>\$ 2,323,733</u>	<u>\$ 3,912,114</u>	<u>\$ 3,552,006</u>	<u>(15,380,342)</u>
<b>General Revenues</b>					
Taxes:					
Property taxes, levied for general purposes					15,701,568
Property taxes, levied for debt service					491,747
Other taxes					2,519,406
Intergovernmental revenues not restricted to specific programs					3,625,135
Investment income (including unrealized gains/losses)					270,142
Miscellaneous					<u>1,170,008</u>
Total general revenues					<u>23,778,006</u>
<b>Special Item</b>					
Tax court settlement					<u>(275,427)</u>
Change in net position					8,122,237
<b>Net Position, Beginning</b>					<u>80,114,529</u>
<b>Net Position, Ending</b>					<u>\$ 88,236,766</u>

See notes to financial statements

**Waseca County**

 Balance Sheet  
 Governmental Funds  
 December 31, 2020

	General Fund	Special Revenue			Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
		Road & Bridge	Ditch	Special Revenue			
<b>Assets</b>							
Cash and investments	\$ 5,787,030	\$ 13,936,663	\$ 801,155	\$ 3,314,114	\$ 585,083	\$ 674,214	\$ 25,098,259
Receivables:							
Delinquent taxes	150,537	42,307	-	-	5,764	-	198,608
Accounts	39,280	-	-	4,000	46,431	88,209	177,920
Due from other governments	89,743	1,007,681	103,694	63,677	-	-	1,264,795
Interest	26,425	-	-	-	-	-	26,425
Special assessments	1,007,396	-	92,662	-	-	7,388	1,107,446
Notes, net	-	-	-	-	-	112,315	112,315
Due from other funds	107,537	-	-	-	-	-	107,537
Inventories and prepaid items	13,616	347,829	2,667	41,255	-	200	405,567
Advances to other funds	2,212,752	-	-	-	-	-	2,212,752
<b>Total assets</b>	<b>\$ 9,434,316</b>	<b>\$ 15,334,480</b>	<b>\$ 1,000,178</b>	<b>\$ 3,423,046</b>	<b>\$ 637,278</b>	<b>\$ 882,326</b>	<b>\$ 30,711,624</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>							
<b>Liabilities</b>							
Accounts payable	\$ 181,465	\$ 662,493	\$ 85,606	\$ 135,215	\$ 500	\$ 269,496	\$ 1,334,775
Accrued liabilities	294,129	52,155	-	5,802	-	8,173	360,259
Due to other governments	184,605	-	-	-	-	-	184,605
Due to other funds	-	-	-	-	-	107,537	107,537
Advances from other funds	-	-	2,212,752	-	-	-	2,212,752
Unearned revenues	-	-	-	18,252	-	-	18,252
Deposits	9,992	-	-	641,100	-	3,706	654,798
<b>Total liabilities</b>	<b>670,191</b>	<b>714,648</b>	<b>2,298,358</b>	<b>800,369</b>	<b>500</b>	<b>388,912</b>	<b>4,872,978</b>
<b>Deferred Inflows of Resources</b>							
Unearned revenues	-	-	-	29,395	-	34,846	64,241
Unavailable revenues	1,157,526	896,352	88,697	-	3,914	117,901	2,264,390
<b>Total deferred inflows of resources</b>	<b>1,157,526</b>	<b>896,352</b>	<b>88,697</b>	<b>29,395</b>	<b>3,914</b>	<b>152,747</b>	<b>2,328,631</b>
<b>Fund Balances</b>							
Nonspendable	1,626,368	347,829	2,667	41,255	-	200	2,018,319
Restricted	24,875	2,122,835	-	1,074,143	632,864	547,010	4,401,727
Committed	-	11,252,816	-	-	-	408,646	11,661,462
Assigned	1,481,227	-	-	1,477,884	-	-	2,959,111
Unassigned (deficit)	4,474,129	-	(1,389,544)	-	-	(615,189)	2,469,396
<b>Total fund balances (deficit)</b>	<b>7,606,599</b>	<b>13,723,480</b>	<b>(1,386,877)</b>	<b>2,593,282</b>	<b>632,864</b>	<b>340,667</b>	<b>23,510,015</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 9,434,316</b>	<b>\$ 15,334,480</b>	<b>\$ 1,000,178</b>	<b>\$ 3,423,046</b>	<b>\$ 637,278</b>	<b>\$ 882,326</b>	<b>\$ 30,711,624</b>

See notes to financial statements

## Waseca County

### Reconciliation of the Governmental Funds Balance Sheet

With the Statement of Net Position

December 31, 2020

**Total Fund Balance, Governmental Funds** \$ 23,510,015

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 3. 73,641,454

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 3. 2,264,390

Investments in joint ventures are not financial resources and, therefore, are not reported in the funds. 5,216,665

Deferred outflows of resources do not relate to current financial resources and are not reported in the fund statements.

Deferred outflows, pension related amounts	\$ 1,271,702	
Deferred outflows, other postemployment benefit related amounts	<u>253,817</u>	1,525,519

Deferred inflows of resources do not relate to current financial resources and are not reported in the fund statements.

Deferred inflows, pension related amounts	(1,127,659)	
Deferred inflows, other postemployment benefits related amounts	<u>(510,095)</u>	(1,637,754)

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	(7,020,000)	
Capital lease liability	(39,707)	
Unamortized premium on debt	(436,586)	
Accrued interest on general obligation debt	(25,663)	
Net pension liability	(5,995,176)	
Compensated absences	(1,073,418)	
Other postemployment benefits	<u>(1,692,973)</u>	<u>(16,283,523)</u>

**Total Net Position, Governmental Activities** \$ 88,236,766

**Waseca County**

 Statement of Revenues, Expenditures and Changes in Fund Balances -  
 Governmental Funds  
 Year Ended December 31, 2020

	General Fund	Special Revenue			Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
		Road and Bridge	Ditch	Special Revenue			
<b>Revenues</b>							
Taxes	\$ 12,222,511	\$ 4,662,482	\$ -	\$ -	\$ 491,747	\$ -	\$ 17,376,740
Special assessments	411,770	-	621,056	-	-	246,838	1,279,664
Intergovernmental	2,121,676	5,929,485	94,083	3,141,742	11,126	89,451	11,387,563
Licenses and permits	296,552	-	-	27,955	-	-	324,507
Public charges for services	629,020	164,611	-	90,825	-	312,041	1,196,497
Investment income (including unrealized gains)	286,704	-	-	-	185,725	9,310	481,739
Miscellaneous	297,966	129,516	-	68,646	-	51,384	547,512
<b>Total revenues</b>	<b>16,266,199</b>	<b>10,886,094</b>	<b>715,139</b>	<b>3,329,168</b>	<b>688,598</b>	<b>709,024</b>	<b>32,594,222</b>
<b>Expenditures</b>							
Current:							
General government	5,596,093	-	-	1,544,882	-	2,339	7,143,314
Public safety	3,482,422	-	-	387,628	-	-	3,870,050
Public works	-	5,953,359	-	-	-	-	5,953,359
Sanitation	-	-	-	-	-	992,760	992,760
Health and human services	4,541,700	-	-	34,693	-	-	4,576,393
Culture, recreation, and education	396,697	-	-	-	-	-	396,697
Conservation and development	1,036,945	-	621,797	24,521	-	-	1,683,263
Capital outlay	434,722	716,993	-	169,225	-	2,911,406	4,232,346
Debt service:							
Principal retirement	-	-	-	-	760,000	-	760,000
Interest and fiscal charges	-	-	18,243	-	227,904	64,655	310,802
<b>Total expenditures</b>	<b>15,488,579</b>	<b>6,670,352</b>	<b>640,040</b>	<b>2,160,949</b>	<b>987,904</b>	<b>3,971,160</b>	<b>29,918,984</b>
Excess (deficiency) of revenues over expenditures	777,620	4,215,742	75,099	1,168,219	(299,306)	(3,262,136)	2,675,238
<b>Other Financing Sources (Uses)</b>							
Long term debt issued	-	-	-	-	-	2,675,000	2,675,000
Premium on debt issued	-	-	-	-	-	194,064	194,064
Transfers in	203,094	41,709	-	218,013	261,347	-	724,163
Transfers out	(309,414)	(211,655)	-	(203,094)	-	-	(724,163)
Insurance recovery on capital assets	-	-	-	-	-	222,053	222,053
<b>Total other financing sources (uses)</b>	<b>(106,320)</b>	<b>(169,946)</b>	<b>-</b>	<b>14,919</b>	<b>261,347</b>	<b>3,091,117</b>	<b>3,091,117</b>
<b>Special Item</b>							
Tax court settlement	(275,427)	-	-	-	-	-	(275,427)
<b>Total special item</b>	<b>(275,427)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(275,427)</b>
Net change in fund balances	395,873	4,045,796	75,099	1,183,138	(37,959)	(171,019)	5,490,928
<b>Fund Balances (Deficit), Beginning</b>	<b>7,210,726</b>	<b>9,548,134</b>	<b>(1,461,976)</b>	<b>1,410,144</b>	<b>670,823</b>	<b>511,686</b>	<b>17,889,537</b>
Increase in inventories	-	129,550	-	-	-	-	129,550
<b>Fund Balances (Deficit), Ending</b>	<b>\$ 7,606,599</b>	<b>\$ 13,723,480</b>	<b>\$ (1,386,877)</b>	<b>\$ 2,593,282</b>	<b>\$ 632,864</b>	<b>\$ 340,667</b>	<b>\$ 23,510,015</b>

See 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  
Year Ended December 31, 2020

<b>Net Change in Fund Balances, Total Governmental Funds</b>	<b>\$ 5,490,928</b>
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.	4,232,346
Some items reported as capital outlay were not capitalized.	(290,677)
Some expenditures charged to the functional areas were capitalized.	3,244,455
Depreciation is reported in the government-wide statements.	(3,598,560)
In the statement of activities, only the gain or loss on the disposal of capital assets is reported.	(93,707)
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. \$2,143,372 recognized as revenue on the fund statements was recognized in the government-wide statement in prior years. \$2,264,390 is reported as unavailable revenue in the fund statements but recognized as revenue in the government-wide statements in the current year.	121,018
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	760,000
Debt issued	(2,675,000)
Capital lease repayments	37,443
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)	232,188
Compensated absences	(9,070)
Other postemployment benefits (and related deferred outflows/inflows of resources)	3,348
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.	(151,449)
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.	3,475
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.	685,949
Change in inventory value	129,550
<b>Change in Net Position of Governmental Activities</b>	<b>\$ 8,122,237</b>

See notes to the financial statements

## Waseca County

Statement of Net Position

Internal Service Fund

December 31, 2020

	<b>Self Insurance</b>
<b>Assets</b>	
Cash and investments	\$ 11,457
Total assets	11,457
<b>Liabilities</b>	
Accounts payable	11,457
Total liabilities	11,457
<b>Net Position</b>	
Unrestricted	-
Total net position	\$ -

See notes to the financial statements

## Waseca County

Statement of Revenues, Expenses and  
Changes In Net Position  
Internal Service Fund  
Year Ended December 31, 2020

	<b>Self Insurance</b>
<b>Operating Revenues</b>	
Charges for services	\$ 2,174,109
<b>Operating Expenses</b>	
HSA and VEBA contributions	225,207
Premiums	1,948,902
Total operating expenses	2,174,109
Change in net position	-
<b>Net Position, Beginning</b>	-
<b>Net Position, Ending</b>	\$ -

See notes to the financial statements

## Waseca County

Statement of Cash Flows

Internal Service Fund

Year Ended December 31, 2020

	<b>Self Insurance</b>
<b>Cash Flows From Operating Activities</b>	
Cash received for interfund services	\$ 2,174,109
Cash paid for HSA and VEBA contributions	(225,207)
Cash paid for premiums	(1,948,902)
	<hr/>
Net cash provided by operating activities	11,457
	<hr/>
Net decrease in cash and cash equivalents	11,457
	<hr/>
<b>Cash and Cash Equivalents, Beginning</b>	-
	<hr/>
<b>Cash and Cash Equivalents, Ending</b>	\$ 11,457
	<hr/> <hr/>
<b>Reconciliation of Operating Income to Cash Flows From Operating Activities</b>	
Operating income	\$ -
Adjustments to reconcile operating income to net cash provided by operating activities:	
Change in assets and liabilities:	
Accounts payable	11,457
	<hr/>
Net cash provided by operating activities	\$ 11,457
	<hr/> <hr/>
<b>Noncash Capital, Investing, And Financing Activities</b>	
None	\$ -
	<hr/> <hr/>

See notes to the financial statements

## Waseca County

Statement of Fiduciary Net Position

Fiduciary Funds

December 31, 2020

	<b>Custodial Funds</b>
<b>Assets</b>	
Cash and investments	\$ 851,141
Due from other governments	460,263
Taxes receivable for other governments	553,641
	<hr/>
Total assets	1,865,045
<b>Liabilities</b>	
Accounts payable	7,516
Due to other governments	989,825
	<hr/>
Total liabilities	997,341
<b>Deferred Inflows of Resources</b>	
Advanced contributions	148,633
	<hr/>
<b>Net Position</b>	
Restricted for Individuals, organizations and other governments	\$ 719,071
	<hr/> <hr/>

See notes to the financial statements

## Waseca County

### Statement of Changes in Fiduciary Net Position

#### Fiduciary Funds

Year Ended December 31, 2020

	<b>Total Custodial Funds</b>
<b>Additions</b>	
Property tax collections for other governments	\$ 17,203,568
Other taxes collected for other governments	734,500
License and fees collected for State	80,381
Grant collections for other governments and organizations	1,114,012
Redemption and foreclosure collections for others	4,741
Inmate canteen collections	20,178
Execution collections for others	80,270
	<hr/>
Total additions	19,237,650
<b>Deductions</b>	
Payments of property tax to other governments	17,182,691
Payments of other taxes to other governments	734,500
Payments to state	80,381
Payment of grants to other governments and organizations	1,076,975
Administrative expenses	3,603
Payment of inmate canteen collections to inmates and others	13,725
Payment of writs of execution to others	80,140
Payments to other entities	37,037
	<hr/>
Total deductions	19,209,052
Change in fiduciary net position	28,598
<b>Net Position, Beginning (as restated)</b>	<hr/> 690,473
<b>Net Position, Ending</b>	<hr/> <hr/> \$ 719,071

See notes to the financial statements

# Waseca County

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December 31, 2020

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# Waseca County

Notes to Financial Statements

December 31, 2020

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## 1. Summary of Significant Accounting Policies

The accounting policies of Waseca County, Minnesota (the County) 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).

### Reporting Entity

The 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.

### Government-Wide and Fund Financial Statements

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. This statement establishes criteria for identifying fiduciary activities of all state and local governments for accounting and financial reporting purposes and how those activities should be reported. This standard was implemented January 1, 2020.

### 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 the 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. The 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 Financial Statements  
December 31, 2020

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## 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 the County or meets the following criteria:

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.

In addition, any other governmental fund that the 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.

The County reports the following major governmental funds:

General Fund - accounts for the 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.

Special Revenue Fund – used to account for and reports grants and local revenues legally restricted or committed for to supporting expenditures for specific programs.

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.

The 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).

Small Cities Development  
Economic Development  
Waste Management

## Waseca County

Notes to Financial Statements  
December 31, 2020

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Capital Projects Funds – 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.

### Capital Projects

In addition, the 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

Custodial funds are used to account for and report assets controlled by the County and the assets are for the benefit of individuals, private organizations and/or other governmental units.

Taxes and penalties

Library

State revenue

Individuals, organizations, and other government revenue

## 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.

### 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, the 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.

## Waseca County

Notes to Financial Statements  
December 31, 2020

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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 the 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, and 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.

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

#### 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:

- a. 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.

## Waseca County

Notes to Financial Statements

December 31, 2020

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- b. State and local securities that meet specified bond ratings by a national rating service.
- c. 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.
- d. Mutual fund through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments.
- e. Banker's acceptances of United States banks.
- f. 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.

### **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 3. 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.

The 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 3. for further information.

# Waseca County

Notes to Financial Statements  
December 31, 2020

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## 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 custodial 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.

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.

## 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.

## 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.

## Waseca County

Notes to Financial Statements  
December 31, 2020

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:

	<u>Years</u>
Machinery and equipment	5 - 25
Improvements	20
Buildings	50 - 150
Roads	25 - 50
Bridges	75

### 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.

### 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.

### 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, 2020 are determined on the basis of current salary rates and include salary related payments.

### 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.

# Waseca County

Notes to Financial Statements  
December 31, 2020

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## 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.

## 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.
- 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.

## Waseca County

Notes to Financial Statements  
December 31, 2020

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- 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.

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, 2020 were as follows: \$4.5 million for the general fund and \$11.3 million for roads and bridges.

### **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.

### **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 Financial Statements  
December 31, 2020

### 2. Stewardship, Compliance and Accountability

#### 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.

#### Excess Expenditures Over Appropriations

Fund	<u>Budgeted Expenditures and Other Financing Uses</u>	<u>Actual Expenditures, Other Financing Uses and Special Items</u>	<u>Excess Over Budget</u>
Ditch	\$ 600,000	\$ 640,040	\$ 40,040
Special revenue	851,862	2,364,043	1,512,181

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.

#### Deficit Balances

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

As of December 31, 2020, the Ditch fund held a deficit balance of \$1,386,877 due to expenditures in excess of revenues. The deficit is anticipated to be funded with future special assessments.

As of December 31, 2020, the Capital Projects fund held a deficit balance of \$107,537 due to expenditures in excess of revenues. The deficit is anticipated to be funded by General Fund reserves.

## Waseca County

Notes to Financial Statements  
December 31, 2020

### 3. Detailed Notes on All Funds

#### 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:

	<u>Carrying Value</u>	<u>Bank Balance</u>	<u>Associated Risks</u>
Deposits	\$ 11,637,899	\$ 12,390,910	Custodial credit
Money market	153,362	153,362	Custodial credit
Negotiable CD's	2,868,010	2,868,010	Custodial credit, credit, concentration of credit, interest rate
MAGIC portfolio	10,946,068	10,946,068	Credit, interest rate
U.S. agencies – implicitly guaranteed	299,862	299,862	Custodial credit, credit, concentration of credit, interest rate
U.S. treasuries	28,706	42,658	Custodial credit, interest rate
Petty cash	26,950	-	N/A
Total cash and investments	<u>\$ 25,960,857</u>	<u>\$ 26,700,870</u>	
Reconciliation to financial statements:			
Per statement of net position:			
Unrestricted cash and investments	\$ 25,109,716		
Per statement of fiduciary net position – fiduciary funds	<u>851,141</u>		
Total cash and investments	<u>\$ 25,960,857</u>		

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, 2020, the banks had pledged various government securities totaling \$15,993,047 to secure the County's deposits.

## Waseca County

Notes to Financial Statements  
December 31, 2020

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:

- a. Quoted market prices
- b. Matrix pricing models

Investment Type	Assets at Fair Value as of December 31, 2020			
	Level 1	Level 2	Level 3	Total
Negotiable CD's	\$ -	\$ 2,868,010	\$ -	\$ 2,868,010
U.S. agencies – implicitly guaranteed	-	299,862	-	299,862
U.S. treasuries	-	28,706	-	28,706
Total assets in the fair value hierarchy	\$ -	\$ 3,196,578	\$ -	\$ 3,196,578

### 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.

#### Credit Risk

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

As of December 31, 2020, the County's investments were rated as follows:

Investment Type	Standard & Poors
U.S. agencies – implicitly guaranteed	AA+

## Waseca County

Notes to Financial Statements  
December 31, 2020

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.

At December 31, 2020, the investment portfolio was concentrated as follows:

<u>Issuer</u>	<u>Investment Type</u>	<u>Percentage of Portfolio</u>
Ally Bank CD	Negotiable CD's	6.30 %
BMO Harris Bank NA CD	Negotiable CD's	6.23
BMW BK N America CD	Negotiable CD's	6.25
Capital One Bk USA NA CD	Negotiable CD's	7.72
Capital One Natl Assn Mclean VA	Negotiable CD's	6.32
JP Morgan Chase BK NA CD	Negotiable CD's	7.65
Live Oak BKG CO Wilmington NC	Negotiable CD's	6.65
Safra National Bank CD	Negotiable CD's	7.64
Federal Home Loan Bank	U.S. agencies – implicitly guaranteed	9.34

### 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, 2020, the County's investments were as follows:

<u>Investment Type</u>	<u>Maturity (in Years)</u>			
	<u>Bank Balance</u>	<u>Less Than 1 Year</u>	<u>1 - 5 Years</u>	<u>More Than 5 Years</u>
Negotiable CD's	\$ 2,868,010	\$ 1,497,340	\$ 1,125,220	\$ 245,450
MAGIC	10,946,068	10,946,068	-	-
U.S. agencies – implicitly guaranteed	299,862	-	299,862	-
U.S. treasuries	42,658	25,513	17,145	-
Total	<u>\$ 14,156,598</u>	<u>\$ 12,468,921</u>	<u>\$ 1,442,227</u>	<u>\$ 245,450</u>

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

## Waseca County

Notes to Financial Statements  
December 31, 2020

### 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	\$ 1,313,381	\$ 912,308
Road and bridge	1,049,988	9,327
Ditch	196,356	22,549
Special revenue	67,677	-
Debt service	52,195	865
Nonmajor governmental funds	207,912	110,238

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	\$ -	\$ 135,934
Accounts receivable	-	20,000
Due from other governments	-	868,043
Interest receivable	-	26,419
Special assessments receivable	-	1,101,679
Notes receivable	-	112,315
Grant drawdowns prior to meeting eligibility requirements	18,252	-
Grants received in advance of time requirements	64,241	-
	<u>82,493</u>	<u>2,264,390</u>
Total unavailable/unearned revenue for governmental funds	<u>\$ 82,493</u>	<u>\$ 2,264,390</u>
Unearned revenue included in liabilities	\$ 18,252	
Unearned revenue included in deferred inflows	64,241	
	<u>82,493</u>	
Total unearned revenue for governmental activities	<u>\$ 82,493</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, 2020, 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 percent, has an outstanding balance of \$7,753 as of December 31, 2020. The second loan, an eight-year loan with an interest rate of 5.9 percent, has an outstanding balance of \$17,587 as of December 31, 2020, 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 percent, has an outstanding balance of \$35,049 as of December 31, 2020.

## Waseca County

Notes to Financial Statements

December 31, 2020

### Capital Assets

Capital asset activity for the year ended December 31, 2020 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<b>Capital Assets Not Being Depreciated</b>				
Land	\$ 871,267	\$ 192,000	\$ -	\$ 1,063,267
Right of way	1,159,599	-	-	1,159,599
Construction in progress	6,395,562	3,928,609	(8,109,867)	2,214,304
Total capital assets not being depreciated	<u>8,426,428</u>	<u>4,120,609</u>	<u>(8,109,867)</u>	<u>4,437,170</u>
<b>Capital Assets Being Depreciated:</b>				
Buildings	5,945,423	6,973,883	-	12,919,306
Improvements	2,178,932	773,810	-	2,952,742
Machinery and equipment	10,069,237	2,398,738	(471,629)	11,996,346
Roads	76,797,772	149,509	-	76,947,281
Bridges	6,048,081	879,442	-	6,927,523
Total capital assets being depreciated	<u>101,039,445</u>	<u>11,175,382</u>	<u>(471,629)</u>	<u>111,743,198</u>
<b>Less Accumulated Depreciation for</b>				
Buildings	(2,342,430)	(131,653)	-	(2,474,083)
Improvements	(313,508)	(136,158)	-	(449,666)
Machinery and equipment	(6,400,634)	(1,108,900)	377,922	(7,131,612)
Roads	(29,211,436)	(2,141,208)	-	(31,352,644)
Bridges	(1,050,268)	(80,641)	-	(1,130,909)
Total accumulated depreciation	<u>(39,318,276)</u>	<u>3,598,560</u>	<u>377,922</u>	<u>(42,538,914)</u>
Total capital assets being depreciated, net of depreciation	<u>\$ 61,721,169</u>	<u>\$ 7,576,822</u>	<u>\$ (93,707)</u>	<u>\$ 69,204,284</u>

# Waseca County

Notes to Financial Statements  
December 31, 2020

Depreciation expense was charged to functions as follows:

<b>Governmental Activities</b>	
General government	\$ 465,409
Public safety	485,400
Public works, which includes the depreciation of roads and bridges	2,583,438
Health and human services	4,013
Sanitation	60,300
	<hr/>
Total governmental activities depreciation expense	<u>\$ 3,598,560</u>

## Interfund Receivables/Payables, Advances and Transfers

### Interfund Receivables/Payables

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Capital projects	\$ 107,537
Less fund eliminations		<u>(107,537)</u>
Total government-wide statement of net position		<u>\$ -</u>

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 percent. No repayment schedule has been established.

The following is a schedule of interfund advances:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	<u>Amount Not Due Within One Year</u>
General fund	Ditch	\$ 2,212,752	\$ 1,612,752
Less fund eliminations		<u>(2,212,752)</u>	
Total government-wide statement of net position		<u>\$ -</u>	

# Waseca County

Notes to Financial Statements  
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## 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>
General fund	Special revenue	\$ 203,094	Training reimbursement, fund soil treatment program, grant payments, reimbursement for software and utilities
Road and bridge	General fund	41,709	Tax court settlement
Special revenue	General fund	218,013	HRIS software package, land records management system, grant payments, cover deficit balances
Debt service	General fund	49,692	Community services building debt, tax court settlement
Debt service	Road and bridge	<u>211,655</u>	Payment of debt
Total fund financial statements		724,163	
Less fund eliminations		<u>(724,163)</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.

## Long-Term Obligations

Long-term obligations activity for the year ended December 31, 2020 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Bonds and notes payable:					
General obligation debt	\$ 5,105,000	\$ 2,675,000	\$ 760,000	\$ 7,020,000	\$ 785,000
Premiums/(discounts)	285,137	194,064	42,615	436,586	-
Sub-totals	<u>5,390,137</u>	<u>2,869,064</u>	<u>802,615</u>	<u>7,456,586</u>	<u>785,000</u>
Other liabilities					
Other postemployment benefits	1,630,891	574,561	512,479	1,692,973	-
Compensated absences	1,064,348	454,335	445,265	1,073,418	449,060
Capital lease liability	77,150	-	37,443	39,707	18,456
Net pension liability	5,059,507	1,657,668	721,999	5,995,176	-
Total other liabilities	<u>7,831,896</u>	<u>2,686,564</u>	<u>1,717,186</u>	<u>8,801,274</u>	<u>467,516</u>
Total long-term liabilities	<u>\$ 13,222,033</u>	<u>\$ 5,555,628</u>	<u>\$ 2,519,801</u>	<u>\$ 16,257,860</u>	<u>\$ 1,252,516</u>

# Waseca County

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## 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 percent of the market value of taxable property within the County's jurisdiction. The debt limit as of December 31, 2020 was approximately \$84 million. General obligation debt outstanding at year end subject to the debt limit was \$6,330,000.

General obligation debt payable for the County at December 31, 2020, consists of the following:

General Obligation Debt	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance December 31, 2020
State-Aid Highway Bonds	2007	2022	3.75-4.20 %	\$ 1,240,000	\$ 215,000
Capital Improvement Bonds	2013	2023	0.80-2.60	2,145,000	865,000
State-Aid Highway Bonds	2015	2025	2.00-2.15	910,000	475,000
Capital Improvement Bonds	2019	2029	3.00-4.00	3,090,000	2,835,000
General Obligation Bonds	2020	2032	2.00-3.00	2,675,000	2,630,000
					<u>\$ 7,020,000</u>

Debt service requirements to maturity are as follows:

	General Obligation Debt	
	Principal	Interest
Years:		
2021	\$ 785,000	\$ 210,238
2022	820,000	184,048
2023	920,000	159,606
2024	640,000	134,850
2025	670,000	113,475
2026 - 2030	2,700,000	258,750
2031 - 2032	485,000	814,600
Total	<u>\$ 7,020,000</u>	<u>\$ 1,075,567</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 and bridge fund.

# Waseca County

Notes to Financial Statements  
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## Lease Disclosures

### 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, 2020, are as follows:

	Governmental Activities		
	Principal	Interest	Total
Years:			
2021	\$ 18,456	\$ 1,685	\$ 20,141
2022	21,251	721	21,972
Total	\$ 39,707	\$ 2,406	\$ 42,113

### Net Position/Fund Balances

Net position reported on the government wide statement of net position at December 31, 2020 includes the following:

Net investment in capital assets:

Land	\$ 1,063,267
Right of way	1,159,599
Construction in progress	2,214,304
Other capital assets, net of accumulated depreciation	69,204,284
Less related long-term debt outstanding (excluding unspent capital related debt proceeds)	(6,958,672)
Less unamortized debt premium	(436,586)
Total net investment in capital assets	\$ 66,246,196

Governmental fund balances reported on the fund financial statements at December 31, 2020, include the following:

	General Fund	Road and Bridge	Ditch	Special Revenue	Debt Service	Nonmajor Funds	Total
<b>Nonspendable:</b>							
Inventories and prepaids	\$ 13,616	\$ 347,829	\$ 2,667	\$ 41,255	\$ -	\$ 200	\$ 405,567
Long-term advances	1,612,752	-	-	-	-	-	1,612,752
<b>Restricted for:</b>							
Missing heirs	24,875	-	-	-	-	-	24,875
Road and bridge	-	752,743	-	-	-	-	752,743
Wheelage Tax	-	1,370,092	-	-	-	-	1,370,092
Debt service	-	-	-	-	632,864	-	632,864
ARMER radio system	-	-	-	-	-	16,130	16,130
Other capital projects	-	-	-	-	-	491,522	491,522
Small cities development	-	-	-	-	-	39,358	39,358
Veteran's memorial Statutory requirements	-	-	-	59,615	-	-	59,615
	-	-	-	1,014,528	-	-	1,014,528

# Waseca County

Notes to Financial Statements  
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	General Fund	Road and Bridge	Ditch	Special Revenue	Debt Service	Nonmajor Funds	Total
<b>Committed to:</b>							
Economic development	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 87,322	\$ 87,322
Waste management	-	-	-	-	-	321,324	321,324
Road and bridge	-	11,252,816	-	-	-	-	11,252,816
<b>Assigned to:</b>							
Compensated absences	707,328	-	-	-	-	-	707,328
Squad car purchases	589,399	-	-	-	-	-	589,399
Regional radio upgrade	145,000	-	-	-	-	-	145,000
Veterans van purchase	2,500	-	-	-	-	-	2,500
Jail monitoring system	37,000	-	-	-	-	-	37,000
COVID-19 expenditures	-	-	-	963,142	-	-	963,142
Other minor items	-	-	-	514,742	-	-	514,742
<b>Unassigned (Deficit)</b>	<b>4,474,129</b>	<b>-</b>	<b>(1,389,544)</b>	<b>-</b>	<b>-</b>	<b>(615,189)</b>	<b>2,469,396</b>
Total fund balances (deficit)	<u>\$ 7,606,599</u>	<u>\$ 13,723,480</u>	<u>\$ (1,386,877)</u>	<u>\$ 2,593,282</u>	<u>\$ 632,864</u>	<u>\$ 340,667</u>	<u>\$ 23,510,015</u>

## Restatement of Net Position

Net position has been restated as a result of the implementation of GASB Statement No. 84 – *Fiduciary Activities*. This statement requires recording accruals and ending net position in custodial funds not previously recorded. Beginning net position has been restated to reflect this change.

	Custodial Funds
Net Position – December 31, 2019 (as reported)	\$ -
Change in accounting principles	690,473
Net Position – December 31, 2019 (as restated)	<u>\$ 690,473</u>
Net income of the prior year would have been increased by	<u>\$ 278,053</u>

## 4. Other Information

### 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.

## **General Employees Retirement Plan**

The General Employees Retirement Plan covers certain full time and part-time employees of the County. General Employees Plan members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

## **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.

## **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.

## **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.

Benefit increases are provided to benefit recipients each January. The postretirement increase is 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. 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.

## Waseca County

Notes to Financial Statements  
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### 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. For Police and Fire Plan members who were first hired prior to July 1, 1989, a full annuity is available when age plus years of service equal at least 90.

Benefit increases are provided to benefit recipients each January. 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. Recipients receiving the annuity or benefit for at least 25 months but less than 36 months as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

### Correctional Plan 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.

Benefit increases are provided to benefit recipients each January. 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. 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.

### General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2020 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, 2020 were \$429,587. The County's contributions were equal to the required contributions as set by state statute.

### Police and Fire Fund Contributions

Police and Fire member's contribution rates increased from 11.3 percent of their annual covered salary to 11.8 percent and employer rates increased from 16.95 percent to 17.70 percent on January 1, 2020. The County's contributions to the Police and Fire Fund for the year ended December 31, 2020 were \$167,934. The County's contributions were equal to the required contributions as set by state statute.

## Waseca County

Notes to Financial Statements  
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### 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 2020. The County's contributions to the Correctional Fund for the year ended December 31, 2020, were \$34,073. The County's contributions were equal to the required contributions as set by state statute.

### Pension Costs

#### General Employees Fund Pension Costs

At December 31, 2020, the County reported a liability of \$4,814,352 for its proportionate share of the General Employees Fund's net pension liability. The County's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. 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 \$148,500. The net pension liability was measured as of June 30, 2020 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, 2019 through June 30, 2020, relative to the total employer contributions received from all of PERA's participating employers. The County's proportionate share was 0.0803 percent at the end of the measurement period and 0.0748 percent for the beginning of the period.

County's proportionate share of the net pension liability	\$	4,814,352
State of Minnesota's proportionate share of the net pension liability associated with the County		<u>148,500</u>
Total	\$	<u><u>4,962,852</u></u>

For the year ended December 31, 2020, the County recognized pension expense of \$380,238 for its proportionate share of the General Employees Plan's pension expense. In addition, the County recognized \$12,924 as grant revenue for its proportionate share of the State of Minnesota's pension expense for the annual \$16 million contribution.

At December 31, 2020, 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:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 40,876	\$ 18,215
Changes in actuarial assumptions	-	171,250
Net collective difference between projected and actual investment earnings	107,789	-
Changes in proportion	241,931	23,939
Contributions paid to PERA subsequent to the measurement date	<u>219,663</u>	<u>-</u>
Total	<u><u>\$ 610,259</u></u>	<u><u>\$ 213,404</u></u>

## Waseca County

Notes to Financial Statements  
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The \$219,663 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, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

	<b>Pension Expense Amount</b>
Year ended December 31:	
2021	\$ (191,308)
2022	85,119
2023	167,064
2024	116,317
	<hr/>
Total	\$ 177,192

### Police and Fire Fund Pension Costs

At December 31, 2020, the County reported a liability of \$1,132,254 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2020 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, 2019 through June 30, 2020, relative to the total employer contributions received from all of PERA's participating employers. The County's proportionate share was 0.0859 percent at the end of the measurement period and 0.0845 percent for the beginning of the period.

The State of Minnesota contributed \$13.5 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2020. The contribution consisted of \$4.5 million in direct state aid that does meet the definition of a special funding situation and \$9.0 million in supplemental state aid that does not meet the definition of a special funding situation. The \$4.5 million direct state was paid on October 1, 2019. Thereafter, by October 1 of each year, the state will pay \$9 million to the Police and Fire Fund until full funding is reached or July 1, 2048, whichever is earlier. The \$9 million in supplemental state aid will continue until the fund is 90 percent funded, or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90 percent funded, whichever occurs later.

The State of Minnesota is included as a non-employer contributing entity in the Police and Fire Retirement Plan Schedule of Employer Allocations and Schedule of Pension Amounts by Employer, Current Reporting Period Only (pension allocation schedules) for the \$4.5 million in direct state aid. Police and Fire Plan employers need to recognize their proportionate share of the State of Minnesota's pension expense (and grant revenue) under GASB 68 special funding situation accounting and financial reporting requirements.

For the year ended December 31, 2020, the County recognized pension expense of \$133,282 for its proportionate share of the Police and Fire Plan's pension expense. The County recognized \$7,731 as grant revenue for its proportionate share of the State of Minnesota's pension expense for the contribution of \$4.5 million to the Police and Fire Fund.

## Waseca County

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The State of Minnesota is not included as a non-employer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the \$9 million in supplemental state aid. The County recognized \$7,731 for the year ended December 31, 2020 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.

County's proportionate share of the net pension liability	\$ 1,132,254
State of Minnesota's proportionate share of the net pension liability associated with the County	<u>26,667</u>
Total	<u>\$ 1,158,921</u>

At December 31, 2020, 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:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual economic experience	\$ 48,913	\$ 51,953
Changes in actuarial assumptions	366,631	697,347
Net collective difference between projected and actual investment earnings	42,546	-
Changes in proportion	86,089	47,930
Contributions paid to PERA subsequent to the measurement date	<u>88,018</u>	<u>-</u>
Total	<u>\$ 632,197</u>	<u>\$ 797,230</u>

The \$88,018 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, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

	<b>Pension Expense Amount</b>
Year ended December 31:	
2021	\$ (71,750)
2022	(295,388)
2023	47,531
2024	63,275
2025	<u>3,281</u>
Total	<u>\$ (253,051)</u>

## Waseca County

Notes to Financial Statements  
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### Correctional Plan Pension Costs

At December 31, 2020, the County reported a liability of \$48,570 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, 2019 through June 30, 2020 relative to the total employer contributions received from all of PERA's participating employers. The County's proportionate share was 0.1790 percent at the end of the measurement period and 0.1762 percent for the beginning of the period.

For the year ended December 31, 2020, the County recognized pension expense of (\$91,434) for its proportionate share of the Correctional Plan's pension expense.

At December 31, 2020, the County reported its proportionate share of the Correctional Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual economic experience	\$ 457	\$ 17,847
Changes in actuarial assumptions	-	98,802
Net collective difference between projected and actual investment earnings	9,088	-
Changes in proportion	291	376
Contributions paid to PERA subsequent to the measurement date	19,410	-
Total	<u>\$ 29,246</u>	<u>\$ 117,025</u>

The \$19,410 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, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

	<b>Pension Expense Amount</b>
Year ended December 31:	
2021	\$ (113,427)
2022	(5,326)
2023	2,802
2024	8,762
Total	<u>\$ (107,189)</u>

### Total Pension Expense

The total pension expense for all plans recognized by the County for the year ended December 31, 2020 was \$443,214.

# Waseca County

Notes to Financial Statements  
December 31, 2020

## Actuarial Assumptions

The total pension liability in the June 30, 2020, actuarial valuation was determined using an individual entry-age normal actuarial cost method and the following actuarial assumptions:

	<u>General Employees Fund</u>	<u>Police and Fire Fund</u>	<u>Correctional Fund</u>
Inflation	2.25% per year	2.50% per year	2.50% per year
Active Member Payroll Growth	3.00% per year	3.25% per year	3.25% per year
Investment Rate of Return	7.50%	7.50%	7.50%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants for all plans were based on Pub-2010 General Employee Mortality table for the General Employees Plan and RP 2014 tables for the Police and Fire and Correctional Plans 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 and 2.0 percent per year for the Correctional Plan. For the Police and Fire Plan, cost of living benefit increases for retirees are 1.0 percent per year as set by state statute.

Actuarial assumptions used in the June 30, 2020 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 assumption changes were adopted by the Board and became effective with the July 1, 2020 actuarial valuation. The four-year experience study used 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. Inflation and investment return assumptions for the Police and Fire Plan and the Correctional Plan are based on the General Employees Retirement Plan experience study completed in 2019. The most recent four-year experience studies for the Police and Fire Plan and the Correctional Plan were completed in 2020. The recommended assumptions for those plans were adopted by the Board and will be effective with the July 1, 2021 actuarial valuations if approved by the Legislature.

The following changes in actuarial assumptions and plan provisions occurred in 2020:

### General Employees Fund

Changes in Actuarial Assumptions:

- The price inflation assumption was decreased from 2.50 percent to 2.25 percent.
- The payroll growth assumption was decreased from 3.25 percent to 3.00 percent.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25 percent less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.

## Waseca County

Notes to Financial Statements

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- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The morality projection scale was changed from MP-2018 to MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100 percent Joint & Survivor option changed from 35 percent to 45 percent. The assumed number of married female new retirees electing the 100 percent Joint & Survivor option changed from 15 percent to 30 percent. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions:

- Augmentation for current privatized members was reduced to 2.0 percent for the period July 1, 2020 through December 31, 2023 and 0.0 percent after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

### Police and Fire Fund

Changes in Actuarial Assumptions:

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

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-2018 to MP-2019.

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

## Waseca County

Notes to Financial Statements  
December 31, 2020

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:

	<b>Long-Term Real Rate of Return</b>	<b>Target Allocation</b>
Domestic equity	5.10 %	35.5 %
Private markets	5.30	17.5
Fixed income	0.75	20.0
International equity	5.90	25.0
Cash equivalents	0.00	2.0

### Discount Rate

The discount rate used to measure the total pension liability in 2020 was 7.5 percent. 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.

### 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:

	<b>1% Decrease to Discount Rate</b>	<b>Current Discount Rate</b>	<b>1% Increase to Discount Rate</b>
County's proportionate share of the General Employees Fund net pension liability	\$ 7,715,736	\$ 4,814,352	\$ 2,420,943
County's proportionate share of the Police and Fire Fund net pension liability	2,256,745	1,132,254	201,935
County's proportionate share of the Correctional Fund net pension liability (asset)	301,225	48,570	(154,225)
Total	<u>\$ 10,273,706</u>	<u>\$ 5,995,176</u>	<u>\$ 2,468,653</u>

## Waseca County

Notes to Financial Statements  
December 31, 2020

### 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](http://www.mnpera.org).

### 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 No. 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.

#### Employees Covered by Benefit Terms

At December 31, 2020, 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>122</u>
Total	<u><u>139</u></u>

#### Total OPEB Liability

The County's total OPEB liability of \$1,692,973 was measured as of December 31, 2020, and was determined by an actuarial valuation as of the same date.

## Waseca County

Notes to Financial Statements  
December 31, 2020

### Actuarial Assumptions and Other Inputs

The total OPEB liability as of December 31, 2020 was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.25 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, 2020
Healthcare cost trend rates	8.0 percent, decreasing 0.5 percent per year to an ultimate rate of 4.5 percent for 2028 and later years
Retirees' share of benefit-related costs	Assumed to increase according to health care trend rates

The discount rate was based on a yield for 20-year tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Mortality rates were based on SOA Pub-2010 General and Public Safety Headcount Weighted Mortality Tables fully generational using Scale MP-2020.

The actuarial assumptions used in the December 31, 2020 valuation were based on input from a 2013 experience study as well as a variety of published sources of historical and projected future data.

### Changes in the Total OPEB Liability

	<b>Total OPEB Liability</b>
Balances at December 31, 2019	<u>\$ 1,630,891</u>
Changes for the year:	
Service cost	104,054
Interest	54,766
Differences between expected and actual experience	(202,907)
Changes in assumptions or other inputs	217,089
Benefit payments	<u>(110,920)</u>
Net changes	<u>62,082</u>
Balances at December 31, 2020	<u><u>\$ 1,692,973</u></u>

Changes of assumptions and other inputs reflect a change in the discount rate from 3.26 percent in 2019 to 2.12 percent in 2020. The trend rate assumption has not changed since the initial valuation. The initial rate shown above is as of December 31, 2020 and has decreased from the initial rate in the January 1, 2019 actuarial valuation due to the assumed decrease over the selected period.

## Waseca County

Notes to Financial Statements  
December 31, 2020

### 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 (1.12%)</u>	<u>Discount Rate (2.12%)</u>	<u>1% Increase (3.12%)</u>
Total OPEB liability	\$ 1,808,042	\$ 1,692,973	\$ 1,584,908

### 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:

	<u>1% Decrease (7.0% Decreasing to 3.5%)</u>	<u>Healthcare Cost Trend Rates (8.0% Decreasing to 4.5%)</u>	<u>1% Increase (9.0% decreasing to 5.5%)</u>
Total OPEB liability	\$ 1,540,078	\$ 1,692,973	\$ 1,868,847

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

For the year ended December 31, 2020, the County recognized OPEB expense of 107,572. At December 31, 2020, the County reported deferred outflows of resources and 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 economic experience	\$ -	\$ 489,206
Changes of actuarial assumptions	253,817	20,889
Total	<u>\$ 253,817</u>	<u>\$ 510,095</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>OPEB Expense Amount</u>
Year ended December 31:	
2021	\$ (51,248)
2022	(51,248)
2023	(51,248)
2024	(51,248)
2025	(51,243)
Thereafter	(43)

## Waseca County

Notes to Financial Statements  
December 31, 2020

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### 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 2020. 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.

### 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 the 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.

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, 2020. Work that has been completed on these projects but not yet paid for (including contract retainages) is reflected as accounts payable and expenditures.

## Waseca County

Notes to Financial Statements  
December 31, 2020

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### 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.

The 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
- The 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 \$258,000 to the Minnesota Counties Computer Cooperative and \$457,000 to the Waseca-LeSueur Regional Library during 2020. All other payments to the other jointly-governed organizations were minimal.

### Joint Ventures

#### Minnesota Prairie County Alliance

Effective January 1, 2015, the 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, the County made payments of approximately \$3.2 million to MNPrairie. Each county is required to make an annual operating contribution. The operating contribution is based 50 percent on the proportion of each member county's population and 50 percent on each member county's estimated market value. The equity interest at December 31, 2020 is \$2,226,253, up from \$1,931,887 at December 31, 2019. No additional equity was required to be paid in for 2020.

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

## **Waseca County**

Notes to Financial Statements  
December 31, 2020

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### **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, 2020 is \$2,990,412, up from \$2,598,829 at December 31, 2019. No additional equity was required to be paid in for 2020.

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 being paid over a period up to five years.

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**

The 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 2020, the County's contribution to the SCHRC was minimal. Financial information for 2020 is not available. In 2019, the corporation experienced a negative change in unrestricted net assets of \$200,940. Complete financial statements for the SCHRC can be obtained from its administrative office at 610 Florence Avenue, Owatonna, Minnesota 55060.

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

The South Central Minnesota Regional Radio Board (formerly known as the South Central Minnesota Regional Radio) 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.

## **Waseca County**

### Notes to Financial Statements

December 31, 2020

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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 2020, the County's contribution to the Radio Board was minimal. Blue Earth County acts as the fiscal agent for the Radio Board. Separate financial information can be obtained at Blue Earth County Justice Center, 401 Carver Road, Mankato, Minnesota, 56002.

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

In June 2012, the County entered into a joint powers agreement with Blue Earth, Brown, Faribault, 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 2020, the 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.

#### **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 2020, the County's contribution to the Drug Task Force was minimal. The City of Owatonna acts as fiscal agent.

#### **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.

The County entered into a development agreement with ConAgra Brand, Inc. in 2020, to construct and equip an industrial manufacturing facility. The developer agreed to an improvement value of \$14,000,000 in return for a maximum of \$2,650,000 in future incentive payments. No incentive payments had been made as of December 31, 2020.

The County entered into a development agreement with Berry Farm, LLC in 2020, to construct and equip a 39,926 square foot industrial production addition in return for a maximum of \$218,460 in future incentive payments. No incentive payments had been made as of December 31, 2020.

## Waseca County

Notes to Financial Statements  
December 31, 2020

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### Subsequent Event

The federal government passed the American Rescue Plan Act on March 11, 2021 to respond to the COVID-19 public health emergency and its negative economic impacts. Amounts were appropriated for fiscal year 2021 to units of local government to mitigate the fiscal effects stemming from the public health emergency. The County's estimated award is \$3,615,163, which will be used to combat the negative effects of the public health emergency in the local economy. The County received 50% of the funds in June 2021, with the remaining expected a year later. The funds must be committed by December 31, 2024, with a deadline to expend funds of December 31, 2026.

### Effect of New Accounting Standards on Current Period Financial Statements

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

- Statement No. 87, *Leases*
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*
- 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*

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

Year Ended December 31, 2020

	<b>Budget Original / Final</b>	<b>Actual</b>	<b>Variance With Budget</b>
<b>Revenues</b>			
Taxes	\$ 12,513,539	\$ 12,222,511	\$ (291,028)
Special assessments	-	411,770	411,770
Intergovernmental	2,112,934	2,121,676	8,742
Licenses and permits	255,280	296,552	41,272
Charges for services	825,700	629,020	(196,680)
Investment income (including unrealized gains)	130,000	286,704	156,704
Miscellaneous	51,950	297,966	246,016
	<u>15,889,403</u>	<u>16,266,199</u>	<u>376,796</u>
<b>Expenditures</b>			
Current:			
General government	5,940,797	5,596,093	344,704
Public safety	3,910,538	3,482,422	428,116
Health and human services	4,989,599	4,541,700	447,899
Culture, recreation, and education	442,798	396,697	46,101
Conservation and development	685,992	1,036,945	(350,953)
Capital outlay:			
General government	274,232	105,083	169,149
Public safety	-	329,639	(329,639)
	<u>16,243,956</u>	<u>15,488,579</u>	<u>755,377</u>
Excess (deficiency) of revenues over expenditures	<u>(354,553)</u>	<u>777,620</u>	<u>1,132,173</u>
<b>Other Financing Sources (Uses)</b>			
Transfers in	355,553	203,094	(152,459)
Transfers out	(1,000)	(309,414)	(308,414)
	<u>354,553</u>	<u>(106,320)</u>	<u>(460,873)</u>
<b>Special Item</b>			
Tax court settlement	-	(275,427)	(275,427)
	<u>-</u>	<u>(275,427)</u>	<u>(275,427)</u>
Net change in fund balances	-	395,873	395,873
<b>Fund Balances, Beginning</b>	<u>7,210,726</u>	<u>7,210,726</u>	<u>-</u>
<b>Fund Balances, Ending</b>	<u>\$ 7,210,726</u>	<u>\$ 7,606,599</u>	<u>\$ 395,873</u>

See notes to required supplementary information

**Waseca County**Budgetary Comparison Schedule  
Road and Bridge Fund  
Year Ended December 31, 2020

	<b>Budget</b>		<b>Variance With</b>
	<b>Original / Final</b>	<b>Actual</b>	<b>Budget</b>
<b>Revenues</b>			
Taxes	\$ 4,397,173	\$ 4,662,482	\$ 265,309
Intergovernmental	5,245,728	5,929,485	683,757
Public charges for services	210,000	164,611	(45,389)
Miscellaneous	110,000	129,516	19,516
Total revenues	<u>9,962,901</u>	<u>10,886,094</u>	<u>923,193</u>
<b>Expenditures</b>			
Current:			
Public works			
Administration	309,212	264,120	45,092
Operation and maintenance	3,438,476	2,891,733	546,743
Street construction	6,089,213	2,797,006	3,292,207
Other	-	500	(500)
Capital outlay:			
Public works	486,000	716,993	(230,993)
Total expenditures	<u>10,322,901</u>	<u>6,670,352</u>	<u>3,652,549</u>
Excess (deficiency) of revenues over expenditures	<u>(360,000)</u>	<u>4,215,742</u>	<u>4,575,742</u>
<b>Other Financing Sources (Uses)</b>			
Transfers in	360,000	41,709	(318,291)
Transfers out	-	(211,655)	(211,655)
Total other financing sources (uses)	<u>360,000</u>	<u>(169,946)</u>	<u>(529,946)</u>
Net change in fund balances	-	4,045,796	4,045,796
<b>Fund Balances, Beginning</b>	<u>9,548,134</u>	<u>9,548,134</u>	<u>-</u>
Increase in inventories	-	129,550	129,550
<b>Fund Balances, Ending</b>	<u>\$ 9,548,134</u>	<u>\$ 13,723,480</u>	<u>\$ 4,175,346</u>

See notes to required supplementary information

## Waseca County

Budgetary Comparison Schedule

Ditch Fund

Year Ended December 31, 2020

	<u>Budget Original/Final</u>	<u>Actual</u>	<u>Variance With Budget</u>
<b>Revenues</b>			
Special assessments	\$ 600,000	\$ 621,056	\$ 21,056
Intergovernmental	-	94,083	94,083
Total revenues	<u>600,000</u>	<u>715,139</u>	<u>115,139</u>
<b>Expenditures</b>			
Current:			
Conservation and development	600,000	621,797	(21,797)
Debt service:			
Interest and fiscal charges	-	18,243	(18,243)
Total expenditures	<u>600,000</u>	<u>640,040</u>	<u>(40,040)</u>
Net change in fund balances	-	75,099	75,099
<b>Fund Balances (Deficit), Beginning</b>	<u>(1,461,976)</u>	<u>(1,461,976)</u>	<u>-</u>
<b>Fund Balances (Deficit), Ending</b>	<u>\$ (1,461,976)</u>	<u>\$ (1,386,877)</u>	<u>\$ 75,099</u>

See notes to required supplementary information

**Waseca County**

Budgetary Comparison Schedule

Special Revenue Fund

Year Ended December 31, 2020

	<b>Budget Original/Final</b>	<b>Actual</b>	<b>Variance With Budget</b>
<b>Revenues</b>			
Intergovernmental	\$ 689,244	\$ 3,141,742	\$ 2,452,498
Licenses and permits	5,000	27,955	22,955
Public charges for services	124,898	90,825	(34,073)
Miscellaneous	21,400	68,646	47,246
	<u>840,542</u>	<u>3,329,168</u>	<u>2,488,626</u>
<b>Expenditures</b>			
Current:			
General government	97,300	1,544,882	(1,447,582)
Public safety	498,500	387,628	110,872
Health and human services	5,214	34,693	(29,479)
Conservation and development	53,200	24,521	28,679
Capital outlay	3,900	169,225	(165,325)
	<u>658,114</u>	<u>2,160,949</u>	<u>(1,502,835)</u>
Total expenditures	<u>658,114</u>	<u>2,160,949</u>	<u>(1,502,835)</u>
Excess (deficiency) of revenues over expenditures	<u>182,428</u>	<u>1,168,219</u>	<u>985,791</u>
<b>Other Financing Sources (Uses)</b>			
Transfers in	11,320	218,013	206,693
Transfers out	<u>(193,748)</u>	<u>(203,094)</u>	<u>(9,346)</u>
Total other financing sources (uses)	<u>(182,428)</u>	<u>14,919</u>	<u>197,347</u>
Net change in fund balances	-	1,183,138	1,183,138
<b>Fund Balances, Beginning</b>	<u>1,410,144</u>	<u>1,410,144</u>	<u>-</u>
<b>Fund Balances, Ending</b>	<u>\$ 1,410,144</u>	<u>\$ 2,593,282</u>	<u>\$ 1,183,138</u>

*See notes to required supplementary information*

**Waseca County**Schedule of Changes in the Total OPEB Liability and Related Ratios  
Year Ended December 31, 2020

	Year End Date		
	2018	2019	2020
<b>Total OPEB Liability</b>			
Change due to implementation of GASB No. 75	\$ 1,659,391	\$ -	\$ -
Service cost	129,072	95,883	104,045
Interest	69,292	68,106	54,766
Differences between expected and actual experience	(362,052)	(113,841)	(202,907)
Changes of assumptions	(33,423)	85,152	217,089
Benefit payments	(124,202)	(129,902)	(110,920)
Net change in total OPEB liability	1,338,078	5,398	62,073
<b>Total OPEB Liability, Beginning</b>	287,415	1,625,493	1,630,891
<b>Total OPEB Liability, Ending</b>	<u>\$ 1,625,493</u>	<u>\$ 1,630,891</u>	<u>\$ 1,692,964</u>
Covered employee payroll	<u>\$ 6,557,450</u>	<u>\$ 6,721,386</u>	<u>\$ 7,508,359</u>
Total OPEB liability as a percentage of covered employee payroll	<u>24.79%</u>	<u>24.26%</u>	<u>22.55%</u>

*See notes to required supplementary information*

**Waseca County**

Schedule of County's Proportionate Share of the Net Pension Liability -  
 PERA General Employees' Retirement Fund  
 Year Ended December 31, 2020

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
12/31/20	6/30/20	0.0803 %	\$ 4,814,352	\$ 148,500	\$ 4,962,852	\$ 5,720,695	84.16 %	79.10 %
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  
 Year Ended December 31, 2020

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)
12/31/20	\$ 439,233	\$ 439,233	\$ -	\$ 5,856,437	7.50 %
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 notes to required supplementary information

**Waseca County**

Schedule of County's Proportionate Share of the Net Pension Liability -  
 PERA Police and Fire Fund  
 Year Ended December 31, 2020

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
12/31/20	6/30/20	0.0859 %	\$ 1,132,254	\$ 26,667	\$ 1,158,921	\$ 959,740	117.98 %	87.20 %
12/31/19	6/30/19	0.0845 %	899,588	N/A	899,588	891,198	100.94 %	89.30 %
12/31/18	6/30/18	0.0779 %	830,334	N/A	830,334	821,427	101.08 %	88.80 %
12/31/17	6/30/17	0.0850 %	1,147,601	N/A	1,147,601	874,585	131.22 %	85.40 %
12/31/16	6/30/16	0.0830 %	3,330,934	N/A	3,330,934	800,833	415.93 %	63.90 %
12/31/15	6/30/15	0.0830 %	943,074	N/A	943,074	757,517	124.50 %	86.60 %

Schedule of Employer Contributions -  
 PERA Police and Fire Fund  
 Year Ended December 31, 2020

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)
12/31/20	\$ 178,656	\$ 178,656	\$ -	\$ 1,009,357	17.70 %
12/31/19	153,379	153,379	-	904,891	16.95 %
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 notes to required supplementary information

## Waseca County

Schedule of County's Proportionate Share of the Net Pension Liability -  
 PERA Correctional Fund  
 Year Ended December 31, 2020

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 (c)	County 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
12/31/20	6/30/20	0.1790%	\$ 48,570	\$ 392,999	12.36%	96.70%
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  
 Year Ended December 31, 2020

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)
12/31/20	\$ 36,385	\$ 36,385	\$ -	\$ 415,824	8.75%
12/31/19	33,729	33,729	-	385,474	8.75%
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 notes to required supplementary information

# Waseca County

Notes to Required Supplementary Information  
Year Ended December 31, 2020

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## 1. 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 1.

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.

See Note 2 for information on two major special revenue funds, the Ditch and Special Revenue funds, with excess expenditures over appropriations.

## 2. 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

##### 2020 Changes

Changes in Actuarial Assumptions:

- The price inflation assumption was decreased from 2.50 percent to 2.25 percent.
- The payroll growth assumption was decreased from 3.25 percent to 3.00 percent.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25 percent less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The morality improvement scale was changed from MP-2018 to MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.

## Waseca County

Notes to Required Supplementary Information  
Year Ended December 31, 2020

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- The assumed number of married male new retirees electing the 100 percent Joint & Survivor option changed from 35 percent to 45 percent. The assumed number of married female new retirees electing the 100 percent Joint & Survivor option changed from 15 percent to 30 percent. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions:

- Augmentation for current privatized members was reduced to 2.0 percent for the period July 1, 2020 through December 31, 2023 and 0.0 percent after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

### 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.
- 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.

## Waseca County

### Notes to Required Supplementary Information

Year Ended December 31, 2020

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- 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  
Year Ended December 31, 2020

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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

#### 2020 Changes

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

#### 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 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.

## Waseca County

Notes to Required Supplementary Information  
Year Ended December 31, 2020

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- 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.
- 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.

## Waseca County

Notes to Required Supplementary Information  
Year Ended December 31, 2020

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### 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.

### Correctional Fund

#### 2020 Changes

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

#### 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.

## Waseca County

Notes to Required Supplementary Information  
Year Ended December 31, 2020

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### 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  
Year Ended December 31, 2020

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### 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.

### 3. 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 3.26 percent in 2019 to 2.12 percent in 2020. The discount rate was changed from 4.11 percent in 2018 to 3.26 percent in 2018. 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

Year Ended December 31, 2020

	<u>Budget</u> <u>Original/Final</u>	<u>Actual</u>	<u>Variance With</u> <u>Budget</u>
<b>Revenues</b>			
Taxes	\$ 12,513,539	\$ 12,222,511	\$ (291,028)
Special assessments	-	411,770	411,770
Intergovernmental	2,112,934	2,121,676	8,742
Licenses and permits	255,280	296,552	41,272
Charges for services	825,700	629,020	(196,680)
Investment income (including unrealized losses)	130,000	286,704	156,704
Miscellaneous	51,950	297,966	246,016
	<u>15,889,403</u>	<u>16,266,199</u>	<u>376,796</u>
Total revenues	<u>\$ 15,889,403</u>	<u>\$ 16,266,199</u>	<u>\$ 376,796</u>
<b>Expenditures</b>			
General government:			
Commissioners	\$ 285,056	\$ 349,879	\$ (64,823)
Court administration	92,500	94,007	(1,507)
Court services	630,724	634,490	(3,766)
County administration	235,208	225,827	9,381
County auditor/treasurer	583,277	565,877	17,400
Human resources	161,681	157,530	4,151
Motor vehicle	265,585	267,480	(1,895)
County assessor	467,567	425,642	41,925
Elections	66,450	65,271	1,179
Data processing	780,882	676,076	104,806
Attorney	761,054	627,938	133,116
Recorder	229,150	222,172	6,978
Buildings and plant	744,909	661,417	83,492
Veterans services	211,236	186,515	24,721
Central services	334,842	345,296	(10,454)
Other	90,676	90,676	-
	<u>5,940,797</u>	<u>5,596,093</u>	<u>344,704</u>
Total general government	<u>5,940,797</u>	<u>5,596,093</u>	<u>344,704</u>
Public safety:			
Sheriff	3,738,368	3,323,192	415,176
Electronic monitoring	10,000	3,556	6,444
Coroner	25,000	27,948	(2,948)
Ambulance	5,000	5,000	-
Emergency government	132,170	122,726	9,444
	<u>3,910,538</u>	<u>3,482,422</u>	<u>428,116</u>
Total public safety	<u>3,910,538</u>	<u>3,482,422</u>	<u>428,116</u>
Health and human services:			
Nursing service	1,159,127	1,087,756	71,371
Community health services	662,462	290,231	372,231
Contributions to local organizations	3,168,010	3,163,713	4,297
	<u>4,989,599</u>	<u>4,541,700</u>	<u>447,899</u>
Total health and human services	<u>4,989,599</u>	<u>4,541,700</u>	<u>447,899</u>

**Waseca County**

## Detailed Budgetary Comparison Schedule

## General Fund

Year Ended December 31, 2020

	<u>Budget Original/Final</u>	<u>Actual</u>	<u>Variance With Budget</u>
Culture, recreation and education:			
County extension	\$ 150,525	\$ 165,588	\$ (15,063)
Parks	111,316	50,716	60,600
Historical society	67,500	67,500	-
Arts	12,000	12,000	-
Other	101,457	100,893	564
Total culture, recreation and education	<u>442,798</u>	<u>396,697</u>	<u>46,101</u>
Conservation and development:			
Soil and water conservation	105,675	70,322	35,353
Agricultural society	47,775	47,775	-
Planning and zoning	481,473	446,967	34,506
Community development	35,569	456,381	(420,812)
Economic development	15,000	15,000	-
Other	500	500	-
Total conservation and development	<u>685,992</u>	<u>1,036,945</u>	<u>(350,953)</u>
Capital outlay:			
General government	274,232	105,083	169,149
Public safety	-	329,639	(329,639)
Total capital outlay	<u>274,232</u>	<u>434,722</u>	<u>(160,490)</u>
Total expenditures	<u>\$ 16,243,956</u>	<u>\$ 15,488,579</u>	<u>\$ 755,377</u>

## Waseca County

Budgetary Comparison Schedule

Debt Service Fund

Year Ended December 31, 2020

	<b>Budget Original/Final</b>	<b>Actual</b>	<b>Variance With Budget</b>
<b>Revenues</b>			
Taxes	\$ 496,687	\$ 491,747	\$ (4,940)
Intergovernmental	11,126	11,126	-
Miscellaneous	168,000	185,725	17,725
Total revenues	675,813	688,598	12,785
<b>Expenditures</b>			
Debt service:			
Principal	740,000	760,000	(20,000)
Interest and fiscal charges	191,468	227,904	(36,436)
Total expenditures	931,468	987,904	(56,436)
Excess (deficiency) of revenues over expenditures	(255,655)	(299,306)	(43,651)
<b>Other Financing Sources</b>			
Transfers in	255,655	261,347	5,692
Net change in fund balances	-	(37,959)	(37,959)
<b>Fund Balances, Beginning</b>	670,823	670,823	-
<b>Fund Balances, Ending</b>	\$ 670,823	\$ 632,864	\$ (37,959)

## **Waseca County**

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Nonmajor Governmental Funds  
Year Ended December 31, 2020

### **Special Revenue Funds**

#### **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

### **Capital Projects Funds**

Used to account for financial resources to be used for the acquisition or construction of major capital facilities and other capital assets.

**Waseca County**

Combining Balance Sheet  
 Nonmajor Governmental Funds  
 December 31, 2020

	<b>Special Revenue</b>				<b>Total Nonmajor Funds</b>
	<b>Small Cities Development</b>	<b>Economic Development</b>	<b>Waste Management</b>	<b>Capital Projects</b>	
<b>Assets</b>					
Cash	\$ 39,358	\$ 87,322	\$ 547,534	\$ -	\$ 674,214
Receivables:					
Accounts	-	-	88,209	-	88,209
Special assessment	-	-	7,388	-	7,388
Notes, net	69,693	42,622	-	-	112,315
Inventories and prepaid items	-	-	200	-	200
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	<u>\$ 109,051</u>	<u>\$ 129,944</u>	<u>\$ 643,331</u>	<u>\$ -</u>	<u>882,326</u>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ -	\$ -	\$ 269,496	\$ -	\$ 269,496
Accrued liabilities	-	-	8,173	-	8,173
Due to other funds	-	-	-	107,537	107,537
Deposits	-	-	3,706	-	3,706
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities	<u>-</u>	<u>-</u>	<u>281,375</u>	<u>107,537</u>	<u>388,912</u>
<b>Deferred Inflows of Resources</b>					
Unearned revenues	-	-	34,846	-	34,846
Unavailable revenues	69,693	42,622	5,586	-	117,901
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total deferred inflows of resources	<u>69,693</u>	<u>42,622</u>	<u>40,432</u>	<u>-</u>	<u>152,747</u>
<b>Fund Balances</b>					
Nonspendable	-	-	200	-	200
Restricted	39,358	-	-	507,652	547,010
Committed	-	87,322	321,324	-	408,646
Unassigned (deficit)	-	-	-	(615,189)	(615,189)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total fund balances (deficit)	<u>39,358</u>	<u>87,322</u>	<u>321,524</u>	<u>(107,537)</u>	<u>340,667</u>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 109,051</u>	<u>\$ 129,944</u>	<u>\$ 643,331</u>	<u>\$ -</u>	<u>\$ 882,326</u>

## Waseca County

Combining Statement of Revenues, Expenditures and Changes  
in Fund Balances  
Nonmajor Governmental Funds  
Year Ended December 31, 2020

	<u>Special Revenue</u>				<b>Total Nonmajor Funds</b>
	<u>Small Cities Development</u>	<u>Economic Development</u>	<u>Waste Management</u>	<u>Capital Projects</u>	
<b>Revenues</b>					
Special assessments	\$ -	\$ -	\$ 246,838	\$ -	\$ 246,838
Intergovernmental	-	-	70,270	19,181	89,451
Public charges for services	-	-	312,041	-	312,041
Investment income	-	2,861	6,449	-	9,310
Miscellaneous	-	3,565	47,819	-	51,384
	<u>-</u>	<u>6,426</u>	<u>683,417</u>	<u>19,181</u>	<u>709,024</u>
Total revenues	-	6,426	683,417	19,181	709,024
<b>Expenditures</b>					
Current:					
General government	-	-	-	2,339	2,339
Sanitation	-	-	992,760	-	992,760
Capital outlay	-	-	1,042,520	1,868,886	2,911,406
Debt Service					
Interest and fiscal charges	-	-	-	64,655	64,655
	<u>-</u>	<u>-</u>	<u>2,035,280</u>	<u>1,935,880</u>	<u>3,971,160</u>
Total expenditures	-	-	2,035,280	1,935,880	3,971,160
Excess (deficiency) of revenues over expenditures	-	6,426	(1,351,863)	(1,916,699)	(3,262,136)
<b>Other Financing Sources (Uses)</b>					
Long term debt issued	-	-	-	2,675,000	2,675,000
Premium on debt issued	-	-	-	194,064	194,064
Insurance recovery on capital assets	-	-	222,053	-	222,053
	<u>-</u>	<u>-</u>	<u>222,053</u>	<u>2,869,064</u>	<u>3,091,117</u>
Total other financing sources (uses)	-	-	222,053	2,869,064	3,091,117
Net change in fund balances	-	6,426	(1,129,810)	952,365	(171,019)
<b>Fund Balances (Deficit), Beginning</b>	<u>39,358</u>	<u>80,896</u>	<u>1,451,334</u>	<u>(1,059,902)</u>	<u>511,686</u>
<b>Fund Balances (Deficit), Ending</b>	<u>\$ 39,358</u>	<u>\$ 87,322</u>	<u>\$ 321,524</u>	<u>\$ (107,537)</u>	<u>340,667</u>

## Waseca County

Budgetary Comparison Schedule

Waste Management Fund

Year Ended December 31, 2020

	<u>Budget Original/Final</u>	<u>Actual</u>	<u>Variance With Budget</u>
<b>Revenues</b>			
Special assessments	\$ 220,000	\$ 246,838	\$ 26,838
Intergovernmental	73,000	70,270	(2,730)
Public charges for services	170,700	312,041	141,341
Investment income	3,600	6,449	2,849
Miscellaneous	195,500	47,819	(147,681)
	<u>662,800</u>	<u>683,417</u>	<u>20,617</u>
Total revenues	<u>662,800</u>	<u>683,417</u>	<u>20,617</u>
<b>Expenditures</b>			
Current:			
Sanitation:			
Transfer station	301,504	597,357	(295,853)
Special waste management	29,522	10,162	19,360
Recycling	241,298	197,078	44,220
Yardwaste management and education	10,740	136	10,604
Solid waste administration	94,035	188,027	(93,992)
Capital outlay	16,000	1,042,520	(1,026,520)
	<u>693,099</u>	<u>2,035,280</u>	<u>(1,342,181)</u>
Total expenditures	<u>693,099</u>	<u>2,035,280</u>	<u>(1,342,181)</u>
Excess (deficiency) of revenues over expenditures	(30,299)	(1,351,863)	(1,321,564)
<b>Other Financing Sources</b>			
Transfers in	30,299	-	(30,299)
Insurance recovery on capital assets	-	222,053	222,053
	<u>30,299</u>	<u>222,053</u>	<u>191,754</u>
Total other financing sources	<u>30,299</u>	<u>222,053</u>	<u>191,754</u>
Net change in fund balances	-	(1,129,810)	(1,129,810)
<b>Fund Balances, Beginning</b>	<u>1,451,334</u>	<u>1,451,334</u>	<u>-</u>
<b>Fund Balances, Ending</b>	<u>\$ 1,451,334</u>	<u>\$ 321,524</u>	<u>\$ (1,129,810)</u>

## **Waseca County**

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Fiduciary Funds

Year Ended December 31, 2020

### **Custodial Funds**

#### **Taxes and Penalties**

To account for property taxes and penalties collected and distributed to other governmental units and County funds.

#### **Library**

To account for property taxes and penalties collected and distributed to the Le Sueur-Waseca Regional Library.

#### **State Revenue**

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

#### **Individuals, Organizations, and Other Governments Revenue**

Used to account for collections received and due to individuals, organizations, or other governments.

**Waseca County**

Combining Statement of Fiduciary Net Position  
Fiduciary Funds  
December 31, 2020

	<u>Taxes and Penalties</u>	<u>Library</u>	<u>State Revenue</u>	<u>Individuals, Organizations, and Other Local Governments</u>	<u>Total Custodial Funds</u>
<b>Assets</b>					
Cash and investments	\$ 651,302	\$ 20,078	\$ 140,362	\$ 39,399	\$ 851,141
Due from other governments	-	-	-	460,263	460,263
Taxes receivable for other governments	548,220	5,421	-	-	553,641
Total assets	<u>1,199,522</u>	<u>25,499</u>	<u>140,362</u>	<u>499,662</u>	<u>1,865,045</u>
<b>Liabilities</b>					
Accounts payable	271	-	6,745	500	7,516
Due to other governments	343,550	20,079	133,617	492,579	989,825
Total liabilities	<u>343,821</u>	<u>20,079</u>	<u>140,362</u>	<u>493,079</u>	<u>997,341</u>
<b>Deferred Inflows of Resources</b>					
Advanced contributions	148,633	-	-	-	148,633
<b>Net Position</b>					
Restricted for Individuals, organizations, and other governments	<u>\$ 707,068</u>	<u>\$ 5,420</u>	<u>\$ -</u>	<u>\$ 6,583</u>	<u>\$ 719,071</u>

**Waseca County**

## Combining Statement of Changes in Fiduciary Net Position

## Fiduciary Funds

Year Ended December 31, 2020

	<b>Taxes and Penalties</b>	<b>Library</b>	<b>State Revenue</b>	<b>Individuals, Organizations, and Other Local Governments</b>	<b>Total Custodial Funds</b>
<b>Additions</b>					
Property tax collections for other governments	\$ 16,755,855	\$ 447,713	\$ -	\$ -	\$ 17,203,568
Other taxes collected for other governments	-	-	734,500	-	734,500
License and fees collected for State	-	-	80,381	-	80,381
Grant collections for other governments and organizations	-	-	250,950	863,062	1,114,012
Redemption and foreclosure collections for others	4,741	-	-	-	4,741
Inmate canteen collections	-	-	-	20,178	20,178
Execution collections for others	-	-	-	80,270	80,270
<b>Total additions</b>	<b>16,760,596</b>	<b>447,713</b>	<b>1,065,831</b>	<b>963,510</b>	<b>19,237,650</b>
<b>Deductions</b>					
Payments of property tax to other governments	16,732,719	449,972	-	-	17,182,691
Payments of other taxes to other governments	-	-	734,500	-	734,500
Payments to state	-	-	80,381	-	80,381
Payment of grants to other governments and organizations	-	-	250,950	826,025	1,076,975
Administrative expenses	3,603	-	-	-	3,603
Payment of inmate canteen collections to inmates and others	-	-	-	13,725	13,725
Payment of writs of execution to others	-	-	-	80,140	80,140
Payments to other entities	-	-	-	37,037	37,037
<b>Total deductions</b>	<b>16,736,322</b>	<b>449,972</b>	<b>1,065,831</b>	<b>956,927</b>	<b>19,209,052</b>
<b>Net change in net position</b>	<b>24,274</b>	<b>(2,259)</b>	<b>-</b>	<b>6,583</b>	<b>28,598</b>
<b>Net Position, Beginning (as restated)</b>	<b>682,794</b>	<b>7,679</b>	<b>-</b>	<b>-</b>	<b>690,473</b>
<b>Net Position, Ending</b>	<b>\$ 707,068</b>	<b>\$ 5,420</b>	<b>\$ -</b>	<b>\$ 6,583</b>	<b>719,071</b>

**Waseca County**

Schedule of Intergovernmental Revenues  
Year Ended December 31, 2020

	Special Revenue					Debt Service	Capital Projects	Total All Funds	
	General Fund	Road and Bridge	Ditch	Special Revenue	Waste Management				Total
<b>Shared Revenue</b>									
State:									
Highway users tax	\$ -	\$ 5,517,938	\$ -	\$ -	\$ -	\$ 5,517,938	\$ -	\$ -	\$ 5,517,938
State aid bond	-	211,655	-	-	-	211,655	-	-	211,655
County program aid	934,331	-	-	124,194	-	124,194	-	-	1,058,525
Conservation credit	63,767	18,961	-	-	-	18,961	2,588	-	85,316
PERA aid	25,297	2,660	-	323	578	3,561	-	-	28,858
State police aid	135,095	-	-	-	-	-	-	-	135,095
Agricultural preservation	206,983	61,548	-	-	-	61,548	8,402	-	276,933
Disaster credit	-	-	94,083	-	-	94,083	-	-	94,083
Disparity aid	3,337	993	-	-	-	993	136	-	4,466
<b>Total shared revenue</b>	<b>1,368,810</b>	<b>5,813,755</b>	<b>94,083</b>	<b>124,517</b>	<b>578</b>	<b>6,032,933</b>	<b>11,126</b>	<b>-</b>	<b>7,412,869</b>
<b>Reimbursement for Services</b>									
Other counties, cities or townships	-	-	-	23,500	-	23,500	-	19,181	42,681
<b>Total reimbursement for services</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>23,500</b>	<b>-</b>	<b>23,500</b>	<b>-</b>	<b>19,181</b>	<b>42,681</b>
<b>Grants</b>									
State:									
Minnesota Department of:									
Secretary of State	-	-	-	18,852	-	18,852	-	-	18,852
Health	174,054	-	-	32,214	-	32,214	-	-	206,268
Public Safety	10,459	-	-	216,892	-	216,892	-	-	227,351
Natural Resources	3,265	-	-	188,267	-	188,267	-	-	191,532
Corrections	133,232	-	-	-	-	-	-	-	133,232
Veterans Affairs	-	-	-	7,696	-	7,696	-	-	7,696
Pollution control agency	-	-	-	-	69,692	69,692	-	-	69,692
Trial court	-	-	-	159,944	-	159,944	-	-	159,944
<b>Total state</b>	<b>321,010</b>	<b>-</b>	<b>-</b>	<b>623,865</b>	<b>69,692</b>	<b>693,557</b>	<b>-</b>	<b>-</b>	<b>1,014,567</b>
<b>Federal</b>									
U.S. Department of :									
Agriculture	302,063	-	-	-	-	-	-	-	302,063
Transportation	-	115,730	-	-	-	115,730	-	-	115,730
Education	2,425	-	-	-	-	-	-	-	2,425
Homeland Security	10,473	-	-	-	-	-	-	-	10,473
Justice	-	-	-	61,665	-	61,665	-	-	61,665
Treasury	-	-	-	2,308,195	-	2,308,195	-	-	2,308,195
Health and Human Services	116,895	-	-	-	-	-	-	-	116,895
<b>Total federal</b>	<b>431,856</b>	<b>115,730</b>	<b>-</b>	<b>2,369,860</b>	<b>-</b>	<b>2,485,590</b>	<b>-</b>	<b>-</b>	<b>2,917,446</b>
<b>Total grants</b>	<b>752,866</b>	<b>115,730</b>	<b>-</b>	<b>2,993,725</b>	<b>69,692</b>	<b>3,179,147</b>	<b>-</b>	<b>-</b>	<b>3,932,013</b>
<b>Total intergovernmental revenue</b>	<b>\$ 2,121,676</b>	<b>\$ 5,929,485</b>	<b>\$ 94,083</b>	<b>\$ 3,141,742</b>	<b>\$ 70,270</b>	<b>\$ 9,235,580</b>	<b>\$ 11,126</b>	<b>\$ 19,181</b>	<b>\$ 11,387,563</b>