

Waseca County

Financial Statements and
Supplementary Information

December 31, 2021

Waseca County

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Independent Auditors' Report

To the County Board of Commissioners of
Waseca County

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Waseca County (the County), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of other auditors, the 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 the County as of December 31, 2021 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.

We did not audit the financial statements of Minnesota Prairie County Alliance or South Country Health Alliance, in which Waseca County has equity interests, which represent 4.3 percent, 5.0 percent, and 1.3 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 opinions, insofar as it relates to the amounts included for Minnesota Prairie County Alliance or South Country Health Alliance (prior to these conversion adjustments) are based solely on the report of the other auditors.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (GAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of County and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions. The financial statements of South Country Health Alliance were not audited in accordance with *Government Auditing Standards*.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and GAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and GAS, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2022 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

Baker Tilly US, LLP

Minneapolis, Minnesota
September 28, 2022

Waseca County, Minnesota

Management's Discussion and Analysis (Unaudited)
December 31, 2021

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, 2021.

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 \$ 114,387,746 (net position). Approximately 18% of this total amount, \$20,956,126 is available for spending at the County's discretion (unrestricted net position).

The County's total net position increased by \$26,150,980.

The County's total general-obligation debt as of December 31, 2021 was \$6,235,000. \$785,000 of principal related to debt issued in prior years was paid off on the general obligation debt during 2021.

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, 2021

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 3-5 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 9-11.

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 statements can be found on page 12-13 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 15-52 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 53-71 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 72-82.

Waseca County, Minnesota

Management's Discussion and Analysis (Unaudited)
December 31, 2021

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 \$114,387,746 at the close of 2021.

By far, the largest portion of the County's net position (78%) reflects its investment in capital assets \$96,109,970 (i.e., land, buildings, improvements, equipment and infrastructure), less any related debt (excluding unspent proceeds) and premium/discount \$6,603,455 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 \$89,506,515, 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 \$3,925,105 for debt service, statutory requirements, ARMER radio system, missing heirs, veteran's memorial, road and bridge, small cities development and net pension asset.

The remaining balance of \$20,956,126 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>2021</u>	<u>2020</u>
Assets		
Current and other assets	\$ 31,275,338	\$ 28,402,792
Capital assets (net)	96,109,970	73,641,454
Investment in joint ventures	5,719,991	5,216,665
Total assets	133,105,299	107,260,911
Deferred Outflows of Resources	4,364,361	1,525,519
Liabilities		
Current liabilities	3,550,258	2,589,809
Noncurrent liabilities	13,676,420	16,257,860
Total liabilities	17,226,678	18,847,669
Deferred Inflows of Resources	5,855,236	1,701,995
Net Position		
Net investment in capital assets	89,506,515	66,246,196
Restricted	3,925,105	3,958,149
Unrestricted	20,956,126	18,032,421
Total net position	<u>\$ 114,387,746</u>	<u>\$ 88,236,766</u>

Waseca County, Minnesota

Management's Discussion and Analysis (Unaudited)
December 31, 2021

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

	<u>2021</u>	<u>2020</u>
Revenues		
Program revenues:		
Charges for services	\$ 3,947,236	\$ 2,323,733
Operating grants and contributions	3,764,468	3,912,114
Capital grants and contributions	22,460,657	3,552,006
General revenues:		
Taxes	17,981,421	18,712,721
Intergovernmental revenues	2,144,372	3,625,135
Investment income (including unrealized gains/losses)	70,392	270,142
Miscellaneous	1,123,843	1,170,008
Total revenues	<u>51,492,389</u>	<u>33,565,859</u>
Expenses		
Program expenses:		
General government	7,091,233	7,396,931
Public safety	4,292,934	4,192,597
Public works	5,836,921	5,669,416
Sanitation	1,291,650	941,077
Health and human services	4,492,998	4,610,510
Culture, recreation and education	377,184	381,180
Conservation and development	1,767,686	1,708,117
Interest and fiscal charges	190,803	268,367
Total expenses	<u>25,341,409</u>	<u>25,168,195</u>
Special item, tax court settlement	<u>-</u>	<u>275,427</u>
Change in net position	26,150,980	8,122,237
Net Position, Beginning	<u>88,236,766</u>	<u>80,114,529</u>
Net Position, Ending	<u>\$ 114,387,746</u>	<u>\$ 88,236,766</u>

Governmental Activities

Governmental activities increased the County's net position by \$26,150,980. This is up from the increase of \$8,122,237 in 2020 due primarily to a large capital contribution related to a highway project.

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, 2021

As of December 31, 2021, the County's governmental funds reported combined ending fund balances of \$24,562,520 which represents an increase of \$1,052,505 from the previous year's fund balance. Approximately 72% of this total \$17,628,928 constitutes the unassigned, assigned and committed fund balances, which is available for spending at the government's discretion. The remainder of fund balance \$6,933,592 is included in restricted or nonspendable fund balance to indicate that it is not available for new spending primarily due to the following:

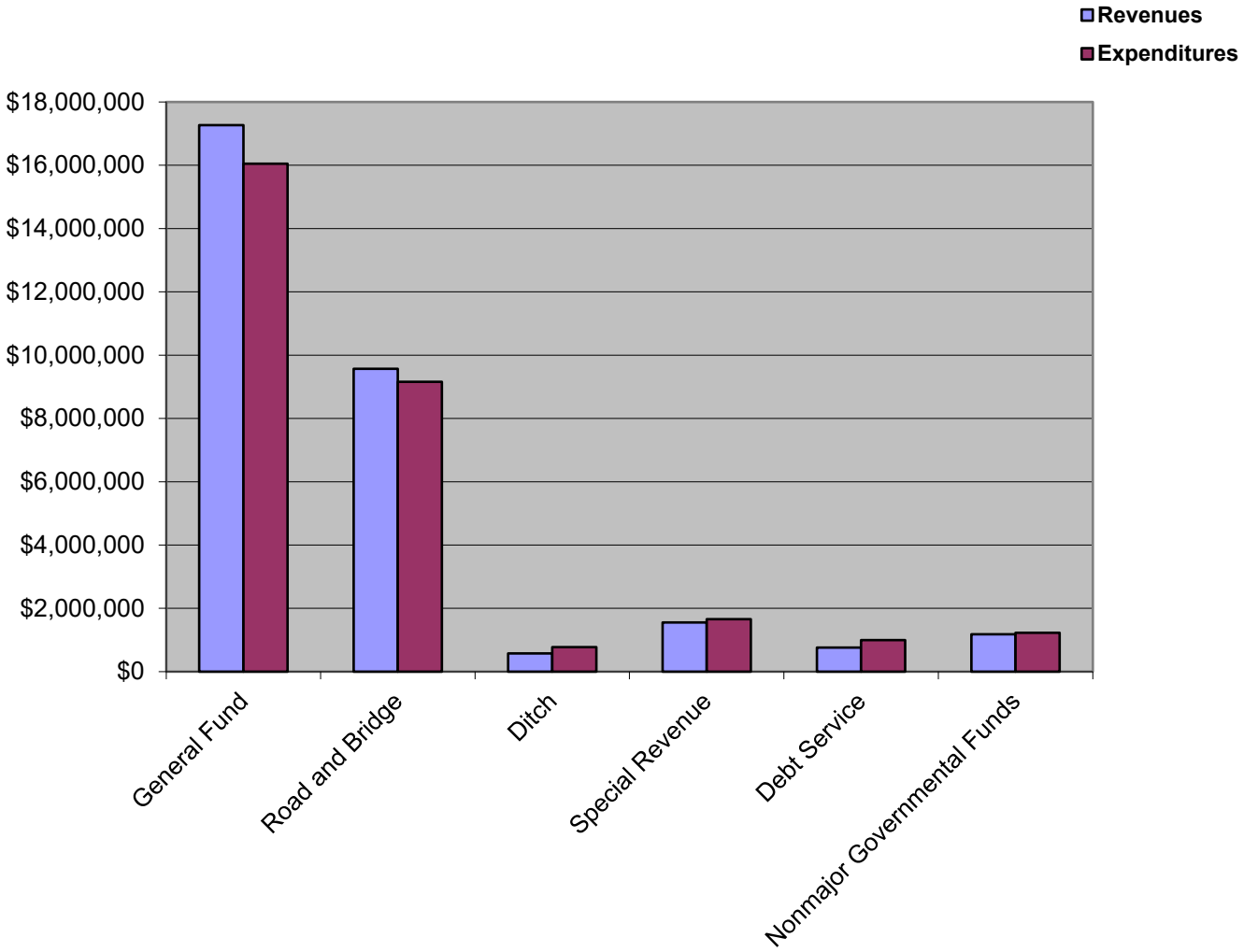
- The Small Cities Development fund originated from a federal grant for housing rehabilitation loans. One of the conditions of the grant is that the fund balance \$39,358 derived from loan repayments be used for other housing rehabilitation activities.
- Funds that have been set aside in the Special Revenue fund \$1,206,276 are subject to various statutory requirements.
- Debt service \$598,206 are restricted solely to repayment of the County's outstanding bonded indebtedness.
- Missing heirs \$25,646 is set by court order and held by the County for missing heirs of estates pursuant to MN Statutes.
- Nonspendable inventory \$368,114 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 \$2,068,303 represents advances to other funds that are not anticipated to be repaid within one year.

	Revenues and Expenditures by Fund		
	Revenues	Expenditures	Balance
General Fund	\$ 17,269,272	\$ 16,048,146	\$ 1,221,126
Road and Bridge	9,567,506	9,157,317	410,189
Ditch	573,763	772,624	(198,861)
Special Revenue	1,551,757	1,658,723	(106,966)
Debt Service	758,165	997,163	(238,998)
Nonmajor Governmental Funds	1,178,802	1,227,273	(48,471)
Total	<u>\$ 30,899,265</u>	<u>\$ 29,861,246</u>	<u>\$ 1,038,019</u>

Waseca County, Minnesota

Management's Discussion and Analysis (Unaudited)
December 31, 2021

Revenues and Expenditures by Fund



Waseca County, Minnesota

Management's Discussion and Analysis (Unaudited)
 December 31, 2021

	Revenues by Fund	
	Percent	Revenues
General Fund	55.90 %	\$ 17,269,272
Road and Bridge	30.96	9,567,506
Ditch	1.86	573,763
Special Revenue	5.02	1,551,757
Debt Service	2.45	758,165
Nonmajor Governmental Funds	3.81	1,178,802
Total revenue	100.00 %	\$ 30,899,265

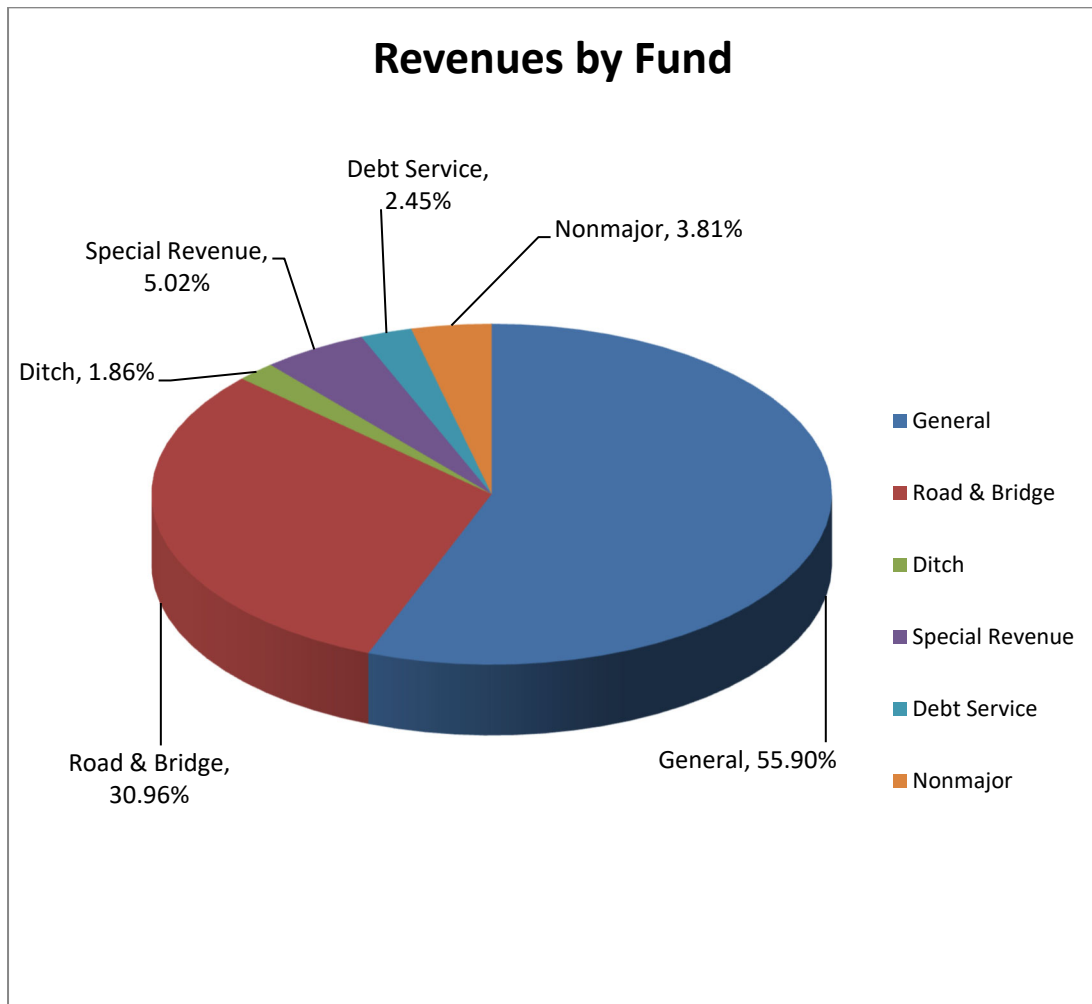


Figure 1

Waseca County, Minnesota

Management's Discussion and Analysis (Unaudited)
December 31, 2021

	Expenditures by Fund	
	Percent	Expenditures
General Fund	53.74 %	\$ 16,048,146
Road and Bridge	30.67	9,157,317
Ditch	2.59	772,624
Special Revenue	5.56	1,658,723
Debt Service	3.34	997,163
Nonmajor Governmental Funds	4.10	1,227,273
Total expenditures	100.00 %	\$ 29,861,246

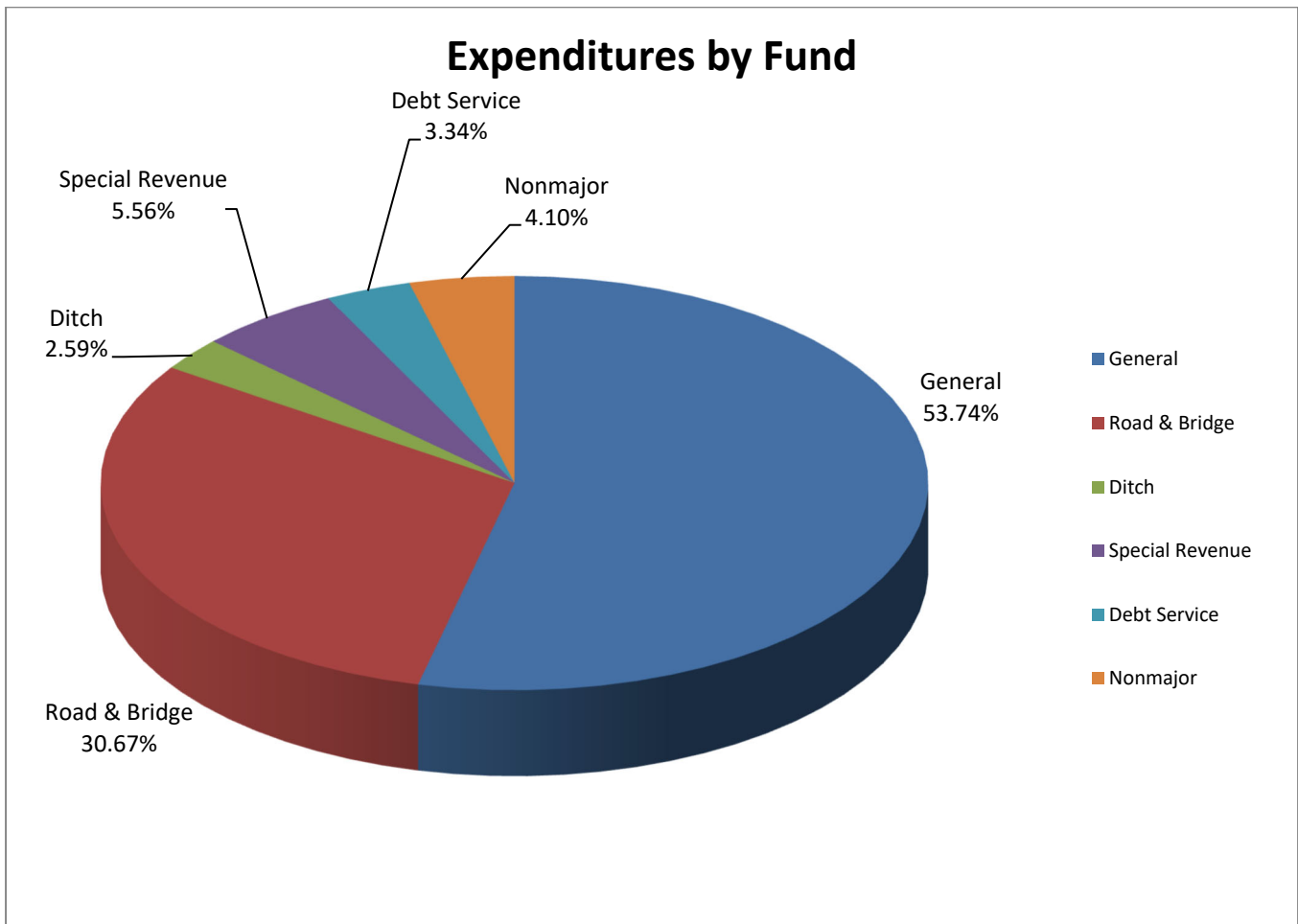


Figure 2

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 \$8,896,707. The general fund has an unassigned fund balance of \$4,852,367, assigned fund balance of \$1,843,752, restricted fund balance of \$25,646 and a nonspendable fund balance of \$2,174,942. The unassigned portion approximates 30% of the general fund's annual expenditures and including the assigned portion increases that coverage of annual expenditures to approximately 42%.

Waseca County, Minnesota

Management's Discussion and Analysis (Unaudited)

December 31, 2021

The general fund balance increased by \$1,290,108, or approximately 17%.

Road & Bridge Fund

The Road and Bridge Fund ended the year with a fund balance of \$13,943,815. The committed fund balance at the end of the fiscal year was \$11,621,200. The fund balance also consists \$1,954,501 that is restricted and \$368,114 that is nonspendable related to inventory. The total fund balance of the Road and Bridge Fund increased \$220,335.

Ditch Fund

The Ditch Fund had a total fund balance deficit of \$1,585,738. The entire amount represents nonspendable balance of \$1,585,738 unassigned fund balance deficit. The total fund balance of the Ditch Fund decreased by \$198,861.

Special Revenue Fund

The Special Revenue Fund had a total fund balance of \$2,417,334. This amount includes a \$50,395 nonspendable balance, restricted balance of \$1,206,276 and a \$1,160,663 assigned fund balance. The total fund balance of the Special Revenue Fund decreased by \$175,948 during the current fiscal year.

Debt Service Fund

The Debt Service Fund had a total fund balance of \$598,206. The entire amount represents restricted funds. The total fund balance decreased by \$34,658 during the current fiscal year which was comparable to budget.

Nonmajor Government Funds

All other government funds had a total fund balance of \$292,196. A balance of \$1,305 is nonspendable, \$554,207 is classified as restricted, \$351,903 represents the committed fund balance and a \$615,219 unassigned fund balance deficit. Total fund balance of all other government funds decreased by \$48,471 during the current fiscal year.

General Fund Budgetary Highlights

There were no changes made to the original budget for 2021. The variance of budgeted amounts to actual revenues and other financing sources in the general fund was \$381,159 over budget. The variance of budgeted amounts to actual expenditures and other financing uses (including special items) in the general fund was \$908,949 under budget primarily due favorable spending results related to the sheriff's department and community health services..

Waseca County, Minnesota

Management's Discussion and Analysis (Unaudited)
December 31, 2021

Capital Assets and Debt Administration: Capital Assets

The County's investment in capital assets for its governmental activities as of December 31, 2021 amount to \$96,109,970 (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 \$22,468,516 or 30.5%.

Additional information on the County's capital assets can be found on pages 1, 5, 8, 20, 21, 29 and 30 of this report.

Capital asset activity for the year ended December 31, 2021 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Assets Not Being Depreciated				
Land	\$ 1,063,267	\$ -	\$ -	\$ 1,063,267
Right of way	1,159,599	56,500	-	1,216,099
Construction in progress	<u>2,214,304</u>	<u>6,151,487</u>	<u>(3,999,787)</u>	<u>4,366,044</u>
Total capital assets not being depreciated	<u>4,437,170</u>	<u>6,207,987</u>	<u>(3,999,787)</u>	<u>6,645,370</u>
Capital Assets Being Depreciated				
Buildings	12,919,306	152,575	-	13,071,881
Improvements	2,952,742	363,264	(15,700)	3,300,306
Machinery and equipment	11,996,346	966,306	(509,236)	12,453,416
Roads	76,947,281	22,701,435	(297,400)	99,351,316
Bridges	<u>6,927,523</u>	<u>430,507</u>	<u>-</u>	<u>7,358,030</u>
Total capital assets being depreciated	111,743,198	24,614,087	(822,336)	135,534,949
Less Accumulated Depreciation For				
Buildings	(2,474,083)	(173,273)	-	(2,647,356)
Improvements	(449,666)	(143,137)	9,813	(582,990)
Machinery and equipment	(7,131,612)	(1,187,727)	493,733	(7,825,606)
Roads	(31,352,644)	(2,730,137)	297,400	(33,785,381)
Bridges	<u>(1,130,909)</u>	<u>(98,107)</u>	<u>-</u>	<u>(1,229,016)</u>
Total accumulated depreciation	<u>(42,538,914)</u>	<u>(4,332,381)</u>	<u>800,946</u>	<u>(46,070,349)</u>
Capital assets, net of depreciation total	<u>\$ 69,204,284</u>	<u>\$ 20,281,706</u>	<u>\$ (21,390)</u>	<u>\$ 89,464,600</u>

Long-Term Debt

At the end of the current fiscal year, the County had total bonded debt outstanding of \$6,235,000 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, 2021

The County's total general obligation bonds payable decreased during the current year by \$785,000. 41% of the County's general obligation debt is attributable to capital improvement bonds with a final maturity date of 2029. 9% of the general obligation debt is attributable to capital improvement bonds with a final maturity date of 2023. 6% of the general obligation debt is bonded for state-aid highway use with a final maturity date of 2025. 2% of the general obligation debt is attributable to state-aid highway use with a final maturity date of 2022. 42% 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% of the total market value of taxable property in the County. The current debt limitation for the County is approximately \$87 million which is significantly in excess of its outstanding general obligation debt of \$6,235,000. \$5,636,794 is the County's outstanding general obligation debt net of the debt service reserve of \$598,206. 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 21 and 31-32 of this report.

General obligation debt payable for the County at December 31, 2021, consists of the following:

General Obligation Debt	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance December 31, 2021
State-Aid Highway Bonds	2007	2022	3.75-4.20	\$ 1,240,000	\$ 110,000
Capital Improvement Bonds	2013	2023	0.80-2.60	2,145,000	585,000
State-Aid Highway Bonds	2015	2025	2.00-2.15	910,000	385,000
Capital Improvement Bonds	2019	2029	3.00-4.00	3,090,000	2,565,000
General Obligation Bonds	2020	2032	2.00-3.00	2,675,000	2,590,000
Total					<u>\$ 6,235,000</u>

Economic and Demographic Factors and County Budget Trends

- The estimated County population was at 19,000 in 2021, which consists of 23% under the age of 18 and 18.7% 65 or older.
- The median income for a household in the county is \$60,450.
- The County unemployment rate is 3.9%. This compares to the state's average unemployment rate of 3.4%.
- 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 \$4,852,367. 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 2022 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 2023. 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

Management's Discussion and Analysis (Unaudited)

December 31, 2021

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 CountyStatement of Net Position
December 31, 2021

	Governmental Activities
Assets	
Cash and investments	\$ 26,175,692
Delinquent taxes receivable	194,844
Accounts receivable	78,139
Due from other governments	2,573,346
Interest receivable	5,036
Special assessments receivable	1,580,540
Notes receivable, net	108,580
Inventories and prepaid items	526,453
Restricted assets	
Net pension asset	32,708
Capital assets:	
Land	1,063,267
Right of way	1,216,099
Construction in progress	4,366,004
Other capital assets, net of depreciation	89,464,600
Investment in joint ventures	5,719,991
	<hr/>
Total assets	133,105,299
Deferred Outflows of Resources	
Pension related amounts	4,148,324
Other postemployment benefits related amounts	216,037
	<hr/>
Total deferred outflows of resources	4,364,361
Liabilities	
Accounts payable	554,318
Accrued liabilities and deposits	1,301,649
Due to other governments	166,043
Unearned revenues	1,528,248
Noncurrent liabilities:	
Due within one year	1,390,938
Due in more than one year	12,285,482
	<hr/>
Total liabilities	17,226,678
Deferred Inflows of Resources	
Pension related amounts	5,184,272
Other postemployment benefits related amounts	624,744
Unearned revenues	46,220
	<hr/>
Total deferred inflows of resources	5,855,236
Net Position	
Net investment in capital assets	89,506,515
Restricted for:	
Debt service	579,640
Statutory requirements	1,138,339
ARMER radio system	17,283
Missing heirs	25,646
Veteran's memorial	67,937
Road and bridge	1,954,501
Small cities development	109,051
Pension	32,708
Unrestricted	20,956,126
	<hr/>
Total net position	\$ 114,387,746

See notes to financial statements

Waseca County

Statement of Activities

Year Ended December 31, 2021

Functions/Programs	Expenses	Program Revenues		Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions		
Governmental Activities					Governmental Activities
General government	\$ 7,091,233	\$ 628,728	\$ 414,469	\$ -	\$ (6,048,036)
Public safety	4,292,934	73,319	603,025	-	(3,616,590)
Public works	5,836,921	406,892	1,947,358	22,460,657	18,977,986
Sanitation	1,291,650	1,013,126	77,935	-	(200,589)
Health and human services	4,492,998	371,289	557,076	-	(3,564,633)
Culture, recreation and education	377,184	35,325	534	-	(341,325)
Conservation and development	1,767,686	1,418,557	164,071	-	(185,058)
Interest and fiscal charges	190,803	-	-	-	(190,803)
Total governmental activities	25,341,409	3,947,236	3,764,468	22,460,657	4,830,952
Total	\$ 25,341,409	\$ 3,947,236	\$ 3,764,468	\$ 22,460,657	4,830,952
General Revenues					
Taxes:					
Property taxes, levied for general purposes					16,252,947
Property taxes, levied for debt service					557,598
Other taxes					1,170,876
Intergovernmental revenues not restricted to specific programs					2,144,372
Investment income (including unrealized gains/losses)					70,392
Miscellaneous					1,123,843
Total general revenues					21,320,028
Change in net position					26,150,980
Net Position, Beginning					88,236,766
Net Position, Ending					\$ 114,387,746

See notes to financial statements

Waseca CountyBalance Sheet
Governmental Funds
December 31, 2021

	General Fund	Special Revenue		
		Road & Bridge	Ditch	Special Revenue
Assets				
Cash and investments	\$ 6,333,089	\$ 13,191,896	\$ 1,086,628	\$ 4,440,631
Receivables:				
Delinquent taxes	152,335	35,765	-	-
Accounts	31,107	-	-	-
Due from other governments	261,290	2,094,280	131,921	83,036
Interest	5,036	-	-	-
Special assessments	864,986	-	699,454	-
Notes, net	-	-	-	-
Due from other funds	100,370	-	-	-
Inventories and prepaid items	106,639	368,114	-	50,395
Advances to other funds	2,668,303	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 10,523,155</u>	<u>\$ 15,690,055</u>	<u>\$ 1,918,003</u>	<u>\$ 4,574,062</u>
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities				
Accounts payable	\$ 218,049	\$ 73,469	\$ 86,084	\$ 40,368
Accrued liabilities	413,588	91,714	-	6,614
Due to other governments	-	166,043	-	-
Due to other funds	-	-	-	-
Advances from other funds	-	-	2,668,303	-
Unearned revenues	-	168,502	-	1,359,746
Deposits	10,672	-	-	740,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>642,309</u>	<u>499,728</u>	<u>2,754,387</u>	<u>2,146,728</u>
Deferred Inflows of Resources				
Unearned revenues	-	-	-	10,000
Unavailable revenues	984,139	1,246,512	749,354	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total deferred inflows of resources	<u>984,139</u>	<u>1,246,512</u>	<u>749,354</u>	<u>10,000</u>
Fund Balances				
Nonspendable	2,174,942	368,114	-	50,395
Restricted	25,646	1,954,501	-	1,206,276
Committed	-	11,621,200	-	-
Assigned	1,843,752	-	-	1,160,663
Unassigned (deficit)	4,852,367	-	(1,585,738)	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances (deficit)	<u>8,896,707</u>	<u>13,943,815</u>	<u>(1,585,738)</u>	<u>2,417,334</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 10,523,155</u>	<u>\$ 15,690,055</u>	<u>\$ 1,918,003</u>	<u>\$ 4,574,062</u>

See notes to financial statements

<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 546,155	\$ 568,781	\$ 26,167,180
6,744	-	194,844
47,032	-	78,139
2,819	-	2,573,346
-	-	5,036
-	16,100	1,580,540
-	108,580	108,580
-	-	100,370
-	1,305	526,453
-	-	2,668,303
<u>\$ 602,750</u>	<u>\$ 694,766</u>	<u>\$ 34,002,791</u>

\$ -	\$ 127,836	\$ 545,806
-	12,046	523,962
-	-	166,043
-	100,370	100,370
-	-	2,668,303
-	-	1,528,248
-	3,906	754,578
-	<u>244,158</u>	<u>6,287,310</u>

-	36,220	46,220
<u>4,544</u>	<u>122,192</u>	<u>3,106,741</u>
<u>4,544</u>	<u>158,412</u>	<u>3,152,961</u>

-	1,305	2,594,756
598,206	554,207	4,338,836
-	351,903	11,973,103
-	-	3,004,415
-	(615,219)	2,651,410
<u>598,206</u>	<u>292,196</u>	<u>24,562,520</u>

<u>\$ 602,750</u>	<u>\$ 694,766</u>	<u>\$ 34,002,791</u>
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See notes to financial statements

Waseca County

Reconciliation of the Governmental Funds Balance Sheet

With the Statement of Net Position

December 31, 2021

Total Fund Balance, Governmental Funds		\$ 24,562,520
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.		96,109,970
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.		3,106,741
Investments in joint ventures are not financial resources and, therefore, are not reported in the funds.		5,719,991
The net pension asset does not relate to current financial resources and is not reported in the fund statements.		32,708
Deferred outflows of resources do not relate to current financial resources and are not reported in the fund statements.		
Deferred outflows, pension related amounts	\$ 4,148,324	
Deferred outflows, other postemployment benefit related amounts	<u>216,037</u>	4,364,361
Deferred inflows of resources do not relate to current financial resources and are not reported in the fund statements.		
Deferred inflows, pension related amounts	(5,184,272)	
Deferred inflows, other postemployment benefits related amounts	<u>(624,744)</u>	(5,809,016)
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	(6,235,000)	
Capital lease liability	(21,251)	
Unamortized premium on debt	(392,711)	
Accrued interest on general obligation debt	(23,109)	
Net pension liability	(4,195,128)	
Compensated absences	(1,314,072)	
Other postemployment benefits	<u>(1,518,258)</u>	<u>(13,699,529)</u>
Total Net Position, Governmental Activities		<u><u>\$ 114,387,746</u></u>

See notes to financial statements

Waseca County

Statement of Revenues, Expenditures and Changes in Fund Balances -

Governmental Funds

Year Ended December 31, 2021

	General Fund	Special Revenue		Special Revenue
		Road and Bridge	Ditch	
Revenues				
Taxes	\$ 13,283,162	\$ 4,292,588	\$ -	\$ -
Special assessments	194,490	-	558,782	-
Intergovernmental	2,362,461	4,928,953	-	1,422,675
Licenses and permits	328,676	-	-	24,855
Public charges for services	693,586	279,952	-	90,925
Investment income (including unrealized gains)	89,216	-	-	-
Miscellaneous	317,681	66,013	14,981	13,302
Total revenues	<u>17,269,272</u>	<u>9,567,506</u>	<u>573,763</u>	<u>1,551,757</u>
Expenditures				
Current:				
General government	5,731,360	-	-	866,946
Public safety	3,648,058	-	-	388,571
Public works	-	8,777,421	-	-
Sanitation	-	-	-	-
Health and human services	4,479,054	-	-	40,638
Culture, recreation, and education	367,383	-	-	-
Conservation and development	973,073	-	751,072	27,281
Capital outlay	849,218	379,896	-	335,287
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	21,552	-
Total expenditures	<u>16,048,146</u>	<u>9,157,317</u>	<u>772,624</u>	<u>1,658,723</u>
Excess (deficiency) of revenues over expenditures	<u>1,221,126</u>	<u>410,189</u>	<u>(198,861)</u>	<u>(106,966)</u>
Other Financing Sources (Uses)				
Transfers in	84,068	-	-	15,086
Transfers out	(15,086)	(204,340)	-	(84,068)
Total other financing sources (uses)	<u>68,982</u>	<u>(204,340)</u>	<u>-</u>	<u>(68,982)</u>
Net change in fund balances	1,290,108	205,849	(198,861)	(175,948)
Fund Balances (Deficit), Beginning	7,606,599	13,723,480	(1,386,877)	2,593,282
Increase in inventories	-	14,486	-	-
Fund Balances (Deficit), Ending	<u>\$ 8,896,707</u>	<u>\$ 13,943,815</u>	<u>\$ (1,585,738)</u>	<u>\$ 2,417,334</u>

See notes to the financial statements

<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 557,598	\$ -	\$ 18,133,348
-	242,784	996,056
12,442	104,788	8,831,319
-	-	353,531
-	338,521	1,402,984
-	2,556	91,772
188,125	490,153	1,090,255
<u>758,165</u>	<u>1,178,802</u>	<u>30,899,265</u>
-	-	6,598,306
-	-	4,036,629
-	-	8,777,421
-	1,197,063	1,197,063
-	-	4,519,692
-	-	367,383
-	-	1,751,426
-	30,210	1,594,611
785,000	-	785,000
212,163	-	233,715
<u>997,163</u>	<u>1,227,273</u>	<u>29,861,246</u>
<u>(238,998)</u>	<u>(48,471)</u>	<u>1,038,019</u>
204,340	-	303,494
-	-	(303,494)
<u>204,340</u>	<u>-</u>	<u>-</u>
(34,658)	(48,471)	1,038,019
632,864	340,667	23,510,015
-	-	14,486
<u>\$ 598,206</u>	<u>\$ 292,196</u>	<u>\$ 24,562,520</u>

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, 2021

Net Change in Fund Balances, Total Governmental Funds	\$ 1,038,019
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.	1,594,611
Some items reported as capital outlay were not capitalized.	(259,516)
Some expenditures charged to the functional areas were capitalized.	6,298,537
Depreciation is reported in the government-wide statements.	(4,332,381)
In the statement of activities, only the gain or loss on the disposal of capital assets is reported.	(21,390)
Contributed capital assets are reported as revenues in the government-wide financial statements.	19,188,655
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. \$2,264,390 recognized as revenue on the fund statements was recognized in the government-wide statement in prior years. \$3,106,741 is reported as unavailable revenue in the fund statements but recognized as revenue in the government-wide statements in the current year.	842,351
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	785,000
Capital lease repayments	18,456
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 asset/liability (and pension related deferred outflows/inflows of resources)	652,765
Compensated absences	(240,654)
Other postemployment benefits (and related deferred outflows/inflows of resources)	22,286
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.	43,875
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.	2,554
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.	503,326
Change in inventory value	14,486
Change in Net Position of Governmental Activities	\$ 26,150,980

See notes to the financial statements

Waseca County

Statement of Net Position

Internal Service Fund

December 31, 2021

	Self Insurance
Assets	
Cash and investments	\$ 8,512
Total assets	<u>8,512</u>
Liabilities	
Accounts payable	<u>8,512</u>
Total liabilities	<u>8,512</u>
Net Position	
Unrestricted	<u>-</u>
Total net position	<u><u>\$ -</u></u>

See notes to the financial statements

Waseca County

Statement of Revenues, Expenses and
Changes In Net Position
Internal Service Fund
Year Ended December 31, 2021

	<u>Self Insurance</u>
Operating Revenues	
Charges for services	\$ 2,315,369
Operating Expenses	
HSA and VEBA contributions	229,714
Premiums	<u>2,085,655</u>
Total operating expenses	<u>2,315,369</u>
Change in net position	-
Net Position, Beginning	<u>-</u>
Net Position, Ending	<u><u>\$ -</u></u>

See notes to the financial statements

Waseca County

Statement of Cash Flows
Internal Service Fund
Year Ended December 31, 2021

	Self Insurance
Cash Flows From Operating Activities	
Cash received for interfund services	\$ 2,315,369
Cash paid for HSA and VEBA contributions	(232,659)
Cash paid for premiums	<u>(2,085,655)</u>
Net cash provided by operating activities	<u>(2,945)</u>
Net decrease in cash and cash equivalents	(2,945)
Cash and Cash Equivalents, Beginning	<u>11,457</u>
Cash and Cash Equivalents, Ending	<u><u>\$ 8,512</u></u>
Reconciliation of Operating Income to Cash Flows From Operating Activities	
Operating income	\$ -
Adjustments to reconcile operating income to net cash provided by operating activities:	
Change in assets and liabilities:	
Accounts payable	<u>(2,945)</u>
Net cash provided by operating activities	<u><u>\$ (2,945)</u></u>
Noncash Capital, Investing, And Financing Activities	
None	<u><u>\$ -</u></u>

See notes to the financial statements

Waseca County

Statement of Fiduciary Net Position

Fiduciary Funds

December 31, 2021

	Custodial Funds
Assets	
Cash and investments	\$ 668,210
Due from other governments	844,008
Taxes receivable for other governments	<u>410,987</u>
Total assets	<u>1,923,205</u>
Liabilities	
Accounts payable	176,751
Due to other governments	<u>1,113,754</u>
Total liabilities	<u>1,290,505</u>
Deferred Inflows of Resources	
Advanced contributions	<u>69,877</u>
Net Position	
Restricted for Individuals, organizations and other governments	<u><u>\$ 562,823</u></u>

See notes to the financial statements

Waseca County

Statement of Changes in Fiduciary Net Position

Fiduciary Funds

Year Ended December 31, 2021

	<u>Custodial Funds</u>
Additions	
Property tax collections for other governments	\$ 17,706,998
Other taxes collected for other governments	783,808
License and fees collected for State	80,700
Grant collections for other governments and organizations	1,260,416
Redemption and foreclosure collections for others	593
Inmate canteen collections	17,305
Writs of execution collections for others	<u>80,325</u>
Total additions	<u>19,930,145</u>
Deductions	
Payments of property tax to other governments	17,871,748
Payments of other taxes to other governments	783,808
Payments to state	80,700
Payment of grants to other governments and organizations	1,218,557
Administrative expenses	3,475
Payment of inmate canteen collections to inmates and others	13,309
Payment of writs of execution to others	80,455
Payments to other entities	<u>34,341</u>
Total deductions	<u>20,086,393</u>
Change in fiduciary net position	(156,248)
Net Position, Beginning	<u>719,071</u>
Net Position, Ending	<u><u>\$ 562,823</u></u>

See notes to the financial statements

Waseca County

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December 31, 2021

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Waseca County

Notes to Financial Statements

December 31, 2021

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

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, 2021

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% 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, 2021

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, 2021

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, 2021

- 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, 2021

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.

Restricted Assets

Mandatory segregations of assets are presented as restricted assets. Such segregations are required by bond agreements and other external parties.

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, 2021

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 paid time off, sick leave and vacation in varying amounts. Only benefits considered to be vested are disclosed in these statements.

All vested paid time off, 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 paid time off, 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, 2021 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, 2021

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, 2021

- 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, 2021 were as follows: \$4.9 million for the general fund and \$11.6 million for roads and bridges.

Pension

For purposes of measuring the net pension liability (asset), 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, 2021

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 Small Cities Development, Economic Development or Capital Projects funds.

Excess Expenditures Over Appropriations

Fund	<u>Budgeted Expenditures and Other Financing Uses</u>	<u>Actual Expenditures and Other Financing Uses</u>	<u>Excess Over Budget</u>
Ditch	\$ 600,000	\$ 772,624	\$ 172,624
Special Revenue	576,578	1,742,791	1,166,213

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, 2021, the Ditch fund held a deficit balance of \$1,585,738 due to expenditures in excess of revenues. The deficit is anticipated to be funded with future special assessments.

As of December 31, 2021, the Capital Projects fund held a deficit balance of \$100,370 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, 2021

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	\$ 21,185,467	\$ 21,636,191	Custodial credit
Money market	3,381	3,381	Custodial credit
Negotiable CD's	2,620,919	2,620,919	Custodial credit, credit, concentration of credit, interest rate
MAGIC portfolio	1,948,599	1,948,599	Credit, interest rate
U.S. agencies – implicitly guaranteed	1,040,747	1,040,747	Custodial credit, credit, concentration of credit, interest rate
U.S. treasuries	17,839	17,839	Custodial credit, interest rate
Petty cash	26,950	-	N/A
Total cash and investments	<u>\$ 26,843,902</u>	<u>\$ 27,267,675</u>	
Reconciliation to financial statements:			
Per statement of net position:			
Unrestricted cash and investments	\$ 26,175,692		
Per statement of fiduciary net position – fiduciary funds	<u>668,210</u>		
Total cash and investments	<u>\$ 26,843,902</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 London Underwriters, 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 and a letter of credit with its banks. At December 31, 2021, the banks had pledged various government securities totaling \$18,278,187 to secure the County's deposits. The County also has a letter of credit for \$875,000 for any excess deposits at Community Bank.

Waseca County

Notes to Financial Statements
December 31, 2021

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, 2021			
	Level 1	Level 2	Level 3	Total
Negotiable CD's	\$ -	\$ 2,620,919	\$ -	\$ 2,620,919
U.S. agencies – implicitly guaranteed	-	1,040,747	-	1,040,747
U.S. treasuries	-	17,839	-	17,839
Total assets in the fair value hierarchy	\$ -	\$ 3,679,505	\$ -	\$ 3,679,505

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, 2021, the County's investments were rated as follows:

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

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.

Waseca County

Notes to Financial Statements
December 31, 2021

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, 2021, the investment portfolio was concentrated as follows:

<u>Issuer</u>	<u>Investment Type</u>	<u>Percentage of Portfolio</u>
Federal Home Loan Bank	U.S. agencies – implicitly guaranteed	18.48 %

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, 2021, the County's investments were as follows:

<u>Investment Type</u>	<u>Bank Balance</u>	<u>Maturity (in Years)</u>		
		<u>Less Than 1 Year</u>	<u>1 - 5 Years</u>	<u>More Than 5 Years</u>
Negotiable CD's	\$ 2,620,919	\$ 1,081,623	\$ 1,539,296	\$ -
MAGIC	1,948,599	1,948,599	-	-
U.S. agencies – implicitly guaranteed	1,040,747	-	1,040,747	-
U.S. treasuries	17,839	17,839	-	-
Total	<u>\$ 5,628,104</u>	<u>\$ 3,048,061</u>	<u>\$ 2,580,043</u>	<u>\$ -</u>

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

Waseca County

Notes to Financial Statements
December 31, 2021

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	\$ 1,314,754	\$ 779,870
Road and Bridge	2,130,045	9,906
Ditch	831,375	577,025
Special Revenue	83,036	-
Debt Service	56,595	1,868
Nonmajor governmental funds	124,680	113,088

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	\$ -	\$ 126,417
Accounts receivable	-	15,000
Due from other governments	-	1,273,752
Interest receivable	-	5,039
Special assessments receivable	-	1,577,952
Notes receivable	-	108,580
Grant drawdowns prior to meeting eligibility requirements	1,528,248	-
Grants received in advance of time requirements	46,220	-
	<u>\$ 1,574,468</u>	<u>\$ 3,106,741</u>
Total unavailable/unearned revenue for governmental funds		
Unearned revenue included in liabilities	\$ 1,528,248	
Unearned revenue included in deferred inflows	46,220	
	<u>\$ 1,574,468</u>	
Total unearned revenue for governmental activities		

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, 2021, there were nine such loans outstanding with a balance of \$69,693.

Economic development loans made by the County are accounted for in the Economic Development fund. Three loans were given out by the County, two during 2005 and one during 2018, and all were accounted for in this fund. The first loan, a twenty-year loan with an interest rate of 7.25%, has an outstanding balance of \$6,160 as of December 31, 2021. The second loan, an eight-year loan with an interest rate of 5.9%, has an outstanding balance of \$17,587 as of December 31, 2021, which is offset by an allowance for doubtful accounts to cover the full amount. The third loan, a fifteen-year loan with an interest rate of 3%, has an outstanding balance of \$32,727 as of December 31, 2021.

Waseca County

Notes to Financial Statements

December 31, 2021

Restricted Assets

Restricted assets have been reported in connection with the net pension asset balance since this balance must be used to fund employee benefits.

Capital Assets

Capital asset activity for the year ended December 31, 2021 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets Not Being Depreciated				
Land	\$ 1,063,267	\$ -	\$ -	\$ 1,063,267
Right of way	1,159,599	56,500	-	1,216,099
Construction in progress	2,214,304	6,151,487	(3,999,787)	4,366,004
Total capital assets not being depreciated	4,437,170	6,207,987	(3,999,787)	6,645,370
Capital Assets Being Depreciated				
Buildings	12,919,306	152,575	-	13,071,881
Improvements	2,952,742	363,264	(15,700)	3,300,306
Machinery and equipment	11,996,346	966,306	(509,236)	12,453,416
Roads	76,947,281	22,701,435	(297,400)	99,351,316
Bridges	6,927,523	430,507	-	7,358,030
Total capital assets being depreciated	111,743,198	24,614,087	(822,336)	135,534,949
Less Accumulated Depreciation for				
Buildings	(2,474,083)	(173,273)	-	(2,647,356)
Improvements	(449,666)	(143,137)	9,813	(582,990)
Machinery and equipment	(7,131,612)	(1,187,727)	493,733	(7,825,606)
Roads	(31,352,644)	(2,730,137)	297,400	(33,785,381)
Bridges	(1,130,909)	(98,107)	-	(1,229,016)
Total accumulated depreciation	(42,538,914)	(4,332,381)	800,946	(46,070,349)
Total capital assets being depreciated, net of depreciation	\$ 69,204,284	\$ 20,281,706	\$ (21,390)	\$ 89,464,600

Waseca County

Notes to Financial Statements
December 31, 2021

Depreciation expense was charged to functions as follows:

Governmental Activities	
General government	\$ 474,104
Public safety	482,143
Public works, which includes the depreciation of roads and bridges	3,267,313
Health and human services	3,565
Sanitation	105,256
	<hr/>
Total governmental activities depreciation expense	<u>\$ 4,332,381</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	\$ 100,370
Less fund eliminations		<u>(100,370)</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%. 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	\$ 2,668,303	\$ 2,068,303
Less fund eliminations		<u>(2,668,303)</u>	
Total government-wide statement of net position		<u>\$ -</u>	

Waseca County

Notes to Financial Statements
December 31, 2021

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	\$ 84,068	Grant payments
Special Revenue	General Fund	15,086	Tax appraisal software, interest
Debt Service	Road and Bridge	<u>204,340</u>	Payment of debt
Total fund financial statements		303,494	
Less fund eliminations		<u>(303,494)</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, 2021 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	\$ 7,020,000	\$ -	\$ 785,000	\$ 6,235,000	\$ 820,000
Premiums/(discounts)	<u>436,586</u>	<u>-</u>	<u>43,875</u>	<u>392,711</u>	<u>-</u>
Sub-totals	<u>7,456,586</u>	<u>-</u>	<u>828,875</u>	<u>6,627,711</u>	<u>820,000</u>
Other liabilities					
Other postemployment benefits	1,692,973	-	174,715	1,518,258	-
Compensated absences	1,073,418	689,674	449,020	1,314,072	549,687
Capital lease liability	39,707	-	18,456	21,251	21,251
Net pension liability	<u>5,995,176</u>	<u>3,090,187</u>	<u>4,890,235</u>	<u>4,195,128</u>	<u>-</u>
Total other liabilities	<u>8,801,274</u>	<u>3,779,861</u>	<u>5,532,426</u>	<u>7,048,709</u>	<u>570,938</u>
Total long-term liabilities	<u>\$ 16,257,860</u>	<u>\$ 3,779,861</u>	<u>\$ 6,361,301</u>	<u>\$ 13,676,420</u>	<u>\$ 1,390,938</u>

Waseca County

Notes to Financial Statements
December 31, 2021

General Obligation Debt

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

In accordance with Minnesota Statutes, net indebtedness of the County may not exceed 3% of the market value of taxable property within the County's jurisdiction. The debt limit as of December 31, 2021 was approximately \$87 million. General obligation debt outstanding at year end subject to the debt limit was \$5,740,000.

General obligation debt payable for the County at December 31, 2021, consists of the following:

General Obligation Debt	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance December 31, 2021
State-Aid Highway Bonds	2007	2022	3.75-4.20 %	\$ 1,240,000	\$ 110,000
Capital Improvement Bonds	2013	2023	0.80-2.60	2,145,000	585,000
State-Aid Highway Bonds	2015	2025	2.00-2.15	910,000	385,000
Capital Improvement Bonds	2019	2029	3.00-4.00	3,090,000	2,565,000
General Obligation Bonds	2020	2032	2.00-3.00	2,675,000	2,590,000
					<u>\$ 6,235,000</u>

Debt service requirements to maturity are as follows:

	General Obligation Debt	
	Principal	Interest
Years:		
2022	\$ 820,000	\$ 184,048
2023	920,000	159,606
2024	640,000	134,850
2025	670,000	113,475
2026	585,000	92,150
2027 - 2031	2,355,000	176,300
2032	245,000	4,900
Total	<u>\$ 6,235,000</u>	<u>\$ 865,329</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
December 31, 2021

Lease Disclosures

Capital Leases

In 2019, the County acquired capital assets through a lease/purchase agreement. The gross amount of these assets under capital leases is \$77,516, 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, 2021, are as follows:

	Governmental Activities		
	Principal	Interest	Total
Years:			
2022	\$ 21,251	\$ 721	\$ 21,972
Total	\$ 21,251	\$ 721	\$ 21,972

Net Position/Fund Balances

Net position reported on the government wide statement of net position at December 31, 2021 includes the following:

Net investment in capital assets:

Land	\$ 1,063,267
Right of way	1,216,099
Construction in progress	4,366,004
Other capital assets, net of accumulated depreciation	89,464,600
Less related long-term debt outstanding (excluding unspent capital related debt proceeds)	(6,210,744)
Less unamortized debt premium	(392,711)

Total net investment in capital assets \$ 89,506,515

Governmental fund balances reported on the fund financial statements at December 31, 2021, include the following:

	General Fund	Road and Bridge	Ditch	Special Revenue	Debt Service	Nonmajor Funds	Total
Nonspendable:							
Inventories and prepaids	\$ 106,639	\$ 368,114	\$ -	\$ 50,395	\$ -	\$ 1,305	\$ 526,453
Long-term advances	2,068,303	-	-	-	-	-	2,068,303
Restricted for:							
Missing heirs	25,646	-	-	-	-	-	25,646
Road and bridge	-	1,134,630	-	-	-	-	1,134,630
Wheelage Tax	-	819,871	-	-	-	-	819,871
Debt service ARMER radio system	-	-	-	-	598,206	-	598,206
Other capital projects	-	-	-	-	-	17,283	17,283
Small cities development	-	-	-	-	-	497,566	497,566
Veteran's memorial Statutory requirements	-	-	-	67,937	-	39,358	39,358
	-	-	-	1,138,339	-	-	1,138,339

Waseca County

Notes to Financial Statements
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	General Fund	Road and Bridge	Ditch	Special Revenue	Debt Service	Nonmajor Funds	Total
Committed to:							
Economic development	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 92,864	\$ 92,864
Waste management	-	-	-	-	-	259,039	259,039
Road and bridge	-	11,621,200	-	-	-	-	11,621,200
Assigned to:							
Compensated absences	1,066,153	-	-	-	-	-	1,066,153
Squad car purchases	589,399	-	-	-	-	-	589,399
Regional radio upgrade	145,000	-	-	-	-	-	145,000
Veterans van purchase	6,200	-	-	-	-	-	6,200
Jail monitoring system	37,000	-	-	-	-	-	37,000
COVID-19 expenditures	-	-	-	694,822	-	-	694,822
Other minor items	-	-	-	465,841	-	-	465,841
Unassigned (Deficit)	<u>4,852,367</u>	<u>-</u>	<u>(1,585,738)</u>	<u>-</u>	<u>-</u>	<u>(615,219)</u>	<u>2,651,410</u>
Total fund balances (deficit)	<u>\$ 8,896,707</u>	<u>\$ 13,943,815</u>	<u>\$ (1,585,738)</u>	<u>\$ 2,417,334</u>	<u>\$ 598,206</u>	<u>\$ 292,196</u>	<u>\$ 24,562,520</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

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

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.

Waseca County

Notes to Financial Statements
December 31, 2021

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% of average salary for each of the first 10 years of service and 1.7% of average salary for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7% 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% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1% and a maximum of 1.5%. 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.

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% after five years up to 100% 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% after ten years up to 100% after twenty years of credited service. The annuity accrual rate is 3% 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.

Waseca County

Notes to Financial Statements
December 31, 2021

Benefit increases are provided to benefit recipients each January. The postretirement increase will be fixed at 1%. 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% after five years up to 100% after ten years of credited service. The annuity accrual rate is 1.9% of average salary for each year of service in that plan. For Correctional 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 equal to 100% of the COLA announced by SSA, with a minimum increase of at least 1% and a maximum of 2.5%. If the plan's funding status declines to 85% or below for two consecutive years or 80% for one year, the maximum will be lowered from 2.5% to 1.5%. 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% of their annual covered salary in fiscal year 2021 and the County was required to contribute 7.50% for Coordinated Plan members. The County's contributions to the General Employees Fund for the year ended December 31, 2021 were \$446,843. The County's contributions were equal to the required contributions as set by state statute.

Police and Fire Fund Contributions

Police and Fire Plan members were required to contribute 11.8% of their annual covered salary in fiscal year 2021 and the County was required to contribute 17.7% for Police and Fire Plan members. The County's contributions to the Police and Fire Fund for the year ended December 31, 2021 were \$178,551. The County's contributions were equal to the required contributions as set by state statute.

Correctional Fund Contributions

Correctional Plan members were required to contribute 5.83% of their annual covered salary and the County was required to contribute 8.75% for Correctional Plan members. The County's contributions to the Correctional Fund for the year ended December 31, 2021, were \$38,512. 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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Pension Costs

General Employees Fund Pension Costs

At December 31, 2021, the County reported a liability of \$3,535,931 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 \$107,944.

The net pension liability was measured as of June 30, 2021 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 proportionate 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, 2020 through June 30, 2021, relative to the total employer contributions received from all of PERA's participating employers. The County's proportionate share was 0.0828% at the end of the measurement period and 0.0803% for the beginning of the period.

County's proportionate share of the net pension liability	\$	3,535,931
State of Minnesota's proportionate share of the net pension liability associated with the County		<u>107,944</u>
Total	\$	<u>3,643,875</u>

For the year ended December 31, 2021, the County recognized pension expense of \$142,358 for its proportionate share of the General Employees Plan's pension expense. In addition, the County recognized \$8,709 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

At December 31, 2021, 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	\$ 19,624	\$ 107,831
Changes in actuarial assumptions	2,158,966	74,204
Net collective difference between projected and actual investment earnings	-	3,064,713
Changes in proportion	271,391	-
Contributions paid to PERA subsequent to the measurement date	<u>223,222</u>	<u>-</u>
Total	<u>\$ 2,673,203</u>	<u>\$ 3,246,748</u>

Waseca County

Notes to Financial Statements
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The \$223,222 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, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

	Pension Expense Amount
Year ended December 31:	
2022	\$ (24,890)
2023	57,055
2024	6,308
2025	<u>(835,240)</u>
Total	<u>\$ (796,767)</u>

Police and Fire Fund Pension Costs

At December 31, 2021, the County reported a liability of \$659,197 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2021 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, 2020 through June 30, 2021, relative to the total employer contributions received from all of PERA's participating employers. The County's proportionate share was 0.0854% at the end of the measurement period and 0.0859% for the beginning of the period.

The State of Minnesota contributed \$18 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2021. The contribution consisted of \$9 million in direct state aid that does meet the definition of a special funding situation and \$9 million in supplemental state aid that does not meet the definition of a special funding situation. The \$9 million direct state was paid on October 1, 2020. 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% funded, or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90% funded, whichever occurs later. Strong asset returns for fiscal year ended 2021 will accelerate the phasing out of these state contributions, although we do not anticipate them to be phased out during the fiscal year ending 2022.

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 \$9 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, 2021, the County recognized pension expense of \$(48,630) for its proportionate share of the Police and Fire Plan's pension expense. The County recognized \$5,395 as grant revenue for its proportionate share of the State of Minnesota's pension expense for the contribution of \$9 million to the Police and Fire Fund.

Waseca County

Notes to Financial Statements
December 31, 2021

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 \$7,686 for the year ended December 31, 2021 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	\$ 659,197
State of Minnesota's proportionate share of the net pension liability associated with the County	<u>29,623</u>
Total	<u>\$ 688,820</u>

At December 31, 2021, the County reported its proportionate share of the Police and Fire Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 126,074	\$ -
Changes in actuarial assumptions	968,848	359,577
Net collective difference between projected and actual investment earnings	-	1,255,326
Changes in proportion	58,500	37,446
Contributions paid to PERA subsequent to the measurement date	<u>93,670</u>	<u>-</u>
Total	<u>\$ 1,247,092</u>	<u>\$ 1,652,349</u>

The \$93,670 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, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

	Pension Expense Amount
Year ended December 31:	
2022	\$ (427,544)
2023	(84,625)
2024	(68,881)
2025	(128,875)
2026	<u>210,998</u>
Total	<u>\$ (498,927)</u>

Waseca County

Notes to Financial Statements
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Correctional Plan Pension Costs

At December 31, 2021, the County reported an asset of \$32,708 for its proportionate share of the Correctional Plan's net pension asset. The net pension asset was measured as of June 30, 2021 and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date. The County's proportionate of the net pension asset was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2020 through June 30, 2021 relative to the total employer contributions received from all of PERA's participating employers. The County's proportionate share was 0.1991% at the end of the measurement period and 0.1790% for the beginning of the period.

For the year ended December 31, 2021, the County recognized pension expense of \$(73,807) for its proportionate share of the Correctional Plan's pension expense.

At December 31, 2021, the County reported its proportionate share of the Correctional Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 17,333
Changes in actuarial assumptions	204,744	2,742
Net collective difference between projected and actual investment earnings	-	264,948
Changes in proportion	4,284	152
Contributions paid to PERA subsequent to the measurement date	19,001	-
Total	<u>\$ 228,029</u>	<u>\$ 285,175</u>

The \$19,001 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, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

	Pension Expense Amount
Year ended December 31:	
2022	\$ (8,995)
2023	(867)
2024	5,094
2025	<u>(71,379)</u>
Total	<u>\$ (76,147)</u>

Total Pension Expense

The total pension expense for all plans recognized by the County for the year ended December 31, 2021 was \$34,025.

Waseca County

Notes to Financial Statements
December 31, 2021

Long-Term Expected Return on Investment

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:

	Long-Term Expected Real Rate of Return	Target Allocation
Domestic equity	5.10 %	33.5 %
International equity	5.30	16.5
Fixed income	0.75	25.0
Private markets	5.90	25.0

Actuarial Assumptions

The total pension liability in the June 30, 2021 actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 6.5%. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 6.5% was deemed to be within that range of reasonableness for financial reporting purposes.

Inflation is assumed to be 2.25% for the General Employees Plan, 2.25% for the Police and Fire Plan, and 2.25% for the Correctional Plan. Benefit increases after retirement are assumed to be 1.25% for the General Employees Plan and 2% for the Correctional Plan. The Police and Fire Plan benefit increase is fixed at 1% per year and that increase was used in the valuation.

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25% after one year of service to 3.0% after 29 years of service and 6.0% per year thereafter. In the Police and Fire Plan, salary growth assumptions range from 11.75% after one year of service to 3.0% after 24 years of service. In the Correctional Plan, salary growth assumptions range from 11.0% at age 20 to 3.0% at age 60.

Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table. Mortality rates for the Police and Fire Plan and the Correctional Plans are based on the Pub-2010 Public Safety Employee Mortality tables. The tables are adjusted slightly to fit PERA's experience.

Actuarial assumptions for the General Employees Plan are reviewed every four years. The most recent four-year experience study for 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 most recent four-year experience studies for the Police and Fire and the Correctional Plan were completed in 2020 were adopted by the Board and became effective with the July 1, 2021 actuarial valuation.

The following changes in actuarial assumptions and plan provisions occurred in 2021:

General Employees Fund

Changes in Actuarial Assumptions:

- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes.
- The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

Changes in Plan Provisions:

- There were no changes in plan provisions since the previous valuation.

Police and Fire Fund

Changes in Actuarial Assumptions:

- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes.
- The inflation assumption was changed from 2.50 percent to 2.25 percent.
- The payroll growth assumption was changed from 3.25 percent to 3.00 percent.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 Public Safety Mortality table. The mortality improvement scale was changed from MP-2019 to MN-2020.
- The base mortality table for disabled annuitants was changed from the RP-2014 healthy annuitant mortality table (with future mortality improvement according to Scale MP-2019) to the Pub-2010 Public Safety disabled annuitant mortality table (with future mortality improvement according to Scale MP-2020).
- Assumed rates of salary increase were modified as recommended in the July 14, 2020 experience study. The overall impact is a decrease in gross salary increase rates.
- Assumed rates of retirement were changed as recommended in the July 14, 2020 experience study. The changes result in slightly more unreduced retirements and fewer assumed early retirements.
- Assumed rates of withdrawal were changed from select and ultimate rates to service-based rates. The changes result in more assumed terminations.
- Assumed rates of disability were increased for ages 25-44 and decreased for ages over 49. Overall, proposed rates result in more projected disabilities.
- Assumed percent married for active female members was changed from 60 percent to 70 percent. Minor changes to form of payment assumptions were applied.

Changes in Plan Provisions:

- There were no changes in plan provisions since the previous valuation.

Correctional Fund

Changes in Actuarial Assumptions:

- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes.
- The inflation assumption was changed from 2.50 percent to 2.25 percent.
- The payroll growth assumption was changed from 3.25 percent to 3.00 percent.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 Public Safety Mortality table. The mortality improvement scale was changed from MP-2019 to MN-2020.
- The base mortality table for disabled annuitants was changed from the RP-2014 healthy annuitant mortality table (with future mortality improvement according to Scale MP-2019) to the Pub-2010 Public Safety disabled annuitant mortality table (with future mortality improvement according to Scale MP-2020).
- Assumed rates of salary increase were modified as recommended in the July 10, 2020 experience study. The overall impact is a decrease in gross salary increase rates.
- Assumed rates of retirement were changed as recommended in the July 10, 2020 experience study. The changes result in slightly more unreduced retirements and fewer assumed early retirements.
- Assumed rates of withdrawal were changed as recommended in the July 10, 2020 experience study. The new rates predict more terminations, both in the three-year select period (based on service) and the ultimate rates (based on age).
- Assumed rates of disability lowered.
- Assumed percent married for active members was lowered from 85 percent to 75 percent.
- Minor changes to form of payment assumptions were applied.

Changes in Plan Provisions:

- There were no changes in plan provisions since the previous valuation.

Discount Rate

The discount rate used to measure the total pension liability in 2021 was 6.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net positions of the General Employees Fund, the Police and Fire Fund and the Correctional Fund were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Waseca County

Notes to Financial Statements
December 31, 2021

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:

	<u>1% Decrease to Discount Rate</u>	<u>Current Discount Rate</u>	<u>1% Increase to Discount Rate</u>
County's proportionate share of the General Employees Fund net pension liability	\$ 7,211,494	\$ 3,535,931	\$ 519,907
County's proportionate share of the Police and Fire Fund net pension liability (asset)	2,092,841	659,197	(516,035)
County's proportionate share of the Correctional Fund net pension liability (asset)	<u>340,403</u>	<u>(32,708)</u>	<u>(328,812)</u>
Total	<u>\$ 9,644,738</u>	<u>\$ 4,162,420</u>	<u>\$ (324,940)</u>

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.

Waseca County

Notes to Financial Statements
December 31, 2021

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, 2021, 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 \$1,518,258 was measured as of December 31, 2021, and was determined by an actuarial valuation as of January 1, 2021.

Waseca County

Notes to Financial Statements

December 31, 2021

Actuarial Assumptions and Other Inputs

The total OPEB liability as of December 31, 2021 was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.25%
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	7.5%, decreasing 0.5% per year to an ultimate rate of 4.5% 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, 2021 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

	Total OPEB Liability
Balances at December 31, 2020	\$ 1,692,973
Changes for the year:	
Service cost	130,570
Interest	37,499
Differences between expected and actual experience	(219,831)
Changes in assumptions or other inputs	(12,943)
Benefit payments	(110,010)
Net changes	(174,715)
Balances at December 31, 2021	\$ 1,518,258

Changes of assumptions and other inputs reflect a change in the discount rate from 2.12% in 2020 to 2.25% in 2021. The trend rate assumption has not changed since the initial valuation. The initial rate shown above is as of December 31, 2021 and has decreased from the initial rate in the January 1, 2020 actuarial valuation due to the assumed decrease over the selected period.

Waseca County

Notes to Financial Statements
December 31, 2021

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 (1.25%)</u>	<u>Discount Rate (2.25%)</u>	<u>1% Increase (3.25%)</u>
Total OPEB liability	\$ 1,620,493	\$ 1,518,258	\$ 1,422,221

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 (6.5% Decreasing to 3.5%)</u>	<u>Healthcare Cost Trend Rates (7.5% Decreasing to 4.5%)</u>	<u>1% Increase (8.5% decreasing to 5.5%)</u>
Total OPEB liability	\$ 1,367,718	\$ 1,518,258	\$ 1,692,202

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

For the year ended December 31, 2021, the County recognized OPEB expense of \$87,724. At December 31, 2021, 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	\$ -	\$ 596,708
Changes of actuarial assumptions	216,037	28,036
Total	<u>\$ 216,037</u>	<u>\$ 624,744</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:	
2022	\$ (80,345)
2023	(80,345)
2024	(80,345)
2025	(80,340)
2026	(30,911)
Thereafter	(56,421)

Waseca County

Notes to Financial Statements
December 31, 2021

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 2021. 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, 2021. 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, 2021

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 \$185,000 to the Minnesota Counties Computer Cooperative and \$443,000 to the Waseca-LeSueur Regional Library during 2021. 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% on the proportion of each member county's population and 50% on each member county's estimated market value. The equity interest at December 31, 2021 and 2020 is \$2,226,253. No additional equity was required to be paid in for 2021.

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

Waseca County

Notes to Financial Statements
December 31, 2021

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, 2021 is \$3,493,738, up from \$2,990,412 at December 31, 2020. No additional equity was required to be paid in for 2021.

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 2021, the County's contribution to the SCHRC was minimal. In 2021, the corporation experienced a positive change in unrestricted net assets of \$337,916. 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, 2021

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 2021, 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 2021, 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 2021, 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, 2021.

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, 2021.

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. 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*
- Statement No. 99, *Omnibus 2022*
- Statement No. 100, *Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62*
- Statement No. 101, *Compensated Absences*

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, 2021

	Budget Original / Final	Actual	Variance With Budget
Revenues			
Taxes	\$ 13,403,533	\$ 13,283,162	\$ (120,371)
Special assessments	-	194,490	194,490
Intergovernmental	2,076,310	2,362,461	286,151
Licenses and permits	264,430	328,676	64,246
Charges for services	672,999	693,586	20,587
Investment income (including unrealized gains)	130,000	89,216	(40,784)
Miscellaneous	55,560	317,681	262,121
Total revenues	<u>16,602,832</u>	<u>17,269,272</u>	<u>666,440</u>
Expenditures			
Current:			
General government	6,008,102	5,731,360	276,742
Public safety	3,938,169	3,648,058	290,111
Health and human services	5,023,306	4,479,054	544,252
Culture, recreation, and education	410,517	367,383	43,134
Conservation and development	690,848	973,073	(282,225)
Capital outlay:			
General government	843,239	527,766	315,473
Public safety	58,000	321,452	(263,452)
Total expenditures	<u>16,972,181</u>	<u>16,048,146</u>	<u>924,035</u>
Excess (deficiency) of revenues over expenditures	<u>(369,349)</u>	<u>1,221,126</u>	<u>1,590,475</u>
Other Financing Sources (Uses)			
Transfers in	369,349	84,068	(285,281)
Transfers out	-	(15,086)	(15,086)
Total other financing sources (uses)	<u>369,349</u>	<u>68,982</u>	<u>(300,367)</u>
Net change in fund balances	-	1,290,108	1,290,108
Fund Balances, Beginning	<u>7,606,599</u>	<u>7,606,599</u>	<u>-</u>
Fund Balances, Ending	<u>\$ 7,606,599</u>	<u>\$ 8,896,707</u>	<u>\$ 1,290,108</u>

See notes to required supplementary information

Waseca County

Budgetary Comparison Schedule
Road and Bridge Fund
Year Ended December 31, 2021

	Budget Original / Final	Actual	Variance With Budget
Revenues			
Taxes	\$ 3,954,569	\$ 4,292,588	\$ 338,019
Intergovernmental	5,038,068	4,928,953	(109,115)
Public charges for services	186,000	279,952	93,952
Miscellaneous	-	66,013	66,013
Total revenues	<u>9,178,637</u>	<u>9,567,506</u>	<u>388,869</u>
Expenditures			
Current:			
Public works			
Administration	309,781	398,574	(88,793)
Operation and maintenance	3,339,964	3,196,934	143,030
Street construction	4,949,817	5,159,861	(210,044)
Other	-	22,052	(22,052)
Capital outlay:			
Public works	598,500	379,896	218,604
Total expenditures	<u>9,198,062</u>	<u>9,157,317</u>	<u>40,745</u>
Excess (deficiency) of revenues over expenditures	<u>(19,425)</u>	<u>410,189</u>	<u>429,614</u>
Other Financing Sources (Uses)			
Transfers in	230,000	-	(230,000)
Transfers out	(210,575)	(204,340)	6,235
Total other financing sources (uses)	<u>19,425</u>	<u>(204,340)</u>	<u>(223,765)</u>
Net change in fund balances	-	205,849	205,849
Fund Balances, Beginning	<u>13,723,480</u>	<u>13,723,480</u>	<u>-</u>
Increase in inventories	-	14,486	14,486
Fund Balances, Ending	<u>\$ 13,723,480</u>	<u>\$ 13,943,815</u>	<u>\$ 220,335</u>

See notes to required supplementary information

Waseca County

Budgetary Comparison Schedule

Ditch Fund

Year Ended December 31, 2021

	<u>Budget Original/Final</u>	<u>Actual</u>	<u>Variance With Budget</u>
Revenues			
Special assessments	\$ 600,000	\$ 558,782	\$ (41,218)
Miscellaneous	-	14,981	14,981
Total revenues	<u>600,000</u>	<u>573,763</u>	<u>(26,237)</u>
Expenditures			
Current:			
Conservation and development	600,000	751,072	(151,072)
Debt service:			
Interest and fiscal charges	-	21,552	(21,552)
Total expenditures	<u>600,000</u>	<u>772,624</u>	<u>(172,624)</u>
Net change in fund balances	-	(198,861)	(198,861)
Fund Balances (Deficit), Beginning	<u>(1,386,877)</u>	<u>(1,386,877)</u>	<u>-</u>
Fund Balances (Deficit), Ending	<u>\$ (1,386,877)</u>	<u>\$ (1,585,738)</u>	<u>\$ (198,861)</u>

See notes to required supplementary information

Waseca County

Budgetary Comparison Schedule

Special Revenue Fund

Year Ended December 31, 2021

	Budget Original/Final	Actual	Variance With Budget
Revenues			
Intergovernmental	\$ 498,378	\$ 1,422,675	\$ 924,297
Licenses and permits	-	24,855	24,855
Public charges for services	78,200	90,925	12,725
Miscellaneous	-	13,302	13,302
	<u>576,578</u>	<u>1,551,757</u>	<u>975,179</u>
Expenditures			
Current:			
General government	120,000	866,946	(746,946)
Public safety	276,200	388,571	(112,371)
Health and human services	-	40,638	(40,638)
Conservation and development	43,698	27,281	16,417
Capital outlay	-	335,287	(335,287)
	<u>439,898</u>	<u>1,658,723</u>	<u>(1,218,825)</u>
Total expenditures	<u>439,898</u>	<u>1,658,723</u>	<u>(1,218,825)</u>
Excess (deficiency) of revenues over expenditures	<u>136,680</u>	<u>(106,966)</u>	<u>(243,646)</u>
Other Financing Sources (Uses)			
Transfers in	-	15,086	15,086
Transfers out	(136,680)	(84,068)	52,612
	<u>(136,680)</u>	<u>(68,982)</u>	<u>67,698</u>
Total other financing sources (uses)	<u>(136,680)</u>	<u>(68,982)</u>	<u>67,698</u>
Net change in fund balances	-	(175,948)	(175,948)
Fund Balances, Beginning	<u>2,593,282</u>	<u>2,593,282</u>	<u>-</u>
Fund Balances, Ending	<u>\$ 2,593,282</u>	<u>\$ 2,417,334</u>	<u>\$ (175,948)</u>

See notes to required supplementary information

Waseca CountySchedule of Changes in the Total OPEB Liability and Related Ratios
Year Ended December 31, 2021

	Year End Date			
	2018	2019	2020	2021
Total OPEB Liability				
Change due to implementation of GASB No. 75	\$ 1,659,391	\$ -	\$ -	\$ -
Service cost	129,072	95,883	104,054	130,570
Interest	69,292	68,106	54,766	37,499
Differences between expected and actual experience	(362,052)	(113,841)	(202,907)	(219,831)
Changes of assumptions	(33,423)	85,152	217,089	(12,943)
Benefit payments	(124,202)	(129,902)	(110,920)	(110,010)
Net change in total OPEB liability	1,338,078	5,398	62,082	(174,715)
Total OPEB Liability, Beginning	<u>287,415</u>	<u>1,625,493</u>	<u>1,630,891</u>	<u>1,692,973</u>
Total OPEB Liability, Ending	<u>\$ 1,625,493</u>	<u>\$ 1,630,891</u>	<u>\$ 1,692,973</u>	<u>\$ 1,518,258</u>
Covered employee payroll	<u>\$ 6,557,450</u>	<u>\$ 6,721,386</u>	<u>\$ 7,508,359</u>	<u>\$ 7,993,583</u>
Total OPEB liability as a percentage of covered employee payroll	<u>24.79%</u>	<u>24.26%</u>	<u>22.55%</u>	<u>18.99%</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, 2021

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
12/31/21	6/30/21	0.0828%	\$ 3,535,931	\$ 107,944	\$ 3,643,875	\$ 5,951,434	59.41%	87.00%
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, 2021

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)
12/31/21	\$ 450,379	\$ 450,379	\$ -	\$ 6,005,057	7.50%
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, 2021

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 With County (b)	County's and State's Proportionate Share of the Net Pension Liability 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
12/31/21	6/30/21	0.0854%	\$ 659,197	\$ 29,623	\$ 688,820	\$ 1,005,758	65.54%	93.70%
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, 2021

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)
12/31/21	\$ 184,203	\$ 184,203	\$ -	\$ 1,040,695	17.70%
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 (Asset) -
 PERA Correctional Fund
 Year Ended December 31, 2021

County Fiscal Year End Date	PERA Fiscal Year End Date (Measurement Date)	County's Proportion of the Net Pension Liability (Asset)	County's Proportionate Share of the Net Pension Liability (Asset) (a)	County's Covered Payroll (c)	County Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
12/31/21	6/30/21	0.1991%	\$ (32,708)	\$ 438,582	7.46%	101.60%
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, 2021

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)
12/31/21	\$ 38,104	\$ 38,104	\$ -	\$ 435,470	8.75%
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, 2021

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

2021 Changes

Changes in Actuarial Assumptions

- The investment return and single discount rates were changed from 7.50% to 6.50%, for financial reporting purposes.
- The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

Changes in Plan Provisions

- There were no changes in plan provisions since the previous valuation.

2020 Changes

Changes in Actuarial Assumptions:

- The price inflation assumption was decreased from 2.50% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.00%.
- 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% less than previous rates.

Waseca County

Notes to Required Supplementary Information
Year Ended December 31, 2021

- 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.
- The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. 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% for the period July 1, 2020 through December 31, 2023 and 0.0% 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% per year through 2044 and 2.50% per year thereafter to 1.25% per year.

Waseca County

Notes to Required Supplementary Information
Year Ended December 31, 2021

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% to 3.0%, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00%, 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% per year with a provision to increase to 2.5% upon attainment of 90% funding ratio to 50% of the Social Security Cost of Living Adjustment, not less than 1.0% and not more than 1.5%, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches Normal Retirement Age. Does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 Changes

Changes in actuarial assumptions:

- The Combined Service Annuity (CSA) loads were changed from 0.80% for active members and 60% for vested and non-vested deferred members. The revised CSA loads are now 0.0% for active member liability, 15.00% for vested deferred member liability and 3.00% for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.00% per year for all years to 1.00% per year through 2044 and 2.50% 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.

Waseca County

Notes to Required Supplementary Information
Year Ended December 31, 2021

2016 Changes

Changes in actuarial assumptions:

- The assumed post-retirement benefit increase rate was changed from 1.00% per year through 2035 and 2.50% per year thereafter to 1.00% per year for all years.
- The assumed investment return was changed from 7.90% to 7.50%. The single discount rate was changed from 7.90% to 7.50%.
- 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% to 3.25% for payroll growth and 2.50% 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% per year through 2030 and 2.50% per year thereafter to 1.00% per year through 2035 and 2.50% per year thereafter.

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

2021 Changes

Changes in Actuarial Assumptions

- The investment return and single discount rates were changed from 7.50% to 6.50%, for financial reporting purposes.
- The inflation assumption was changed from 2.50% to 2.25%.
- The payroll growth assumption was changed from 3.25% to 3.00%.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 Public Safety Mortality table. The mortality improvement scale was changed from MP-2019 to MN-2020.

Waseca County

Notes to Required Supplementary Information
Year Ended December 31, 2021

- The base mortality table for disabled annuitants was changed from the RP-2014 healthy annuitant mortality table (with future mortality improvement according to Scale MP-2019) to the Pub-2010 Public Safety disabled annuitant mortality table (with future mortality improvement according to Scale MP-2020).
- Assumed rates of salary increase were modified as recommended in the July 14, 2020 experience study. The overall impact is a decrease in gross salary increase rates.
- Assumed rates of retirement were changed as recommended in the July 14, 2020 experience study. The changes result in slightly more unreduced retirements and fewer assumed early retirements.
- Assumed rates of withdrawal were changed from select and ultimate rates to service-based rates. The changes result in more assumed terminations.
- Assumed rates of disability were increased for ages 25-44 and decreased for ages over 49. Overall, proposed rates result in more projected disabilities.
- Assumed percent married for active female members was changed from 60% to 70%. Minor changes to form of payment assumptions were applied.

Changes in Plan Provisions

- There were no changes in plan provisions since the previous valuation.

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.

Waseca County

Notes to Required Supplementary Information
Year Ended December 31, 2021

Changes in Plan Provisions:

- Post-retirement benefit increases were changed to 1.0% 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% funding, or July 1, 2048, if earlier.
- Member contributions were changed from 10.8% to 11.3% of pay, effective January 1, 2019 and 11.8% of pay, effective January 1, 2020.
- Employer contributions were changed from 16.20% to 16.95% of pay, effective January 1, 2019 and 17.70% of pay, effective January 1, 2020.
- Interest credited on member contributions decreased from 4.0% to 3.0%, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00%, 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% lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements.
- The Combined Service Annuity (CSA) load was 30% for vested and non-vested deferred members. The CSA has been changed to 33% for vested members and 2% 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% 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% to 60%.

Waseca County

Notes to Required Supplementary Information
Year Ended December 31, 2021

- 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% for all years to 1.00% per year through 2064 and 2.50% thereafter.
- The Single Discount Rate was changed from 5.60% per annum to 7.50% per annum.

Changes in plan provisions

- There have been no changes since the prior valuation.

2016 Changes

Changes in actuarial assumptions:

- The assumed post-retirement benefit increase rate was changed from 1.00% per year through 2037 and 2.50% thereafter to 1.00% per year for all future years.
- The assumed investment return was changed from 7.90% to 7.50%.
- The single discount rate changed from 7.90% to 5.60%.
- The assumed future salary increases, payroll growth and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% 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% per year through 2030 and 2.50% per year thereafter to 1.00% per year through 2037 and 2.50% per year thereafter.

Changes in plan provisions:

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

Waseca County

Notes to Required Supplementary Information
Year Ended December 31, 2021

Correctional Fund

2021 Changes

Changes in Actuarial Assumptions

- The investment return and single discount rates were changed from 7.50% to 6.50%, for financial reporting purposes.
- The inflation assumption was changed from 2.50% to 2.25%.
- The payroll growth assumption was changed from 3.25% to 3.00%.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 Public Safety Mortality table. The mortality improvement scale was changed from MP-2019 to MN-2020.
- The base mortality table for disabled annuitants was changed from the RP-2014 healthy annuitant mortality table (with future mortality improvement according to Scale MP-2019) to the Pub-2010 Public Safety disabled annuitant mortality table (with future mortality improvement according to Scale MP-2020).
- Assumed rates of salary increase were modified as recommended in the July 10, 2020 experience study. The overall impact is a decrease in gross salary increase rates.
- Assumed rates of retirement were changed as recommended in the July 10, 2020 experience study. The changes result in slightly more unreduced retirements and fewer assumed early retirements.
- Assumed rates of withdrawal were changed as recommended in the July 10, 2020 experience study. The new rates predict more terminations, both in the three-year select period (based on service) and the ultimate rates (based on age).
- Assumed rates of disability lowered.
- Assumed percent married for active members was lowered from 85% to 75%.
- Minor changes to form of payment assumptions were applied.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

Waseca County

Notes to Required Supplementary Information
Year Ended December 31, 2021

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.

2018 Changes

Changes in actuarial assumptions:

- The Single Discount Rate was changed from 5.96% per annum to 7.50% 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% per year to 2.00% 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% to 3.0%, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00%, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Post-retirement benefit increases were changed from 2.5% per year with a provision to reduce to 1.0% if the funding status declines to a certain level, to 100% of the Social Security Cost of Living Adjustment, not less than 1.0% and not more than 2.5%, beginning January 1, 2019. If the funding status declines to 85% for two consecutive years or 80% for one year, the maximum increase will be lowered to 1.5%.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

Waseca County

Notes to Required Supplementary Information
Year Ended December 31, 2021

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% for vested and non-vested, deferred members. The CSA has been changed to 35% for vested members and 1% for non-vested members.
- The Single Discount Rate was changed from 5.31% per annum to 5.96% per annum.

Changes in plan provisions

- There have been no changes since the prior valuation.

2016 Changes

Changes in actuarial assumptions:

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

Waseca County

Notes to Required Supplementary Information
Year Ended December 31, 2021

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 2.12% in 2020 to 2.25% in 2021. The discount rate was changed from 3.26% in 2019 to 2.12% in 2020. The discount rate was changed from 4.11% in 2018 to 3.26% in 2018. The discount rate was changed from 3.44% in 2017 to 4.11% in 2018.

SUPPLEMENTARY INFORMATION

Waseca County

Detailed Budgetary Comparison Schedule

General Fund

Year Ended December 31, 2021

	<u>Budget Original/Final</u>	<u>Actual</u>	<u>Variance With Budget</u>
Revenues			
Taxes	\$ 13,403,533	\$ 13,283,162	\$ (120,371)
Special assessments	-	194,490	194,490
Intergovernmental	2,076,310	2,362,461	286,151
Licenses and permits	264,430	328,676	64,246
Charges for services	672,999	693,586	20,587
Investment income (including unrealized losses)	130,000	89,216	(40,784)
Miscellaneous	55,560	317,681	262,121
	<u>\$ 16,602,832</u>	<u>\$ 17,269,272</u>	<u>\$ 666,440</u>
Expenditures			
General government:			
Commissioners	\$ 278,698	\$ 298,316	\$ (19,618)
Court administration	113,000	75,415	37,585
Court services	662,767	652,035	10,732
County administration	257,840	267,886	(10,046)
County auditor/treasurer	597,025	607,710	(10,685)
Human resources	234,503	262,302	(27,799)
Motor vehicle	296,050	306,808	(10,758)
County assessor	502,636	464,599	38,037
Elections	68,350	26,413	41,937
Data processing	769,767	683,153	86,614
Attorney	710,051	625,371	84,680
Recorder	234,575	262,043	(27,468)
Buildings and plant	647,887	614,936	32,951
Veterans services	207,835	195,433	12,402
Central services	335,118	296,450	38,668
Other	92,000	92,490	(490)
	<u>6,008,102</u>	<u>5,731,360</u>	<u>276,742</u>
Public safety:			
Sheriff	3,763,712	3,473,844	289,868
Electronic monitoring	10,000	7,740	2,260
Coroner	25,000	30,486	(5,486)
Ambulance	5,000	5,000	-
Emergency government	134,457	130,988	3,469
	<u>3,938,169</u>	<u>3,648,058</u>	<u>290,111</u>
Health and human services:			
Nursing service	1,131,691	1,014,470	117,221
Community health services	664,863	263,668	401,195
Contributions to local organizations	3,226,752	3,200,916	25,836
	<u>5,023,306</u>	<u>4,479,054</u>	<u>544,252</u>

Waseca County

Detailed Budgetary Comparison Schedule

General Fund

Year Ended December 31, 2021

	Budget Original/Final	Actual	Variance With Budget
Culture, recreation and education:			
County extension	\$ 140,247	\$ 108,670	\$ 31,577
Parks	77,813	66,001	11,812
Historical society	67,500	67,500	-
Arts	13,000	13,000	-
Other	111,957	112,212	(255)
Total culture, recreation and education	<u>410,517</u>	<u>367,383</u>	<u>43,134</u>
Conservation and development:			
Soil and water conservation	105,675	68,676	36,999
Agricultural society	47,775	47,775	-
Planning and zoning	474,628	602,673	(128,045)
Community development	47,770	238,449	(190,679)
Economic development	15,000	15,000	-
Other	-	500	(500)
Total conservation and development	<u>690,848</u>	<u>973,073</u>	<u>(282,225)</u>
Capital outlay:			
General government	843,239	527,766	315,473
Public safety	58,000	321,452	(263,452)
Total capital outlay	<u>901,239</u>	<u>849,218</u>	<u>52,021</u>
Total expenditures	<u>\$ 16,972,181</u>	<u>\$ 16,048,146</u>	<u>\$ 924,035</u>

Waseca County

Budgetary Comparison Schedule

Debt Service Fund

Year Ended December 31, 2021

	Budget Original/Final	Actual	Variance With Budget
Revenues			
Taxes	\$ 557,119	\$ 557,598	\$ 479
Intergovernmental	12,442	12,442	-
Miscellaneous	185,725	188,125	2,400
Total revenues	755,286	758,165	2,879
Expenditures			
Debt service:			
Principal	842,751	785,000	57,751
Interest and fiscal charges	193,238	212,163	(18,925)
Total expenditures	1,035,989	997,163	38,826
Excess (deficiency) of revenues over expenditures	(280,703)	(238,998)	41,705
Other Financing Sources			
Transfers in	280,703	204,340	(76,363)
Net change in fund balances	-	(34,658)	(34,658)
Fund Balances, Beginning	632,864	632,864	-
Fund Balances, Ending	\$ 632,864	\$ 598,206	\$ (34,658)

Waseca County

Nonmajor Governmental Funds
Year Ended December 31, 2021

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, 2021

	Special Revenue				Total Nonmajor Funds
	Small Cities Development	Economic Development	Waste Management	Capital Projects	
Assets					
Cash	\$ 39,358	\$ 92,864	\$ 436,559	\$ -	\$ 568,781
Receivables:					
Special assessment	-	-	16,100	-	16,100
Notes, net	69,693	38,887	-	-	108,580
Inventories and prepaid items	-	-	1,305	-	1,305
Total assets	\$ 109,051	\$ 131,751	\$ 453,964	\$ -	\$ 694,766
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities					
Accounts payable	\$ -	\$ -	\$ 127,836	\$ -	\$ 127,836
Accrued liabilities	-	-	12,046	-	12,046
Due to other funds	-	-	-	100,370	100,370
Deposits	-	-	3,906	-	3,906
Total liabilities	-	-	143,788	100,370	244,158
Deferred Inflows of Resources					
Unearned revenues	-	-	36,220	-	36,220
Unavailable revenues	69,693	38,887	13,612	-	122,192
Total deferred inflows of resources	69,693	38,887	49,832	-	158,412
Fund Balances					
Nonspendable	-	-	1,305	-	1,305
Restricted	39,358	-	-	514,849	554,207
Committed	-	92,864	259,039	-	351,903
Unassigned (deficit)	-	-	-	(615,219)	(615,219)
Total fund balances (deficit)	39,358	92,864	260,344	(100,370)	292,196
Total liabilities, deferred inflows of resources and fund balances	\$ 109,051	\$ 131,751	\$ 453,964	\$ -	\$ 694,766

Waseca County

Combining Statement of Revenues, Expenditures and Changes
in Fund Balances
Nonmajor Governmental Funds
Year Ended December 31, 2021

	<u>Special Revenue</u>				<u>Total Nonmajor Funds</u>
	<u>Small Cities Development</u>	<u>Economic Development</u>	<u>Waste Management</u>	<u>Capital Projects</u>	
Revenues					
Special assessments	\$ -	\$ -	\$ 242,784	\$ -	\$ 242,784
Intergovernmental	-	-	69,692	35,096	104,788
Public charges for services	-	-	338,521	-	338,521
Investment income	-	1,807	749	-	2,556
Miscellaneous	-	3,735	486,418	-	490,153
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	-	5,542	1,138,164	35,096	1,178,802
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Expenditures					
Current:					
Sanitation	-	-	1,197,063	-	1,197,063
Capital outlay	-	-	2,281	27,929	30,210
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	-	-	1,199,344	27,929	1,227,273
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net change in fund balances	-	5,542	(61,180)	7,167	(48,471)
Fund Balances (Deficit), Beginning	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	39,358	87,322	321,524	(107,537)	340,667
Fund Balances (Deficit), Ending	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	\$ 39,358	\$ 92,864	\$ 260,344	\$ (100,370)	\$ 292,196

Waseca County

Budgetary Comparison Schedule

Waste Management Fund

Year Ended December 31, 2021

	<u>Budget Original/Final</u>	<u>Actual</u>	<u>Variance With Budget</u>
Revenues			
Special assessments	\$ 305,090	\$ 242,784	\$ (62,306)
Intergovernmental	69,646	69,692	46
Public charges for services	220,800	338,521	117,721
Investment income	3,000	749	(2,251)
Miscellaneous	230,000	486,418	256,418
	<u>828,536</u>	<u>1,138,164</u>	<u>309,628</u>
Total revenues			
Expenditures			
Current:			
Sanitation:			
Transfer station	587,521	601,521	(14,000)
Special waste management	19,937	13,761	6,176
Recycling	256,143	473,829	(217,686)
Yardwaste management and education	9,633	178	9,455
Solid waste administration	71,093	107,774	(36,681)
Capital outlay	18,000	2,281	15,719
	<u>962,327</u>	<u>1,199,344</u>	<u>(237,017)</u>
Total expenditures			
Excess (deficiency) of revenues over expenditures	(133,791)	(61,180)	72,611
Other Financing Sources (Uses)			
Transfers in	203,919	-	(203,919)
Transfers out	(70,128)	-	70,128
	<u>133,791</u>	<u>-</u>	<u>(133,791)</u>
Total other financing sources (uses)			
Net change in fund balances	-	(61,180)	(61,180)
Fund Balances, Beginning	<u>321,524</u>	<u>321,524</u>	<u>-</u>
Fund Balances, Ending	<u>\$ 321,524</u>	<u>\$ 260,344</u>	<u>\$ (61,180)</u>

Waseca County

Fiduciary Funds

Year Ended December 31, 2021

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, 2021

	<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>
Assets					
Cash and investments	\$ 531,785	\$ 17,370	\$ 119,055	\$ -	\$ 668,210
Due from other governments	-	-	-	844,008	844,008
Taxes receivable for other governments	406,090	4,897	-	-	410,987
Total assets	<u>937,875</u>	<u>22,267</u>	<u>119,055</u>	<u>844,008</u>	<u>1,923,205</u>
Liabilities					
Accounts payable	409	-	-	176,342	176,751
Due to other governments	327,630	17,370	119,055	649,699	1,113,754
Total liabilities	<u>328,039</u>	<u>17,370</u>	<u>119,055</u>	<u>826,041</u>	<u>1,290,505</u>
Deferred Inflows of Resources					
Advanced contributions	69,877	-	-	-	69,877
Net Position					
Restricted for Individuals, organizations, and other governments	<u>\$ 539,959</u>	<u>\$ 4,897</u>	<u>\$ -</u>	<u>\$ 17,967</u>	<u>\$ 562,823</u>

Waseca County

Combining Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended December 31, 2021

	Taxes and Penalties	Library	State Revenue	Individuals, Organizations, and Other Local Governments	Total Custodial Funds
Additions					
Property tax collections for other governments	\$ 17,265,348	\$ 441,650	\$ -	\$ -	\$ 17,706,998
Other taxes collected for other governments	-	-	783,808	-	783,808
License and fees collected for State	-	-	80,700	-	80,700
Grant collections for other governments and organizations	-	-	230,409	1,030,007	1,260,416
Redemption and foreclosure collections for others	593	-	-	-	593
Inmate canteen collections	-	-	-	17,305	17,305
Writs of execution collections for others	-	-	-	80,325	80,325
Total additions	17,265,941	441,650	1,094,917	1,127,637	19,930,145
Deductions					
Payments of property tax to other governments	17,429,575	442,173	-	-	17,871,748
Payments of other taxes to other governments	-	-	783,808	-	783,808
Payments to state	-	-	80,700	-	80,700
Payment of grants to other governments and organizations	-	-	230,409	988,148	1,218,557
Administrative expenses	3,475	-	-	-	3,475
Payment of inmate canteen collections to inmates and others	-	-	-	13,309	13,309
Payment of writs of execution to others	-	-	-	80,455	80,455
Payments to other entities	-	-	-	34,341	34,341
Total deductions	17,433,050	442,173	1,094,917	1,116,253	20,086,393
Net change in net position	(167,109)	(523)	-	11,384	(156,248)
Net Position, Beginning	707,068	5,420	-	6,583	719,071
Net Position, Ending	\$ 539,959	\$ 4,897	\$ -	\$ 17,967	562,823

Waseca County

Schedule of Intergovernmental Revenues
Year Ended December 31, 2021

	Special Revenue					Debt Service	Capital Projects	Total All Funds
	General Fund	Road and Bridge	Ditch	Special Revenue	Waste Management			
Shared Revenue								
State:								
Highway users tax	\$ -	\$ 4,518,546	\$ -	\$ -	\$ -	\$ 4,518,546	\$ -	\$ 4,518,546
State aid bond	-	210,575	-	-	-	210,575	-	210,575
County program aid	943,449	-	-	123,989	-	123,989	-	1,067,438
Conservation credit	66,281	15,312	-	-	-	15,312	2,819	84,412
State police aid	142,355	-	-	-	-	-	-	142,355
Agricultural preservation	215,712	49,834	-	-	-	49,834	9,176	274,722
Disparity aid	11,406	1,523	-	-	-	1,523	447	13,376
Total shared revenue	1,379,203	4,795,790	-	123,989	-	4,919,779	12,442	6,311,424
Reimbursement for Services								
Minnesota Department of Human Services	23,233	-	-	-	-	-	-	23,233
MNPrairie	12,550	-	-	-	-	-	-	12,550
Other counties, cities or townships	-	-	-	1,000	-	1,000	19,782	20,782
Total reimbursement for services	35,783	-	-	1,000	-	1,000	19,782	56,565
Grants								
State:								
Minnesota Department of:								
Employment and Economic Development	-	-	-	368,028	-	368,028	-	368,028
Health	401,764	-	-	-	-	-	-	401,764
Public Safety	1,578	-	-	215,426	-	215,426	-	217,004
Natural Resources	39,707	-	-	34,545	-	34,545	-	74,252
Corrections	154,302	-	-	-	-	-	-	154,302
Veterans Affairs	-	-	-	4,345	-	4,345	-	4,345
Pollution control agency	-	-	-	-	69,692	69,692	-	69,692
Board of water and soil resources	-	-	-	23,952	-	23,952	-	23,952
Trial court	-	-	-	180,129	-	180,129	-	180,129
Total state	597,351	-	-	826,425	69,692	896,117	-	1,493,468
Federal								
U.S. Department of :								
Agriculture	120,788	-	-	-	-	-	15,314	136,102
Transportation	-	133,163	-	-	-	133,163	-	133,163
Education	2,100	-	-	-	-	-	-	2,100
Homeland Security	19,289	-	-	-	-	-	-	19,289
Justice	-	-	-	23,425	-	23,425	-	23,425
Treasury	-	-	-	447,836	-	447,836	-	447,836
Health and Human Services	207,947	-	-	-	-	-	-	207,947
Total federal	350,124	133,163	-	471,261	-	604,424	15,314	969,862
Total grants	947,475	133,163	-	1,297,686	69,692	1,500,541	15,314	2,463,330
Total intergovernmental revenue	\$ 2,362,461	\$ 4,928,953	\$ -	\$ 1,422,675	\$ 69,692	\$ 6,421,320	\$ 12,442	\$ 8,831,319