State of Minnesota

Office of the State Auditor

Julie Blaha
State Auditor

Audit Practice Division

Cottonwood County
Windom, Minnesota

Annual Financial Report and
Management and Compliance Report

Year Ended December 31, 2024

Cottonwood County
Windom, Minnesota

Table of Contents

Cottonwood County
Windom, Minnesota

Table of Contents

Introductory Section

Cottonwood County
Windom, Minnesota

Organization
2024

Office	Name	Term Expires
Commissioners		
1st District	Larry Anderson	December 2026
2nd District	Kevin Stevens[2]	December 2028
3rd District	Donna Gravley	December 2026
4th District	Norman Holmen[1]	December 2024
5th District	Tom Appel	December 2026
Officials		
Elected		
Attorney	Deja Weber[3]	December 2026
Auditor/Treasurer	Carolyn Rempel[4]	December 2026
County Recorder	Kathleen Kretsch	December 2026
Sheriff	Jason Purrington	December 2026
Appointed		
Assessor	David Grev	December 31, 2024
Coordinator	Kelly Thongvivong	Indefinite
Highway Engineer	Nicholas Klisch	May 2026
Veterans Service Officer	Mitchell Chmielewski	Indefinite
Emergency Management Director	Paul Johnson	Indefinite

[1]Chair 2024
[2]Chair 2025
[3]Deja Weber was hired to fill the remainder of the term in July 2024 after Nick Anderson resigned in February 2024.
[4]Carolyn Rempel replaced Donna Torkelson in February 2024.

Financial Section

STATE OF MINNESOTA

Julie Blaha
State Auditor

Office of the State Auditor

Suite 500
525 Park Street
Saint Paul, MN 55103

Independent Auditor's Report

Board of County Commissioners
Cottonwood County
Windom, Minnesota

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Cottonwood County, Minnesota, as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Cottonwood County as of December 31, 2024, 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.

Basis for Opinions

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

Emphasis of Matter – Correction of Material Misstatement in Previously Issued Financial Statements

As discussed in Note 1 to the financial statements, the previously issued 2023 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

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.

Main: (651) 296-2551 • Fax: (651) 296-4755 • TTY: (800) 627-3529 • State.Auditor@osa.state.mn.us • www.osa.state.mn.us
An equal opportunity employer

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

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

- exercise professional judgment and maintain professional skepticism throughout the audit;

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, no such opinion is expressed;

- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements; and

- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the County's ability to continue as a going concern for a reasonable period of time.

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

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

Supplementary Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Cottonwood County's basic financial statements. The Budgetary Comparison Schedule – Building Capital Projects

Fund, combining fiduciary funds financial statements, Schedule of Intergovernmental Revenue, and Schedule of Expenditures of Federal Awards and related notes, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information as identified above is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the Annual Financial Report. The other information comprises the Introductory Section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 30, 2025, on our consideration of Cottonwood 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 Cottonwood 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 Cottonwood County's internal control over financial reporting and compliance.

/s/Julie Blaha

Julie Blaha
State Auditor

/s/Chad Struss

Chad Struss, CPA
Deputy State Auditor

May 30, 2025

Management’s Discussion and Analysis

Cottonwood County
Windom, Minnesota

Management's Discussion and Analysis
December 31, 2024
(Unaudited)

Cottonwood County's Management's Discussion and Analysis (MD&A) provides an overview of the County's financial activities for the fiscal year ended December 31, 2024. Since this information is designed to focus on the current year's activities, resulting changes, and currently known facts, it should be read in conjunction with the financial statements.

Financial Highlights

- Governmental activities' total net position is $101,307,436, of which $77,363,624 is the net investment in capital assets, leaving $13,332,816 of the governmental activities' net position restricted for specific uses and $10,610,996 as unrestricted.

- Business-type activities have a total net position of $208,039, of which $1,545,240 is the investment in capital assets, leaving ($1,337,201) as unrestricted.

- Cottonwood County's net position increased by $5,922,779 for the year ended December 31, 2024, after restatement. This increase is comprised of an increase of $6,963,744 in the governmental activities' net position, which includes a $529,409 restatement and a net decrease of $456,014 in the business-type activities' net position, which includes a $55,542 restatement.

- The net cost of governmental activities was $11,017,266 for the current fiscal year. The net cost was funded by general revenues totaling $17,451,601.

- Governmental funds' fund balances increased by $5,780,594, which includes a $529,409 restatement.

Overview of the Financial Statements

This MD&A is intended to serve as an introduction to the basic financial statements. Cottonwood County's basic financial statements consist of three parts: government-wide financial statements, fund financial statements, and notes to the financial statements. The MD&A (this section) and other information are required to accompany the basic financial statements and, therefore, are included as required supplementary information.

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

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

Our analysis of the County as a whole begins on Exhibit 1. The Statement of Net Position and the Statement of Activities report information about the County as a whole and about its activities in a way that helps the reader determine whether the County's financial condition has improved or declined as a result of the year's activities.

These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the full accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

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

In the Statement of Net Position and the Statement of Activities, the County is divided into two kinds of activities:

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

- Business-type activities—The County charges a fee to customers to help it cover all or most of the cost of services it provides. The County's solid waste landfill activities are reported here.

Fund Financial Statements

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

- Governmental funds—Most of the County's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting. This method measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the County's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds are described in a reconciliation following each governmental fund financial statement.

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

- Fiduciary funds—Fiduciary funds are used to account for assets held for the benefit of parties outside of the County. Fiduciary funds are not reflected in the government-wide statements because the resources of these funds are not available to support the County's own programs or activities. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All fiduciary funds are presented on separate statements on Exhibits 10, 11, C-1, and C-2 of this report.

Other Information

In addition to the basic financial statements and notes, this report also presents certain required supplementary information concerning Cottonwood County's budgetary comparison schedules for the General Fund, the Road and Bridge Special Revenue Fund, and the Ditch Special Revenue Fund (Exhibits A-1 to A-3), changes in its obligation to provide other postemployment benefits to its employees (Exhibit A-4), and schedules of proportionate share of net pension liability and schedules of contributions (Exhibits A-5 to A-10).

The County as a Whole

The County's combined net position is $101,515,475. Our analysis in the tables below focuses on the net position and changes in net position of the County's governmental and business-type activities.

Statement of Net Position

	2024			
	Governmental Activities	Business-Type Activities	Total	2023
Assets				
Current and other assets	$ 33,960,234	$ 1,968,250	$ 35,928,484	$ 29,503,380
Capital assets	86,041,318	1,545,240	87,586,558	77,657,561
Total Assets	$ 120,001,552	$ 3,513,490	$ 123,515,042	$ 107,160,941
Deferred Outflows of Resources	$ 1,956,873	$ 31,911	$ 1,988,784	$ 2,972,929
Liabilities				
Long-term liabilities outstanding	$ 15,731,551	$ 3,207,523	$ 18,939,074	$ 9,032,657
Other liabilities	1,696,971	38,174	1,735,145	2,156,716*
Total Liabilities	$ 17,428,522	$ 3,245,697	$ 20,674,219	$ 11,189,373
Deferred Inflows of Resources	$ 3,222,467	$ 91,665	$ 3,314,132	$ 3,351,801
Net position				
Net investment in capital assets	$ 77,363,624	$ 1,545,240	$ 78,908,864	$ 77,229,683
Restricted	13,332,816	-	13,332,816	10,570,946
Unrestricted	10,610,996	(1,337,201)	9,273,795	7,792,067*
Total Net Position	$ 101,307,436	$ 208,039	$ 101,515,475	$ 95,592,696

*Amounts restated for correction of an error. See Note 1 in the Notes to the Financial Statements.

Net position of the County's governmental activities was $101,307,436. Unrestricted net position—the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements—was $10,610,996 at the end of the year. The net position of business-type activities was $208,039.

Changes in Net Position

	2024 Governmental Activities	2024 Business-Type Activities	2024 Total	2023
Revenues				
Program revenues				
Fees, charges, and others	$ 1,881,055	$ 972,700	$ 2,853,755	$ 2,985,971
Operating grants and contributions	8,389,268	-	8,389,268	6,907,255
Capital grants and contributions	1,201,290	-	1,201,290	2,660,605
General revenues				
Property taxes	12,484,722	-	12,484,722	11,765,827
Other taxes	827,171	-	827,171	893,508
Grants, gifts, and miscellaneous	4,139,708	140,379	4,280,087	3,020,874*
Total Revenues	$ 28,923,214	$ 1,113,079	$ 30,036,293	$ 28,234,040
Expenses				
General government	$ 4,217,068	$ -	$ 4,217,068	$ 4,491,868
Public safety	4,172,711	-	4,172,711	3,914,439
Highways and streets	7,739,322	-	7,739,322	6,410,959
Sanitation	419,951	-	419,951	376,045
Health and human services	2,980,411	-	2,980,411	1,802,560
Culture and recreation	415,349	-	415,349	396,268
Conservation of natural resources	2,067,013	-	2,067,013	1,367,175
Interest	477,054	-	477,054	30,993
Landfill	-	1,624,635	1,624,635	446,824
Total Expenses	$ 22,488,879	$ 1,624,635	$ 24,113,514	$ 19,237,131
Change in Net Position	$ 6,434,335	$ (511,556)	$ 5,922,779	$ 8,996,909
Net Position – January 1, as restated	94,873,101	719,595	95,592,696	86,595,787
Net Position – December 31	$ 101,307,436	$ 208,039	$ 101,515,475	$ 95,592,696

*Amounts restated for correction of an error. See Note 1 in the Notes to the Financial Statements.

The County’s activities increased net position by 6.2 percent ($101,515,475 for 2024 compared to $95,592,696 for 2023).

Total County Revenue

Governmental Activities

Revenues for the County’s governmental activities were $28,923,214, while total expenses were $22,488,879. After a restatement of $529,409, this reflects a net increase of $6,963,744 in net position for the year ended December 31, 2024.

Business-Type Activities

Revenues of the County’s business-type activities were $1,113,079, while total expenses were $1,624,635. After a restatement of $55,542, this reflects a net decrease of $456,014 in net position for the year ending December 31, 2024.

Governmental Activities’ Expenses

The cost of the County’s governmental activities this year was $22,488,879. However, as shown in the Statement of Activities, the amount that taxpayers ultimately financed for these activities through County taxes and other general revenue was $17,451,601 because some of the cost was paid by those who directly benefited from the programs ($1,881,055) or by other governments and organizations that subsidized certain programs with grants and contributions ($9,590,558).

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

Governmental Activities

	2024	
	Total Cost of Services	Net Cost of Services
Highways and streets	$ 7,739,322	$ 901,990
General government	4,217,068	(3,817,835)
Public safety	4,172,711	(3,628,436)
Health and human services	2,980,411	(2,980,411)
Conservation of natural resources	2,067,013	(867,578)
All others	1,312,354	(624,996)
Totals	$ 22,488,879	$ (11,017,266)

The County's Funds

As the County completed the year, its governmental funds (as presented in the Balance Sheet) reported a combined fund balance of $27,971,113, which is above last year's total of $22,190,519. The governmental funds' change in fund balance (an increase of $5,780,594 for 2024, including the restatement) represents a 26.0 percent increase in governmental fund balances.

The General Fund showed an increase in fund balance of $670,124. The overall increase in fund balance resulted from more revenue than expected in 2024, with the largest variances being intergovernmental revenue, investment earnings, and miscellaneous revenue.

The Road and Bridge Special Revenue Fund's fund balance increased $2,846,922 in 2024. The increase, in part, was a result of the County having two mild winters in a row and a sealcoating project that did not occur due to staff turnover. There is also a bridge replacement project budgeted for and started in 2024, but the expenditures will mostly occur in 2025.

In 2024, the Ditch Special Revenue Fund showed a decrease in fund balance of $478,016. This is mostly due to expenditures exceeding revenues. The flooding that took place in June 2024 resulted in more repairs than planned.

The Building Capital Projects Fund had an increase in fund balance of $2,212,155 in 2024. The increase is due to long-term capital outlay projects that were not expended in 2024 but were included in the 2024 levy.

General Fund Budgetary Highlights

No budget amendments were made for 2024. The actual revenues were $1,300,718 more than the budgeted revenues. This is due to continued funding received in 2024 from the State of Minnesota. The largest increase was in County Program Aid. In addition, there was more investment revenue than expected due to the change in interest rates. Total expenditures were slightly over budget in 2024. This was due to expenditures being greater than anticipated in general government, public safety, recycling, conservation of natural resources, and unbudgeted debt service payments.

Capital Assets and Debt Administration

Capital Assets

At the end of 2024, the County had $87,586,558 invested in a broad range of capital assets (net of accumulated depreciation and amortization), including land, buildings, infrastructure, and equipment. This amount represents a net increase of $9,928,997, or 12.8 percent, over last year.

Capital Assets

	2024			
	Governmental Activities	Business-Type Activities	Total	2023
Land	$ 982,310	$ 249,586	$ 1,231,896	$ 1,231,896
Right-of-way	858,459	-	858,459	858,459
Construction in progress	10,239,608	-	10,239,608	729,634
Buildings	2,719,931	18,976	2,738,907	2,895,865
Land improvements	-	822,483	822,483	899,021
Machinery and equipment	2,955,449	454,195	3,409,644	2,754,341
Infrastructure	68,089,056	-	68,089,056	68,160,201
Lease vehicles	196,505	-	196,505	128,144
Totals	$ 86,041,318	$ 1,545,240	$ 87,586,558	$ 77,657,561

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

Long-Term Debt

At the end of the current fiscal year, the County had total outstanding debt of $11,687,603 versus $1,906,319 last year, an increase of 513.1 percent over last year.

Outstanding Debt

	2024	2023
Bonds payable	$ 9,635,000	$ -
Loans payable	1,909,836	1,774,986
Leases	142,767	131,333
Total	$ 11,687,603	$ 1,906,319

The County's general obligation bond rating is an AA-. This rating is assigned by national rating agencies. The state limits the amount of net debt that counties can issue to three percent of the market value of all taxable property ($5,318,917,900) in the County. The County's outstanding net debt ($11,687,603) is significantly below this state-imposed limit ($159,567,537).

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

Economic Factors and Next Year's Budgets and Rates

The County's elected and appointed officials considered many factors when setting landfill fees, the fiscal year 2025 budget, and property tax rates.

- Cottonwood County is anticipating a significant number of projects to the courthouse this year. The County will use some of their long-term building funds as well as setting aside some tax dollars for a future broadband project.

- County governmental fund expenditures for 2025 are budgeted to increase by 19.3 percent from 2024. This is largely due to the road construction budget.

- Property taxes levied have increased 6.0 percent for 2025.

Contacting the County's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the County Auditor/Treasurer, Carolyn Rempel, Cottonwood County Courthouse, 900 – 3rd Avenue, Windom, Minnesota 56101; (507) 831-1342.

Basic Financial Statements

Government-Wide Financial Statements

Cottonwood County
Windom, Minnesota

Exhibit 1

Statement of Net Position
December 31, 2024

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and pooled investments	$ 27,482,425	$ 231,136	$ 27,713,561
Receivables	5,383,132	126,776	5,509,908
Internal balances	399,142	(399,142)	-
Inventories	612,140	-	612,140
Lease receivable	-	16,214	16,214
Prepaid items	83,395	2,100	85,495
Restricted assets			
Cash and fund investments	-	1,991,166	1,991,166
Capital assets			
Non-depreciable	12,080,377	249,586	12,329,963
Depreciable and amortizable – net of accumulated depreciation and amortization	73,960,941	1,295,654	75,256,595
Total Assets	**$ 120,001,552**	**$ 3,513,490**	**$ 123,515,042**
Deferred Outflows of Resources			
Deferred other postemployment benefits outflows	$ 139,625	$ 4,865	$ 144,490
Deferred pension outflows	1,817,248	27,046	1,844,294
Total Deferred Outflows of Resources	**$ 1,956,873**	**$ 31,911**	**$ 1,988,784**
Liabilities			
Accounts payable	$ 312,557	$ 26,499	$ 339,056
Salaries payable	292,237	11,675	303,912
Contracts payable	586,122	-	586,122
Due to other governments	160,102	-	160,102
Accrued interest payable	224,753	-	224,753
Unearned revenue	121,200	-	121,200
Long-term liabilities			
Due within one year	374,634	4,521	379,155
Due in more than one year	12,480,024	3,094,299	15,574,323
Other postemployment benefits liability due within one year	44,122	1,838	45,960
Other postemployment benefits liability due in more than one year	341,974	11,210	353,184
Net pension liability	2,490,797	95,655	2,586,452
Total Liabilities	**$ 17,428,522**	**$ 3,245,697**	**$ 20,674,219**
Deferred Inflows of Resources			
Deferred other postemployment benefits inflows	$ 65,157	$ 2,484	$ 67,641
Deferred pension inflows	3,157,310	73,403	3,230,713
Deferred lease inflows	-	15,778	15,778
Total Deferred Inflows of Resources	**$ 3,222,467**	**$ 91,665**	**$ 3,314,132**

Cottonwood County
Windom, Minnesota

Exhibit 1
(Continued)

Statement of Net Position
December 31, 2024

	Governmental Activities	Business-Type Activities	Total
Net Position			
Net investment in capital assets	$ 77,363,624	$ 1,545,240	$ 78,908,864
Restricted for			
General government	333,293	-	333,293
Public safety	562,112	-	562,112
Highways and streets	2,307,876	-	2,307,876
Conservation of natural resources	2,187,627	-	2,187,627
Economic development	102,070	-	102,070
Opioid remediation activities	208,343	-	208,343
Capital projects	7,631,495	-	7,631,495
Unrestricted	10,610,996	(1,337,201)	9,273,795
Total Net Position	**$ 101,307,436**	**$ 208,039**	**$ 101,515,475**

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

Cottonwood County
Windom, Minnesota

Statement of Activities
For the Year Ended December 31, 2024

	Expenses	Fees, Charges, Fines, and Other
Functions/Programs		
Governmental activities		
General government	$ 4,217,068	$ 259,373
Public safety	4,172,711	89,657
Highways and streets	7,739,322	121,625
Sanitation	419,951	393,842
Health and human services	2,980,411	-
Culture and recreation	415,349	93,432
Conservation of natural resources	2,067,013	923,126
Interest	477,054	-
Total governmental activities	**$ 22,488,879**	**$ 1,881,055**
Business-type activities		
Landfill	1,624,635	972,700
Total	**$ 24,113,514**	**$ 2,853,755**

General Revenues
Property taxes
Gravel taxes
Mortgage registry and deed tax
Wheelage tax
Windpower tax
Grants and contributions not restricted to specific programs
Payments in lieu of tax
Investment income
Miscellaneous
Gain on sale of capital assets

Total general revenues

Change in net position

Net Position – January 1, as previously reported
Restatement (Note 1)

Net Position – January 1, as restated

Net Position – Ending

Program Revenues		Net (Expense) Revenue and Changes in Net Position		
Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
$ 139,860	$ -	$ (3,817,835)	$ -	$ (3,817,835)
454,618	-	(3,628,436)	-	(3,628,436)
7,318,397	1,201,290	901,990	-	901,990
86,753	-	60,644	-	60,644
-	-	(2,980,411)	-	(2,980,411)
113,331	-	(208,586)	-	(208,586)
276,309	-	(867,578)	-	(867,578)
-	-	(477,054)	-	(477,054)
$ 8,389,268	**$ 1,201,290**	**$ (11,017,266)**	**$ -**	**$ (11,017,266)**
-	-	-	(651,935)	(651,935)
$ 8,389,268	**$ 1,201,290**	**$ (11,017,266)**	**$ (651,935)**	**$ (11,669,201)**
		$ 12,484,722	$ -	$ 12,484,722
		68,913	-	68,913
		12,478	-	12,478
		136,657	-	136,657
		609,123	-	609,123
		2,407,714	10,999	2,418,713
		398,683	-	398,683
		1,068,484	88,610	1,157,094
		200,186	-	200,186
		64,641	40,770	105,411
		$ 17,451,601	**$ 140,379**	**$ 17,591,980**
		$ 6,434,335	**$ (511,556)**	**$ 5,922,779**
		$ 94,343,692	$ 664,053	$ 95,007,745
		529,409	55,542	584,951
		$ 94,873,101	**$ 719,595**	**$ 95,592,696**
		$ 101,307,436	**$ 208,039**	**$ 101,515,475**

Fund Financial Statements

Governmental Funds

Cottonwood County
Windom, Minnesota

Exhibit 3

Balance Sheet
Governmental Funds
December 31, 2024

	General	Special Revenue Funds: Road and Bridge	Special Revenue Funds: Ditch	Building Capital Projects	Total
Assets					
Cash and pooled investments	$ 10,806,124	$ 7,244,170	$ 596,059	$ 8,836,072	$ 27,482,425
Taxes receivable – delinquent	62,253	-	-	-	62,253
Special assessments receivable					
Delinquent	35,395	-	257	-	35,652
Noncurrent	1,555,905	-	-	-	1,555,905
Accrued interest receivable	149,446	-	-	-	149,446
Loans receivable	89,656	-	-	-	89,656
Due from other governments	-	3,490,220	-	-	3,490,220
Inventories	-	612,140	-	-	612,140
Prepaid items	61,141	22,254	-	-	83,395
Advance to other funds	1,508,526	-	-	-	1,508,526
Total Assets	**$ 14,268,446**	**$ 11,368,784**	**$ 596,316**	**$ 8,836,072**	**$ 35,069,618**
Liabilities, Deferred Inflows of Resources, and Fund Balances					
Liabilities					
Accounts payable	$ 201,101	$ 77,132	$ 34,324	$ -	$ 312,557
Salaries payable	217,583	74,654	-	-	292,237
Contracts payable	-	586,122	-	-	586,122
Due to other governments	156,569	-	3,533	-	160,102
Unearned revenue	121,200	-	-	-	121,200
Advance from other funds	-	-	1,109,384	-	1,109,384
Total Liabilities	**$ 696,453**	**$ 737,908**	**$ 1,147,241**	**$ -**	**$ 2,581,602**
Deferred Inflows of Resources					
Unavailable revenue	**$ 1,718,164**	**$ 2,798,482**	**$ 257**	**$ -**	**$ 4,516,903**

Cottonwood County
Windom, Minnesota

Exhibit 3
(Continued)

Balance Sheet
Governmental Funds
December 31, 2024

	General	Special Revenue Funds: Road and Bridge	Special Revenue Funds: Ditch	Building Capital Projects	Total
Liabilities, Deferred Inflows of Resources, and Fund Balances (Continued)					
Fund Balances					
Nonspendable					
Prepaid items	$ 61,141	$ 22,254	$ -	$ -	$ 83,395
Long-term loans receivable	89,656	-	-	-	89,656
Advance to other funds	1,508,526	-	-	-	1,508,526
Inventories	-	612,140	-	-	612,140
Restricted for					
Law library	64,571	-	-	-	64,571
Recorder's technology fund	76,726	-	-	-	76,726
Recorder's compliance fund	92,405	-	-	-	92,405
Affordable housing	88,448	-	-	-	88,448
Enhanced 911	275,572	-	-	-	275,572
Public safety	83,961	-	-	-	83,961
Sheriff drug contingency	2,887	-	-	-	2,887
Permit to carry administration	162,197	-	-	-	162,197
Sheriff forfeitures	37,495	-	-	-	37,495
Attorney forfeitures	10,943	-	-	-	10,943
Attorney – prostitution prosecution, training, and education	200	-	-	-	200
Septic/sewer loan repayments	914,478	-	-	-	914,478
Land restoration	212,406	-	-	-	212,406
Aquatic invasive species program	191,366	-	-	-	191,366
Buffer administration	637,427	-	-	-	637,427
Low-interest small business loans	102,070	-	-	-	102,070
Opioid remediation	208,343	-	-	-	208,343
Public works facility	-	1,490,368	-	-	1,490,368
Ditch maintenance and repairs	-	-	565,437	-	565,437
County buildings	-	-	-	7,631,495	7,631,495
Assigned for					
Road and bridge	-	5,707,632	-	-	5,707,632
Capital outlay	-	-	-	1,204,577	1,204,577
Unassigned	7,033,011	-	(1,116,619)	-	5,916,392
Total Fund Balances	**$ 11,853,829**	**$ 7,832,394**	**$ (551,182)**	**$ 8,836,072**	**$ 27,971,113**
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	**$ 14,268,446**	**$ 11,368,784**	**$ 596,316**	**$ 8,836,072**	**$ 35,069,618**

Cottonwood County
Windom, Minnesota

Exhibit 4

Reconciliation of Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position—Governmental Activities December 31, 2024

Fund balance – total governmental funds (Exhibit 3)		**$ 27,971,113**
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets, net of accumulated depreciation and amortization, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		86,041,318
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources – unavailable revenue in the governmental funds.		4,516,903
Governmental funds do not report a liability for accrued interest on long-term liabilities until due and payable.		(224,753)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
General obligation bonds payable	$ (9,635,000)	
Unamortized premium on general obligation bonds	(390,295)	
Loans payable	(1,909,836)	
Leases payable	(142,767)	
Compensated absences	(776,760)	
Other postemployment benefits liability	(386,096)	
Net pension liability	(2,490,797)	(15,731,551)
Deferred outflows of resources and deferred inflows of resources resulting from changes in the components of the other postemployment benefits liability are not reported in the governmental funds.		
Deferred other postemployment benefits outflows		139,625
Deferred other postemployment benefits inflows		(65,157)
Deferred outflows of resources and deferred inflows of resources resulting from changes in the components of the net pension liability are not reported in the governmental funds.		
Deferred pension outflows		1,817,248
Deferred pension inflows		(3,157,310)
Net Position of Governmental Activities (Exhibit 1)		**$ 101,307,436**

Cottonwood County
Windom, Minnesota

Exhibit 5

Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended December 31, 2024

	General	Special Revenue Funds		Building Capital Projects	Total
		Road and Bridge	Ditch		
Revenues					
Taxes	$ 8,636,160	$ 2,421,204	$ -	$ 2,279,035	$ 13,336,399
Special assessments	262,576	-	427,431	-	690,007
Licenses and permits	26,071	16,500	-	-	42,571
Intergovernmental	2,613,747	7,902,305	-	-	10,516,052
Settlements	114,088	-	-	-	114,088
Charges for services	499,945	30,878	-	-	530,823
Fines and forfeits	8,046	-	-	-	8,046
Investment earnings	1,023,495	-	-	-	1,023,495
Miscellaneous	569,806	74,247	68,197	-	712,250
Total Revenues	**$ 13,753,934**	**$ 10,445,134**	**$ 495,628**	**$ 2,279,035**	**$ 26,973,731**
Expenditures					
Current					
General government	$ 4,143,414	$ -	$ -	$ -	$ 4,143,414
Public safety	4,071,223	-	-	-	4,071,223
Highways and streets	-	7,830,101	-	-	7,830,101
Sanitation	529,494	-	-	-	529,494
Health and human services	16,938	-	-	-	16,938
Culture and recreation	408,649	-	-	-	408,649
Conservation of natural resources	1,030,994	-	1,047,486	-	2,078,480
Capital outlay					
General government	-	-	-	66,880	66,880
Highways and streets	-	8,835,790	-	-	8,835,790
Intergovernmental					
Highways and streets	-	801,625	-	-	801,625
Health and human services	2,963,473	-	-	-	2,963,473
Debt service					
Principal	289,511	1,578	-	-	291,089
Interest	12,139	212	23,429	-	35,780
Bond issuance costs	-	225,006	-	-	225,006
Total Expenditures	**$ 13,465,835**	**$ 17,694,312**	**$ 1,070,915**	**$ 66,880**	**$ 32,297,942**
Excess of Revenues Over (Under) Expenditures	**$ 288,099**	**$ (7,249,178)**	**$ (575,287)**	**$ 2,212,155**	**$ (5,324,211)**

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

Exhibit 5
(Continued)

Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended December 31, 2024

	General	Special Revenue Funds Road and Bridge	Special Revenue Funds Ditch	Building Capital Projects	Total
Other Financing Sources (Uses)					
Transfers in	$ 15,089	$ -	$ 112,360	$ -	$ 127,449
Transfers out	(112,360)	-	(15,089)	-	(127,449)
Bonds issued	-	9,635,000	-	-	9,635,000
Premium on bonds issued	-	398,780	-	-	398,780
Loans issued	385,464	-	-	-	385,464
Leases issued	62,492	12,556	-	-	75,048
Proceeds from sale of capital assets	31,340	33,301	-	-	64,641
Total Other Financing Sources (Uses)	**$ 382,025**	**$ 10,079,637**	**$ 97,271**	**$ -**	**$ 10,558,933**
Net Change in Fund Balance	**$ 670,124**	**$ 2,830,459**	**$ (478,016)**	**$ 2,212,155**	**$ 5,234,722**
Fund Balance – January 1, as previously reported	$ 11,183,705	$ 4,456,063	$ (73,166)	$ 6,623,917	$ 22,190,519
Restatement (Note 1)	-	529,409	-	-	529,409
Fund Balance – January 1, as restated	**$ 11,183,705**	**$ 4,985,472**	**$ (73,166)**	**$ 6,623,917**	**$ 22,719,928**
Increase (decrease) in inventories	**$ -**	**$ 16,463**	**$ -**	**$ -**	**$ 16,463**
Fund Balance – December 31	**$ 11,853,829**	**$ 7,832,394**	**$ (551,182)**	**$ 8,836,072**	**$ 27,971,113**

Exhibit 6

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Government-Wide Statement of Activities—Governmental Activities For the Year Ended December 31, 2024

Net change in fund balance – total governmental funds (Exhibit 5)		**$ 5,234,722**
Amounts reported for governmental activities in the statement of activities are different because:		
In the funds, under the modified accrual basis, receivables not available for expenditure are deferred. In the statement of activities, those revenues are recognized when earned. The adjustment to revenue between the fund statements and the statement of activities is the increase or decrease in unavailable revenue.		
Unavailable revenue – December 31	$ 4,516,903	
Unavailable revenue – January 1	(2,702,738)	1,814,165
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation and amortization expense. Also, in the statement of activities, only the gain or loss on the disposal of assets is reported; whereas, in the governmental funds, the proceeds from the sale increase financial resources. Therefore, the change in net position differs from the change in fund balance by the net book value of the assets disposed.		
Expenditures for general capital assets and infrastructure	$ 12,502,351	
Net book value of assets disposed	(48,021)	
Current year depreciation and amortization	(2,781,421)	9,672,909
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued; whereas, these amounts are deferred or amortized in the statement of activities.		
Proceeds of new debt – general obligation bonds and loans payable	$ (10,419,244)	
Repayment of debt principal	250,614	
Amortization of premium on debt	8,485	(10,160,145)
Some capital asset additions are acquired through financing. In governmental funds, these arrangements are considered an other financing source, but in the statement of net position, the obligation is reported as a liability. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.		
Leases issued	$ (75,048)	
Principal payments on leases	40,475	
Leases terminated	23,139	(11,434)

Exhibit 6
(Continued)

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Government-Wide Statement of Activities—Governmental Activities For the Year Ended December 31, 2024

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		
Change in inventories	$ 16,463	
Change in deferred other postemployment benefits outflows	32,198	
Change in deferred pension outflows	(1,001,103)	
Change in accrued interest payable	(224,753)	
Change in compensated absences	(68,725)	
Change in other postemployment benefits liability	(50,226)	
Change in net pension liability	1,148,477	
Change in deferred other postemployment benefits inflows	16,873	
Change in deferred pension inflows	14,914	(115,882)
Change in Net Position of Governmental Activities (Exhibit 2)		**$ 6,434,335**

Proprietary Fund

Cottonwood County
Windom, Minnesota

Exhibit 7

Statement of Net Position
Proprietary Fund
December 31, 2024

		Landfill Enterprise Fund
Assets		
Current assets		
Cash and pooled investments	$	231,136
Accounts receivable		126,776
Lease receivable		16,214
Prepaid items		2,100
Restricted assets		
Cash and fund investments		1,991,166
Total current assets	**$**	**2,367,392**
Noncurrent assets		
Capital assets		
Nondepreciable	$	249,586
Depreciable – net		1,295,654
Total noncurrent assets	**$**	**1,545,240**
Total Assets	**$**	**3,912,632**
Deferred Outflows of Resources		
Deferred other postemployment benefits outflows	$	4,865
Deferred pension outflows		27,046
Total Deferred Outflows of Resources	**$**	**31,911**

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

Cottonwood County
Windom, Minnesota

Exhibit 7
(Continued)

Statement of Net Position
Proprietary Fund
December 31, 2024

		Landfill Enterprise Fund
Liabilities		
Current liabilities		
Accounts payable	$	26,499
Salaries payable		11,675
Compensated absences payable due within one year		4,521
Other postemployment benefits liability due within one year		1,838
Total current liabilities	**$**	**44,533**
Noncurrent liabilities		
Advance from other funds	$	399,142
Compensated absences payable due in more than one year		39,119
Estimated liability for landfill closure/postclosure care		3,055,180
Other postemployment benefits liability due in more than one year		11,210
Net pension liability		95,655
Total noncurrent liabilities	**$**	**3,600,306**
Total Liabilities	**$**	**3,644,839**
Deferred Inflows of Resources		
Deferred other postemployment benefits inflows	$	2,484
Deferred pension inflows		73,403
Deferred lease inflows		15,778
Total Deferred Inflows of Resources	**$**	**91,665**
Net Position		
Investment in capital assets	$	1,545,240
Unrestricted		(1,337,201)
Total Net Position	**$**	**208,039**

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

Exhibit 8

Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Fund
For the Year Ended December 31, 2024

		Landfill Enterprise Fund
Operating Revenues		
Charges for services	$	953,413
Licenses and permits		147
Miscellaneous		19,140
Total Operating Revenues	**$**	**972,700**
Operating Expenses		
Personal services	$	323,396
Professional services		61,779
Other services and charges		289,240
Utilities		8,080
Depreciation		139,016
Landfill closure and postclosure care costs		798,467
Total Operating Expenses	**$**	**1,619,978**
Operating Income (Loss)	**$**	**(647,278)**
Nonoperating Revenues (Expenses)		
Intergovernmental	$	10,999
Investment income (loss)		88,610
Interest expense		(4,657)
Gain on the disposal of property		40,770
Total Nonoperating Revenues (Expenses)	**$**	**135,722**
Change in Net Position	**$**	**(511,556)**
Net Position – January 1, as previously reported	$	664,053
Restatement (Note 1)		55,542
Net Position – January 1, as restated	**$**	**719,595**
Net Position – December 31	**$**	**208,039**

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

Exhibit 9

Statement of Cash Flows
Proprietary Fund
For the Year Ended December 31, 2024

	Landfill Enterprise Fund
Cash Flows from Operating Activities	
Receipts from customers and users	$ 935,924
Payments to suppliers	(351,532)
Payments to employees	(330,960)
Net cash provided by (used in) operating activities	**$ 253,432**
Cash Flows from Noncapital Financing Activities	
Intergovernmental grants	**$ 66,541**
Cash Flows from Capital and Related Financing Activities	
Purchase of capital assets	$ (354,334)
Advance from other funds	(71,180)
Net cash provided by (used in) capital and related financing activities	**$ (425,514)**
Cash Flows from Investing Activities	
Fair market value of investments	**$ 88,610**
Net Increase (Decrease) in Cash and Cash Equivalents	**$ (16,931)**
Cash and Cash Equivalents – January 1	**2,239,233**
Cash and Cash Equivalents – December 31	**$ 2,222,302**
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position – Exhibit 7	
Cash and pooled investments	$ 231,136
Restricted cash and fund investments	1,991,166
Total Cash and Cash Equivalents – December 31	**$ 2,222,302**

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

Exhibit 9
(Continued)

Statement of Cash Flows
Proprietary Fund
For the Year Ended December 31, 2024

		Landfill Enterprise Fund
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities		
Operating income (loss)	**$**	**(647,278)**
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities		
Depreciation expense	$	139,016
Landfill closure and postclosure care costs		798,467
(Increase) decrease in accounts receivable		(65,183)
(Increase) decrease in due from other funds		28,411
(Increase) decrease in prepaid assets		(581)
(Increase) decrease in lease receivable		15,775
(Increase) decrease in deferred other postemployment benefits outflows		(1,341)
(Increase) decrease in deferred pension outflows		16,581
Increase (decrease) in accounts payable		7,567
Increase (decrease) in salaries payable		1,983
Increase (decrease) in compensated absences payable		2,354
Increase (decrease) in other postemployment benefits liability		2,093
Increase (decrease) in net pension liability		(38,550)
Increase (decrease) in deferred other postemployment benefits inflows		(703)
Increase (decrease) in deferred pension inflows		10,600
Increase (decrease) in deferred lease inflows		(15,779)
Total adjustments	**$**	**900,710**
Net Cash Provided by (Used in) Operating Activities	**$**	**253,432**
Noncash Investing, Capital, and Financing Activities		
Gain on capital asset purchased with trade-in	**$**	**40,770**

Fiduciary Funds

Cottonwood County
Windom, Minnesota

Exhibit 10

Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2024

	Custodial Funds
Assets	
Cash and pooled investments	$ 351,811
Taxes receivable for other governments	216,011
Special assessments receivable for other governments	125,824
Total Assets	**$ 693,646**
Liabilities	
Due to other governments	**$ 235,710**
Deferred Inflows of Resources	
Prepaid taxes	**$ 119,295**
Net Position	
Restricted for individuals, organizations, and other governments	**$ 338,641**

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

Cottonwood County
Windom, Minnesota

Exhibit 11

Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended December 31, 2024

		Custodial Funds
Additions		
Contributions from individuals	$	64,698
Property tax collections for other governments		14,867,450
Fees collected for the state		643,164
Miscellaneous		4,570
Total Additions	**$**	**15,579,882**
Deductions		
Payments of property tax to other governments	$	14,675,821
Payments to the state		645,179
Payments to other individuals/entities		337,607
Total Deductions	**$**	**15,658,607**
Change in Net Position	**$**	**(78,725)**
Net Position – January 1		**417,366**
Net Position – December 31	**$**	**338,641**

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

Note 1 – Summary of Significant Accounting Policies

The County's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as of and for the year ended December 31, 2024. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the County are discussed below.

Financial Reporting Entity

Cottonwood County was established May 23, 1857, and is an organized county having the powers, duties, and privileges granted counties by Minn. Stat. ch. 373. The County is governed by a five-member Board of Commissioners elected from districts within the County. The Board is organized with a chair and vice chair elected at the annual meeting in January of each year.

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

Basic Financial Statements

Government-Wide Statements

The government-wide financial statements (the statement of net position and the statement of activities) display information about the primary government. These statements include the financial activities of the overall County government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external parties for support.

In the government-wide statement of net position, both the governmental and business-type activities columns: (a) are presented on a consolidated basis by column; and (b) are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The County's net position is reported in three parts: (1) net investment in capital assets, (2) restricted net position, and (3) unrestricted net position. The County first utilizes restricted resources to finance qualifying activities.

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

Fund Financial Statements

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

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

The County reports the following major governmental funds:

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

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

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

The Building Capital Projects Fund is used to account for assigned property tax revenues and rental income to pay the cost of constructing and maintaining County buildings.

The County reports the following major enterprise fund:

The Landfill Fund is used to account for the operation, maintenance, and development of the County solid waste landfill.

Additionally, the County reports the following fund type:

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

Measurement Focus and Basis of Accounting

The government-wide, proprietary fund, and fiduciary fund financial statements are reported using the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Cottonwood County considers all revenues as available if collected within 60 days after the end of the current period. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Property and other taxes, licenses, and interest are all considered susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent that they have matured. Issuance of long-term debt and acquisitions under leases are reported as other financing sources.

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

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

Cash and Cash Equivalents

The County has defined cash and cash equivalents to include cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Additionally, each fund's equity in the County's investment pool is treated as a cash equivalent because the funds can be deposited or effectively withdrawn from cash at any time without prior notice or penalty.

Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Auditor/Treasurer for the purpose of increasing earnings through investment activities. Investments are reported at their fair value at December 31, 2024. A market approach is used to value all investments, except for money market mutual funds, which are valued at the net asset value. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments are credited to the General Fund. Other funds may receive investment earnings based on other state statutes, grant agreements, contracts, and bond covenants. Pooled investment earnings for 2024 were $1,023,495.

Receivables and Payables

Activity between funds representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either "due to/from other funds" (the current portion of interfund loans) or "advances to/from other funds" (the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

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

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

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

Special Assessments Receivable

Special assessments receivable consists of delinquent special assessments and noncurrent special assessments. No provision has been made for an estimated uncollectible amount.

Inventories and Prepaid Items

All inventories are valued at cost using the first in/first out method. Inventory in the Road and Bridge Special Revenue Fund consists of expendable supplies held for consumption. The cost of individual inventory items is recorded as an expenditure at the time the item is purchased. Inventories at the government-wide level are reported as expenses when consumed.

Inventories, as reported in the fund financial statements, are equally offset by nonspendable fund balance, which indicates that they do not constitute available spendable resources.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as an expenditure/expense when consumed rather than when purchased.

Restricted Assets

Certain funds of the County are classified as restricted assets on the statement of net position because the restriction is either imposed by law through constitutional provisions or enabling legislation or imposed externally by creditors, grantors, contributors, or laws or regulations of other governments. Therefore, their use is limited by applicable laws and regulations.

Capital Assets

Capital assets, which include property, plant, equipment, infrastructure assets (roads, bridges, sidewalks, and similar items), and right-to-use assets acquired under leasing arrangements, are reported in the applicable governmental or business-type activities column in the government-wide and proprietary fund financial statements. Capital assets are defined by the County as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value.

Additions, improvements, and other capital outlays that significantly extend the useful life or increase capacity of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment are depreciated using the straight-line method over the following estimated useful lives, while right-to-use assets are amortized over the shorter of the underlying asset's estimated useful life or the lease term:

Estimated Useful Lives of Capital Assets

Assets	Years
Buildings	25-75
Building improvements	25
Land improvements	10
Public domain infrastructure	
Bridges	75
Roads	50
Machinery and equipment	3-15
Right-to-use machinery and equipment	3-15

Compensated Absences

The liability for compensated absences reported in the financial statements consists of unpaid, accumulated annual vacation and sick leave balances. The liability for compensated absences is reported in the government-wide financial statements. The leave consists of vacation leave and sick leave that is attributable to services already rendered, it accumulates, and it is more likely than not to be used or settled through cash or noncash means. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The government-wide statement of net position reports both current and noncurrent portions of compensated absences. The current portion consists of compensatory time and an amount based on a trend analysis of current usage of vacation and sick leave. The noncurrent portion consists of the remaining amount of vacation and sick leave.

Long-Term Obligations

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

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

Unearned Revenue

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents consumption of net assets that applies to a future period(s) and will not be recognized as an outflow of resources (expenditure/ expense) until that time. The County reports deferred outflows of resources only under the full accrual basis of accounting associated with pension plans and other postemployment benefits (OPEB) and, accordingly, they are reported only in the statement of net position.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and will not be recognized as an inflow of resources (revenue/ reduction of expense) until that time. The County reports deferred inflows of resources for the net present value of leases that mature beyond one year, amortized to revenue on a straight-line basis over the lease terms. The County reports this amount only under the full accrual basis of accounting in the business-type activities and, accordingly, it is reported only in the statement of net position. The governmental funds report unavailable revenue associated with receivables not collected within the period of availability. Unavailable revenue arises only under the modified accrual basis of accounting and, accordingly, is reported only in the governmental funds balance sheet. Unavailable revenue is deferred and recognized as an inflow of resources in the period that the amounts become available. The fiduciary funds report prepaid property taxes for tax collections received prior to the year for which they were levied. The addition is deferred and recognized in the period for which the amounts were levied. These inflows occurred in the fiduciary funds under the full accrual basis of accounting and are only reported in the statement of fiduciary net position. The County also reports deferred inflows of resources associated with pension plans and OPEB. These inflows arise only under the full accrual basis of accounting and, accordingly, are reported only in the statement of net position.

Pension Plan

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

Classification of Net Position

Net position in the government-wide and proprietary fund financial statements is classified in the following components:

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

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

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

Classification of Fund Balances

The County's fund balance policy establishes a minimum unassigned fund balance equal to 35 percent of total General Fund expenditures. In the event the unassigned fund balance drops below the established minimum level, the County Board will develop a plan to replenish the fund balance to the established level within two years.

The County's fund balance policy also includes the authority to establish a financial stabilization account that will be a committed fund balance. The County has not established such an account at this time.

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

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

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

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

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

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

The County applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources; and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Change in Accounting Principles

During the year ended December 31, 2024, the County adopted new accounting guidance by implementing the provisions of Governmental Accounting Standards Board (GASB) Statement No. 100, *Accounting Changes and Error Corrections*, which provides clarification on the categories and prescribed accounting for changes in accounting principles, changes in accounting estimates, changes to or within the financial reporting entity, and corrections of errors in previously issued financial statements. Additional disclosures are included for the current year restatement as a result of GASB Statement 100.

The County also adopted new accounting guidance by implementing the provisions of GASB Statement No. 101, *Compensated Absences*, which establishes new criteria for accounting and financial reporting for the compensated absences liability. The implementation of GASB Statement 101 resulted in changing the calculation of the compensated absences liability recorded in the long-term liabilities of the government-wide financial statements.

Correction of Error – Prior Period Adjustment

During the current year, Cottonwood County identified $584,951 of 2023 expenditures to be applied to the Coronavirus State and Local Fiscal Recovery Funds, Assistance Listing Number 21.027. Had these expenditures been identified during 2023, intergovernmental revenue would have increased. Beginning net position/fund balance has been restated in the current year to reflect this subsequent change.

Correction of an Error

	Governmental Activities	Road and Bridge Special Revenue Fund	Business-Type Activities and Landfill Enterprise Fund
Net Position/Fund balance, January 1, 2024, as previously reported	$ 94,343,692	$ 4,456,063	$ 664,053
Correction of an error	529,409	529,409	55,542
Net Position/Fund balance, January 1, 2024, as restated	$ 94,873,101	$ 4,985,472	$ 719,595

Note 2 – Stewardship, Compliance, and Accountability

Deficit Fund Balance

The Ditch Special Revenue Fund had a negative fund balance of $551,182 as of December 31, 2024; 22 of the 87 ditch systems had deficit balances. The deficits will be eliminated with future special assessment levies against the benefited properties. The following is a summary of the individual ditch systems:

Individual Ditch System Fund Balance

65 ditches with positive fund balances	$	565,437
22 ditches with deficit fund balances		(1,116,619)
Total Fund Balance	$	(551,182)

Note 3 – Detailed Notes

Assets

Deposits and Investments

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

Reconciliation of the County's Total Cash and Investments to the Basic Financial Statements as of December 31, 2024

Government-wide statement of net position		
Governmental activities		
Cash and pooled investments	$	27,482,425
Business-type activities		
Cash and pooled investments		231,136
Cash and fund investments – restricted assets		1,991,166
Statement of fiduciary net position		
Custodial funds		
Cash and pooled investments		351,811
Total Cash and Investments	$	30,056,538

Deposits

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

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

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits may not be returned to it. The County has adopted a policy for custodial credit risk by obtaining collateral or bond for all uninsured amounts on deposit and obtaining necessary documentation to show compliance with state law and a perfected security interest under federal law. As of December 31, 2024, the County's deposits were not exposed to custodial credit risk.

Investments

The County may invest in the following types of investments as authorized by Minn. Stat. §§ 118A.04 and 118A.05:

(1) securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as "high risk" by Minn. Stat. § 118A.04, subd. 6;

(2) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;

(3) general obligations of the State of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;

(4) time deposits that are fully insured by the Federal Deposit Insurance Corporation, the National Credit Union Administration, or bankers' acceptances of United States banks;

(5) commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less; and

(6) with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

Fair Value of Investments

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

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

At December 31, 2024, the County had the following recurring fair value measurements.

Recurring Fair Value Measurements as of December 31, 2024

	December 31, 2024	Fair Value Measurements Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Debt securities				
U.S. Treasury securities	$ 7,763,314	$ 7,763,314	$ -	$ -
U.S. Agency securities	1,677,257	-	1,677,257	-
Municipal bonds	3,723,826	-	3,723,826	-
Negotiable certificates of deposit	2,139,496	-	2,139,496	-
Total Investments Included in the Fair Value Hierarchy	$ 15,303,893	$ 7,763,314	$ 7,540,579	$ -
Investments measured at the net asset value (NAV)				
Money market mutual fund	1,972,388			
Total Investments	$ 17,276,281			

Investments classified in Level 1 are valued using a market approach quoted in active markets for those securities. Investments classified in Level 2 are valued using the following approaches:

- U.S. Agency Securities: a market approach by utilizing quoted prices for identical securities in markets that are not active;
- Municipal Bonds: a market approach using quoted prices for similar securities in active markets; and
- Negotiable Certificates of Deposit: matrix pricing based on the securities' relationship to benchmark quoted prices.

The money market mutual fund value is published at net asset value (NAV) per share. The County invests in this money market account for short-term holdings. Shares are available to be redeemed upon proper notice without restriction or limitation.

Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. It is the County's policy to minimize its exposure to interest rate risk by (1) structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby, avoiding the need to sell securities in the open market; and (2) investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the County's cash requirements. At December 31, 2024, the County had the following investments with specified maturity dates:

Cash and Investments and Information Relating to Potential Investment Risk as of December 31, 2024

	Carrying (Fair) Value	Maturity Dates 0-1 Year	Maturity Dates Over 1 Year
U.S. Treasury securities	$ 7,763,314	$ 4,975,500	$ 2,787,814
U.S. Agency securities*	1,677,257	999,680	677,577
Municipal bonds	3,723,826	274,742	3,449,084
Negotiable certificates of deposit	2,139,496	340,269	1,799,227
Money market mutual fund	1,972,388	1,972,388	-
Total	$ 17,276,281	$ 8,562,579	$ 8,713,702

*These notes have step provisions which could result in the notes being called prior to maturity.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. It is the County's policy to invest only in securities that meet the ratings and other credit risk requirements set by state statutes. Investments in negotiable certificates of deposit are unrated, and investments in U.S. Treasury bills are not rated. The County's other exposure to credit risk as of December 31, 2024, is as follows:

Credit Risk of Investments

Moody's/S&P Rating	Fair Value
Aaa	$ 4,655,910
AAA	193,817
Aa1	331,429
AA+	460,745
AA	2,272,255
Aa3	274,741
Aaa-mf	1,972,388
Not rated	2,139,496
Not applicable	4,975,500
Total	$ 17,276,281

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities in the possession of an outside party. The County has adopted a policy for custodial credit risk by permitting brokers that obtain investments for the County to hold them only to the extent there is Securities Investor Protection Corporation (SIPC) coverage and excess SIPC coverage available. Securities purchased that exceed available SIPC coverage shall be transferred to the County's custodian. At December 31, 2024, none of the County's investments were subject to custodial credit risk.

Concentration of Credit Risk

The concentration of credit risk is the risk of loss that may be caused by the County's investment in a single issuer. It is the County's policy to diversify its investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. Investments in any one issuer that represent five percent or more of the County's investments are as follows:

Concentration of Credit Risk of Investments

Issuer	Fair Value
Town of Hamden, Connecticut	$ 2,272,255
Fannie Mae	999,680

Receivables

Receivables as of December 31, 2024, for the County's governmental activities and business-type activities are as follows:

Receivables as of December 31, 2024

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental Activities		
Taxes	$ 62,253	$ -
Special assessments – delinquent	35,652	-
Special assessments – noncurrent	1,555,905	1,303,337
Accrued interest	149,446	-
Loans	89,656	85,588
Due from other governments	3,490,220	-
Total	$ 5,383,132	$ 1,388,925
Business-Type Activities		
Accounts	$ 126,776	$ -
Lease	16,214	-
Total	$ 142,990	$ -

Details on Loans Receivable

In 2012, Cottonwood County agreed to loan the Southwest Mental Health Center $131,000 at 2.00 percent interest to help construct a new administrative building. Funds were issued to the Southwest Mental Health Center on May 23, 2013. At December 31, 2024, the outstanding loan balance was $89,656.

Details on Lease Receivable

The County has entered into a lease agreement as the lessor for land. Fixed receipts are $8,275 biannually and extend to the period ending September 1, 2025. During 2024, the Landfill Enterprise Fund received total principal and interest payments of $15,775 and $776, respectively.

Capital Assets

Capital asset activity for the year ended December 31, 2024, was as follows:

Governmental Activities

Changes in Capital Assets for the Year Ended December 31, 2024

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	$ 982,310	$ -	$ -	$ 982,310
Right-of-way	858,459	-	-	858,459
Construction in progress	729,634	9,603,347	(93,373)	10,239,608
Total capital assets not depreciated	$ 2,570,403	$ 9,603,347	$ (93,373)	$ 12,080,377
Capital assets depreciated and amortized				
Buildings	$ 6,480,141	$ -	$ -	$ 6,480,141
Machinery and equipment	7,707,824	921,375	(337,254)	8,291,945
Infrastructure	99,795,648	1,922,192	-	101,717,840
Lease machinery and equipment	153,142	148,810	(30,289)	271,663
Total capital assets depreciated and amortized	$ 114,136,755	$ 2,992,377	$ (367,543)	$ 116,761,589
Less: accumulated depreciation and amortization for				
Buildings	$ 3,604,220	$ 155,990	$ -	$ 3,760,210
Machinery and equipment	5,074,084	573,731	(311,319)	5,336,496
Infrastructure	31,635,447	1,993,337	-	33,628,784
Lease machinery and equipment	24,998	58,363	(8,203)	75,158
Total accumulated depreciation and amortization	$ 40,338,749	$ 2,781,421	$ (319,522)	$ 42,800,648
Total capital assets depreciated and amortized, net	$ 73,798,006	$ 210,956	$ (48,021)	$ 73,960,941
Governmental Activities Capital Assets, Net	$ 76,368,409	$ 9,814,303	$ (141,394)	$ 86,041,318

Business-Type Activities

Changes in Capital Assets for the Year Ended December 31, 2024

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	$ 249,586	$ -	$ -	$ 249,586
Capital assets depreciated				
Buildings	$ 52,731	$ -	$ -	$ 52,731
Land improvements	3,511,154	-	-	3,511,154
Machinery and equipment	942,974	448,134	(384,903)	1,006,205
Total capital assets depreciated	$ 4,506,859	$ 448,134	$ (384,903)	$ 4,570,090
Less: accumulated depreciation for				
Buildings	$ 32,787	$ 968	$ -	$ 33,755
Land improvements	2,612,133	76,538	-	2,688,671
Machinery and equipment	822,373	61,510	(331,873)	552,010
Total accumulated depreciation	$ 3,467,293	$ 139,016	$ (331,873)	$ 3,274,436
Total capital assets depreciated, net	$ 1,039,566	$ 309,118	$ (53,030)	$ 1,295,654
Business-Type Activities Capital Assets, Net	$ 1,289,152	$ 309,118	$ (53,030)	$ 1,545,240

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

Depreciation and Amortization Expense Charged to Functions/Programs

Governmental Activities	
General government	$ 185,210
Public safety	112,051
Highways and streets, including depreciation of infrastructure assets	2,429,319
Sanitation	41,835
Culture and recreation	10,329
Conservation	2,677
Total Depreciation and Amortization Expense – Governmental Activities	$ 2,781,421
Business-Type Activities	
Landfill	$ 139,016

Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2024, is as follows:

Advances To/From Other Funds

Advances To/From Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Ditch Special Revenue Fund	$ 1,109,384
	Landfill Enterprise Fund	399,142
Total Advances To/From Other Funds		$ 1,508,526

The advance to the Ditch Special Revenue Fund is to provide working capital to ditch systems with low reserves and current operating costs in excess of its revenues. This balance will be paid from future ditch special assessments.

The advance to the Landfill Enterprise Fund is for the construction of cell 8 at the landfill. The landfill is not expected to repay $332,618 within the subsequent year.

Interfund Transfers

Interfund transfers for the year ended December 31, 2024, consisted of the following:

Transfers To/From Other Funds

Transfer In	Transfer Out	Amount	Purpose
General Fund	Ditch Special Revenue Fund	$ 15,089	Eliminate ditch sinking funds
Ditch Special Revenue Fund	General Fund	112,360	Eliminate ditch sinking funds
Total Transfers To/From Other Funds		$ 127,449	

Liabilities and Deferred Inflows of Resources

Construction Commitments

The County has active construction projects as of December 31, 2024. The projects include the following:

Active Construction Projects and Other Commitments as of December 31, 2024

	Spent-to-Date	Remaining Commitment
Governmental Activities		
Road and Bridge Special Revenue Fund		
Public Works Building Project	$ 9,931,329	$ 2,985,361
CSAH 27	28,479	37,387
Equipment	-	1,035,553
SAP 017-598-010	102,125	1,664,288
Total	$ 10,061,933	$ 5,722,589

Long-Term Debt

Governmental Activities

Bonds Payable

Bonds Payable as of December 31, 2024

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2024
General obligation bonds					
2024A G.O. Capital Improvement Plan Bonds	2045	$300,000-$695,000	4.00-5.00	$ 9,635,000	$ 9,635,000
Plus: unamortized premium					390,295
Total General Obligation Bonds, Net					$ 10,025,295

The capital improvement plan bonds are being retired by the Debt Service Fund.

Loans Payable

The County has entered into loan agreements with the Minnesota Pollution Control Agency for the purpose of funding Clean Water Partnership (CWP) projects and the Minnesota Department of Agriculture for the purpose of providing funding for the repair or replacement of failing septic systems and water wells. The loans are secured by special assessments.

Loans Payable as of December 31, 2024

Type of Indebtedness	Final Maturity	Installment Amount	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2024
Redwood-Cottonwood River Loan Program	2027	$9,507	2.00	$ 171,552	$ 46,140
Middle Minnesota Watershed Loan Program	2029	$1,372	2.00	24,753	11,750
Cottonwood County SSTS Loan Program	2033	$46,629	-	932,572	792,686
Cottonwood County SSTS Loan Program	2034	$58,333	1.50	305,044	305,044
Agricultural Best Management Practices (AgBMP) Loan Program	2036	$1,392-$68,483	-	1,391,951	754,216
Total Loans Payable				$ 2,825,872	$ 1,909,836

Payments on the loans are made by the General Fund.

Debt Service Requirements

Governmental Activities

Debt Service Requirements as of December 31, 2024

Year Ending December 31	General Obligation Bonds Principal	General Obligation Bonds Interest	Loans Payable* Principal	Loans Payable* Interest
2025	$ -	$ 468,655	$ 247,602	$ 1,055
2026	300,000	411,150	243,395	639
2027	315,000	395,775	234,658	214
2028	335,000	379,525	198,931	67
2029	350,000	362,400	163,419	14
2030-2034	2,025,000	1,525,125	508,394	-
2035-2039	2,535,000	1,016,500	8,393	-
2040-2044	3,080,000	456,600	-	-
2045	695,000	13,900	-	-
Total	$ 9,635,000	$ 5,029,630	$ 1,604,792	$ 1,989

*The debt service requirements for a loan from the Minnesota Pollution Control Agency of $305,044 are not known as of December 31, 2024.

Leases

Cottonwood County entered into lease agreements as lessee for financing the acquisition of vehicles and copiers. The lease terms are four to five years and have been recorded at the present value of their future minimum lease payments as of the inception date. Lease payments are paid from the General Fund and Road and Bridge Fund.

Future Minimum Lease Obligations and Present Value of Minimum Lease Payments as of December 31, 2024

Year Ending December 31	Principal	Interest
2025	$ 46,560	$ 8,631
2026	50,208	4,982
2027	26,084	1,902
2028	16,706	556
2029	3,209	19
Total Governmental Activities Lease Payments	$ 142,767	$ 16,090

Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2024, was as follows:

Governmental Activities

Changes in Long-Term Liabilities for the Year Ended December 31, 2024

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
General obligation bonds	$ -	$ 9,635,000	$ -	$ 9,635,000	$ -
Plus: Unamortized premiums	-	398,780	(8,485)	390,295	-
Total bonds payable	$ -	$ 10,033,780	$ (8,485)	$ 10,025,295	$ -
Loans payable	1,774,986	385,464	(250,614)	1,909,836	247,602
Compensated absences	708,035	68,725*	-	776,760	80,472
Leases	131,333	75,048	(63,614)	142,767	46,560
Total Long-Term Liabilities	$ 2,614,354	$ 10,563,017	$ (322,713)	$ 12,854,658	$ 374,634

Business-Type Activities

Changes in Long-Term Liabilities for the Year Ended December 31, 2024

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Estimated liability for landfill closure and postclosure care	$ 2,256,713	$ 798,467	$ -	$ 3,055,180	$ -
Compensated absences	41,286	2,354*	-	43,640	4,521
Business-Type Activities Total Long-Term Liabilities	$ 2,297,999	$ 800,821	$ -	$ 3,098,820	$ 4,521

*The change in the compensated absences liability is presented as a net change.

Nonexchange Financial Guaranties – Red Rock Rural Water System

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

On August 18, 2011, pursuant to Minn. Stat. chs. 475 and 116A, the County issued the $1,450,000 G.O. Crossover Refunding Bonds, Series 2011A, on behalf of the RRRWS to refund the outstanding portion of the G.O. Refunding Bonds, Series 2003. Scheduled bond payments for the issuance began on July 1, 2012, and continue until the final maturity date of January 1, 2027. Bonds maturing on January 1, 2019, and thereafter are subject to a continuous early redemption option.

On December 17, 2020, pursuant to Minn. Stat. chs. 475 and 116A, the County issued the $4,590,000 G.O. Water Revenue Refunding Bonds, Series 2020A, on behalf of the RRRWS to current refund the G.O. Water Revenue Bonds, Series 2008A, and the G.O. Water Revenue Bonds, Series 2008C. Scheduled bond payments for this issuance began on July 1, 2021, and continue until the final maturity date of January 1, 2048. Bonds maturing on January 1, 2030, and thereafter are subject to a continuous early redemption option.

On December 23, 2020, pursuant to Minn. Stat. chs. 475 and 116A, the County issued the $1,350,000 G.O. Water Revenue Bonds, Series 2020B, on behalf of the RRRWS to finance water system improvements. Scheduled bond payments for this issuance began on January 1, 2021, and continue until the final maturity date of January 1, 2040. Bonds are subject to a continuous early redemption option.

The RRRWS is responsible for the payment of all costs, principal, and interest relating to these bonds through special assessments on the properties being serviced or the net revenues of the water system. In the event of a deficiency in the debt service accounts established by the RRRWS, the County has validly obligated itself to levy additional ad valorem taxes upon all the taxable property within the County to complete debt payments as scheduled. No arrangements have been established for recovery payments should such an event occur. On December 31, 2024, the outstanding principal balance for the 2011A, 2020A, and 2020B bonds were $345,000, $4,125,000, and $1,116,117, respectively.

Deferred Inflows of Resources – Unavailable Revenue

Deferred inflows of resources as of December 31, 2024, for the County's governmental funds are as follows:

Deferred Inflows of Resources

	Unavailable Revenue
Delinquent property taxes	$ 62,253
Special assessments receivable, delinquent and noncurrent	1,591,557
Highway allotments that do not provide current financial resources	2,798,482
Interest revenue	64,611
Total Governmental Funds	$ 4,516,903

Landfill Closure and Postclosure Care Costs

State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the County Board reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The $3,055,180 landfill closure and postclosure care liability at December 31, 2024, represents the cumulative amount reported to date based on the use of 83 percent of the estimated capacity of the landfill. The County will recognize the remaining estimated cost of closure and postclosure care of $646,752 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2024. The Board expects to close the landfill in 2035. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

The County is required by state and federal laws and regulations to make annual contributions to a trust to finance closure and postclosure care. The Board is in compliance with these requirements and, at December 31, 2024, the County has $1,991,166 in assets restricted for these purposes. The County is underfunded in this account by $1,064,014 at December 31, 2024. Cottonwood County expects that future inflation costs will be paid from investment earnings on these annual contributions. However, if investment earnings are inadequate or additional postclosure care requirements are determined (due to changes in technology or applicable laws and regulations, for example), these costs may need to be covered by charges to future landfill users or from future tax revenue.

Other Postemployment Benefits (OPEB)

Plan Description

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

Elected County officials and their dependents and surviving spouses are entitled to one year of paid health insurance for every two years of service to the County as established and amended by County resolution. There is no maximum number of years of coverage for officials elected prior to 1995. Those elected between 1995 and February 4, 2004, are restricted to a maximum of six years of coverage, and those elected thereafter are restricted to a maximum of four years. As of January 1, 2023, the maximum monthly contribution was set at $800.

The County also provides health insurance benefits for eligible retired employees and their dependents. The County provides benefits for retirees as required by Minn. Stat. § 471.61, subd. 2b. Retirees are required to pay 100 percent of the total premium cost. Since the premium is determined on the entire active and retiree population, the retirees are receiving an implicit rate subsidy.

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

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

Inactive employees or beneficiaries currently receiving benefit payments	2
Active plan participants	83
Total	85

Total OPEB Liability

The County's total OPEB liability of $399,144 was determined by an actuarial valuation as of January 1, 2023, which was rolled forward to a measurement date of January 1, 2024. The OPEB liability is liquidated through the General Fund, the Landfill Enterprise Fund, and other governmental funds that have personal services.

The total OPEB liability in the fiscal year-end December 31, 2024, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

OPEB Actuarial Assumptions and Other Inputs

Inflation	3.00 percent
Salary increases	Graded by service years ranging from 10.25 percent for one year of service to 3.20 percent for 25 or more years of service
Health care cost trend	7.50 percent, decreasing 0.50 percent per year to an ultimate rate of 4.50 percent

The current year discount rate is 4.00 percent, which is a change from the prior year rate of 4.31 percent. For the current valuation, the discount rate was selected from a range of the Bond Buyer G.O. 20-year Bond Municipal Bond Index, the S&P Municipal Bond 20-year High Grade Rate Index, and the Fidelity 20-year G.O. Municipal Bond Index, where the range is given as the spread between the lowest and highest rate.

Mortality rates are based on the SOA Pub-2010 General Headcount Weighted Mortality table fully generational using Scale MP-2020.

The actuarial assumptions are currently based on a combination of historical information and the most recent actuarial valuation for PERA as of June 30, 2022.

Changes in the Total OPEB Liability

Changes in the Total OPEB Liability
For the Year Ended December 31, 2024

Balance at December 31, 2023	$ 346,825
Changes for the year	
Service cost	$ 24,184
Interest	15,266
Differences between expected and actual experience	33,145
Changes in assumptions or other inputs	13,720
Benefit payments	(33,996)
Net change	$ 52,319
Balance at December 31, 2024	$ 399,144

OPEB Liability Sensitivity

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

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate as of December 31, 2024

	1% Decrease (3.00%)	Discount Rate (4.00%)	1% Increase (5.00%)
Total OPEB liability	$ 426,281	$ 399,144	$ 373,710

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

Sensitivity of the Total OPEB Liability to Changes in the Health Care Trend Rates as of December 31, 2024

	1% Decrease (6.50% Decreasing to 3.50%)	Health Care Cost Trend Rate (7.50% Decreasing to 4.50%)	1% Increase (8.50% Decreasing to 5.50%)
Total OPEB liability	$ 367,029	$ 399,144	$ 437,577

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

For the year ended December 31, 2024, the County recognized OPEB expense of $47,164. The County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB as of December 31, 2024

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 57,788	$ 40,996
Changes in actuarial assumptions	40,742	26,645
Contributions made subsequent to the measurement date	45,960	-
Total	$ 144,490	$ 67,641

The $45,960 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended December 31, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Schedule of Amortization of Deferred Outflows and Inflows of Resources Related to OPEB As of December 31, 2024

Year Ended December 31	OPEB Expense Amount
2025	$ 7,721
2026	1,682
2027	2,418
2028	442
2029	6,358
Thereafter	12,268

Changes in Actuarial Assumptions

The following changes in actuarial assumptions occurred in 2024:

- Health care trend rates have been updated to an initial rate of 7.5 percent decreasing by 0.5 percent annually to an ultimate rate of 4.5 percent.
- The discount rate used changed from 4.31 percent to 4.00 percent.

Pension Plans

Defined Benefit Pension Plans

Plan Description

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

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

Police officers, firefighters, and peace officers who qualify for membership by statute are covered by the Police and Fire Plan (accounted for in the Police and Fire Fund). For members first hired after June 30, 2010, benefits vest on a prorated basis starting with 50 percent after five years and increasing ten percent for each year of service until fully vested after ten years.

Local government employees of a county-administered facility who are responsible for the direct security, custody, and control of the correctional facility and its inmates are covered by the Correctional Plan (accounted for in the Correctional Fund). For members hired after June 30, 2010, benefits vest on a prorated basis starting with 50 percent after five years and increasing ten percent for each year of service until fully vested after ten years.

Benefits Provided

PERA provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefit provisions are established by state statute and can be modified only by the state legislature. Benefit increases are provided to benefit recipients each January.

General Employees Plan benefit recipients will receive a post-retirement increase equal to 50 percent of the cost-of-living adjustment announced by the Social Security Administration, with a minimum increase of at least 1.00 percent and a maximum of 1.50 percent. The 2024 annual increase was 1.50 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

Police and Fire Plan benefit recipients will receive a 1.00 percent post-retirement increase. Recipients that have been receiving the annuity or benefit for at least 36 months as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least 25 months but less than 36 months as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

Correctional Plan benefit recipients will receive a post-retirement increase equal to 100 percent of the cost-of-living adjustment announced by the Social Security Administration, with a minimum increase of at least 1.00 percent and a maximum of 2.50 percent. The 2024 annual increase was 2.50 percent. If the Correctional Plan's funding status declines to 85 percent or below for two consecutive years, or 80 percent for one year, the maximum will be lowered from 2.50 percent to 1.50 percent. If on January 1, after the year of the 1.50 percent increase, the funding level increases above the applicable 85 percent or 80 percent funding status, the increase returns to 2.50 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

The benefit provisions stated in the following paragraph of this section are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits, but are not yet receiving them, are bound by the provisions in effect at the time they last terminated their public service.

Benefits are based on a member's highest average salary for any 60 consecutive months of allowable service, age, and years of credit at termination of service. In the General Employees Plan, two methods are used to compute benefits for Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Coordinated Plan member is 1.20 percent of average salary for each of the first ten years of service and 1.70 percent of average salary for each remaining year. Under Method 2, the annuity accrual rate is 1.70 percent for Coordinated Plan members for each year of service. Only Method 2 is used for members hired after June 30, 1989. For Police and Fire Plan members, the annuity accrual rate is 3.00 percent of average salary for each year of service. For Correctional Plan members, the annuity accrual rate is 1.90 percent of average salary for each year of service.

For General Employees Plan members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90, and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66. For Police and Fire Plan and Correctional Plan members, normal retirement age is 55, and for members who were hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90. Disability benefits and disability qualification requirements vary by plan.

Contributions

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the state legislature. Rates did not change from 2023.

Member and Employer Required Contribution Rates

	Member Required Contribution	Employer Required Contribution
General Employees Plan – Coordinated Plan members	6.50%	7.50%
Police and Fire Plan	11.80%	17.70%
Correctional Plan	5.83%	8.75%

Employer Contributions for the Year Ended December 31, 2024

General Employees Plan	$	281,274
Police and Fire Plan		162,372
Correctional Plan		74,466

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

Pension Costs

General Employees Plan

At December 31, 2024, the County reported a liability of $1,640,502 for its proportionate share of the General Employees Plan's net pension liability. The net pension liability was measured as of June 30, 2024, 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, 2023, through June 30, 2024, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2024, the County's proportion was 0.0444 percent. It was 0.0458 percent measured as of June 30, 2023. The County recognized pension expense of $156,302 for its proportionate share of the General Employees Plan's pension expense.

The State of Minnesota contributed $170.1 million to the General Employees Plan in the plan fiscal year ended June 30, 2024. This contribution was a one-time direct state aid that does not meet the definition of a special funding situation. The County recognized $75,478 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's on-behalf contributions to the General Employees Plan.

Legislation requires the State of Minnesota to contribute $16 million to the General Employees Plan annually until September 15, 2031. This contribution meets the definition of a special funding situation. The County recognized an additional $1,138 as grant revenue and pension expense for its proportionate share of the State of Minnesota's pension expense related to the special funding situation.

General Employees Plan
Employer's Share of the Net Pension Liability and the State's Related Liability
As of December 31, 2024

The County's proportionate share of the net pension liability	$	1,640,502
State of Minnesota's proportionate share of the net pension liability associated with the County		42,420
Total	$	1,682,922

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

General Employees Plan
Deferred Outflows of Resources and Deferred Inflows of Resources
As of December 31, 2024

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 155,602	$ -
Changes in actuarial assumptions	8,032	635,468
Difference between projected and actual investment earnings	-	499,200
Changes in proportion	67,260	94,773
Contributions paid to PERA subsequent to the measurement date	140,736	-
Total	$ 371,630	$ 1,229,441

The $140,736 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

General Employees Plan
Schedule of Amortization of
Deferred Outflows and Inflows of Resources
As of December 31, 2024

Year Ended December 31	Pension Expense Amount
2025	$ (559,292)
2026	(90,869)
2027	(222,651)
2028	(125,735)

Police and Fire Plan

At December 31, 2024, the County reported a liability of $845,632 for its proportionate share of the Police and Fire Plan's net pension liability. The net pension liability was measured as of June 30, 2024, 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, 2023, through June 30, 2024, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2024, the County's proportion was 0.0643 percent. It was 0.0617 percent measured as of June 30, 2023. The County recognized pension expense of $150,136 for its proportionate share of the Police and Fire Plan's pension expense.

The State of Minnesota contributed $19.4 million to the Police and Fire Plan in the plan fiscal year ended June 30, 2024. This contribution was a one-time direct state aid that does not meet the definition of a special funding situation. Additionally, the State of Minnesota contributed $9 million of supplemental state aid to the Police and Fire Plan for the Plan's fiscal year ended June 30, 2024. Legislation requires the State of Minnesota to contribute $9 million to the Police and Fire Plan each year, until the Police and Fire Plan and the State Patrol Plan are 90 percent funded for three consecutive years, or July 1, 2048, whichever is earlier. This contribution also does not meet the definition of a special funding situation. The County recognized $18,253 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Plan.

Legislation also requires the State of Minnesota to pay direct state aid of $9 million on October 1 each year until full funding is reached for three consecutive years, or July 1, 2048, whichever is earlier. This contribution meets the definition of a special funding situation. The County recognized an additional $3,606 as grant revenue and pension expense for its proportionate share of the State of Minnesota's pension expense related to the special funding situation.

Police and Fire Plan
Employer's Share of the Net Pension Liability and the State's Related Liability
As of December 31, 2024

The County's proportionate share of the net pension liability	$ 845,632
State of Minnesota's proportionate share of the net pension liability associated with the County	32,235
Total	$ 877,867

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

Police and Fire Plan
Deferred Outflows of Resources and Deferred Inflows of Resources
As of December 31, 2024

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 321,866	$ -
Changes in actuarial assumptions	906,764	1,195,499
Difference between projected and actual investment earnings	-	273,873
Changes in proportion	37,082	51,383
Contributions paid to PERA subsequent to the measurement date	78,993	-
Total	$ 1,344,705	$ 1,520,755

The $78,993 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Police and Fire Plan
Schedule of Amortization of
Deferred Outflows and Inflows of Resources
As of December 31, 2024

Year Ended December 31	Pension Expense Amount
2025	$ (50,084)
2026	206,037
2027	(120,554)
2028	(317,345)
2029	26,903

Correctional Plan

At December 31, 2024, the County reported a liability of $100,318 for its proportionate share of the Correctional Plan's net pension liability. The net pension liability was measured as of June 30, 2024, 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, 2023, through June 30, 2024, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2024, the County's proportion was 0.3291 percent. It was 0.3250 percent measured as of June 30, 2023. The County recognized pension expense of $153,792 for its proportionate share of the Correctional Plan's pension expense.

The State of Minnesota contributed $5.3 million to the Correctional Plan in the plan fiscal year ended June 30, 2024. This contribution was a one-time direct state aid that does not meet the definition of a special funding situation. The County recognized $17,300 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's on-behalf contributions to the Correctional Plan.

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

Correctional Plan
Deferred Outflows of Resources and Deferred Inflows of Resources
As of December 31, 2024

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 70,750	$ -
Changes in actuarial assumptions	-	335,126
Difference between projected and actual investment earnings	-	145,391
Changes in proportion	20,752	-
Contributions paid to PERA subsequent to the measurement date	36,457	-
Total	$ 127,959	$ 480,517

The $36,457 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Correctional Plan
Schedule of Amortization of
Deferred Outflows and Inflows of Resources
As of December 31, 2024

Year Ended December 31	Pension Expense Amount
2025	$ (349,464)
2026	50,943
2027	(52,999)
2028	(37,495)

Total Pension Expense

The total pension expense for all plans recognized by the County for the year ended December 31, 2024, was $460,230.

Actuarial Assumptions

The total pension liability in the June 30, 2024, actuarial valuation was determined using the individual entry-age normal actuarial cost method and the following additional actuarial assumptions:

Actuarial Assumptions for the Year Ended June 30, 2024

	General Employees Plan	Police and Fire Plan	Correctional Plan
Inflation	2.25% per year	2.25% per year	2.25% per year
Active Member Payroll Growth	3.00% per year	3.00% per year	3.00% per year
Investment Rate of Return	7.00%	7.00%	7.00%

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

Actuarial assumptions used in the June 30, 2024, valuations were based on the results of actuarial experience studies. The experience study for the General Employees Plan was dated June 27, 2019. The experience study for the Police and Fire Plan was dated July 14, 2020. The experience study for the Correctional Plan was dated July 10, 2020. For all plans, a review of inflation and investment assumptions dated June 29, 2023, was utilized.

The long-term expected rate of return on pension plan investments is 7.00 percent. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages.

Pension Plan Investment Target Allocation and Best Estimates of Geometric Real Rates of Return for Each Major Asset Class

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	33.50%	5.10%
International equity	16.50%	5.30%
Fixed income	25.00%	0.75%
Private markets	25.00%	5.90%

Discount Rate

The discount rate used to measure the total pension liability was 7.00 percent in 2024, which remains consistent with 2023. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, the fiduciary net position of the General Employees Plan, the Police and Fire Plan, and the Correctional Plan were projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Actuarial Assumptions and Plan Provisions

The following changes in actuarial assumptions occurred in 2024:

General Employees Plan

- Rates of merit and seniority were adjusted, resulting in slightly higher rates.
- Assumed rates of retirement were adjusted as follows: increase the rate of assumed unreduced retirements, slight adjustments to Rule of 90 retirement rates, and slight adjustments to early retirement rates.
- Assumed rates of withdrawal were increased for both males and females.
- Assumed rates of disability were decreased.
- Slight adjustments were made to the use of the Pub-2010 General Mortality table as recommended in the most recent experience study.
- Minor changes to form of payment assumptions were applied for male and female retirees.
- Minor changes to assumptions were made with respect to missing participant data.
- The workers' compensation offset for disability benefits was eliminated.
- The actuarial equivalent factors were updated to reflect changes in assumptions.

Police and Fire Plan

- The state contribution of $9 million per year will continue until the earlier of: (1) both the Public Employees Retirement Association Police and Fire Plan and the State Patrol Retirement Fund attaining 90 percent funded status for three consecutive years (on an actuarial value of assets basis), or (2) July 1, 2048. The contribution was previously due to expire upon attainment of 90 percent funded status for one year.
- The additional $9 million contribution will continue until the Plan is fully funded for a minimum of three consecutive years on an actuarial value of assets basis or July 1, 2048, if earlier. This contribution was previously due to expire upon attainment of fully funded status on an actuarial value of assets basis for one year (or July 1, 2048, if earlier).

Correctional Plan

- Employee contribution rates will increase from 5.83 percent of pay to 6.83 percent of pay, effective July 1, 2025.
- Employer contribution rates will increase from 8.75 percent of pay to 10.25 percent of pay, effective July 1, 2025.

- The benefit multiplier was changed from 1.9 percent to 2.2 percent for service earned after June 30, 2025.

Pension Liability Sensitivity

The following presents the County's proportionate share of the net pension liability calculated using the discount rate previously disclosed, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate.

Sensitivity of the Employer's Proportionate Share of the
Net Pension Liability to Changes in the Discount Rate
As of December 31, 2024

	Proportionate Share of the					
	General Employees Plan		Police and Fire Plan		Correctional Plan	
	Discount Rate	Net Pension Liability	Discount Rate	Net Pension Liability (Asset)	Discount Rate	Net Pension Liability (Asset)
1% Decrease	6.00%	$ 3,583,120	6.00%	$ 1,998,394	6.00%	$ 815,208
Current	7.00%	1,640,502	7.00%	845,632	7.00%	100,318
1% Increase	8.00%	42,521	8.00%	(101,026)	8.00%	(469,203)

Pension Plan Fiduciary Net Position

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

Defined Contribution Plan

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

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

Total Contributions by Dollar Amount and Percentage of Covered Payroll Made by the Employer For the Year Ended December 31, 2024

	Employee	Employer
Contribution amount	$ 7,770	$ 7,770
Percentage of covered payroll	5.00%	5.00%

Note 4 – Risk Management

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

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at $500,000 per claim in 2024 and $1,000,000 per claim in 2025. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

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

The Service Cooperative is a joint powers entity which sponsors a plan to provide group employee health benefits to its participating members. Cottonwood County became a participating member effective January 1, 2008. All members pool premiums and losses; however, a particular member may receive increases or decreases depending on a good or bad year of claims experience. Premiums are determined annually by the Service Cooperative and are based partially on the experience of the County and partially on the experience of the group. The Service Cooperative solicits proposals from carriers and negotiates the contracts.

Note 5 – Summary of Significant Contingencies and Other Items

Contingent Liabilities

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

Cottonwood County continues to monitor and delineate the vinyl chloride plume from the landfill utilizing the services of Short Elliott Hendrickson, Inc. The Minnesota Pollution Control Agency is constantly and consistently informed of the investigative process and results.

Joint Ventures

Counties Providing Technology

Counties Providing Technology (CPT) was established in 2018, under the authority conferred upon by member parties by Minn. Stat. § 471.59, for the purpose of purchasing the former software vendor, Computer Professionals Unlimited, Inc., (CPUI) and to provide for the development, operation, and maintenance of technology applications and systems. Cottonwood County and 23 other counties are members of CPT. Each member county provided an initial contribution to start up CPT and provide funds for the purchase of CPUI. CPT purchased CPUI in September 2018 for a purchase price of $3,600,000.

Control is vested in the CPT Board, which consists of one individual appointed by each member county's Board of Commissioners. The joint powers agreement provides that initial operating capital contributed by each member is to be repaid from any excess in fund balance at the end of the fiscal year, in proportion to the initial contribution. Once the initial contribution is repaid, there is no remaining equity interest for the member counties.

Financing is primarily from county member contributions. During 2024, Cottonwood County contributed $83,013 to CPT. Current financial information can be obtained from the Stevens County Auditor/Treasurer, 400 Colorado Avenue, Suite 303, Morris, Minnesota 56267.

Des Moines Valley Health and Human Services

Des Moines Valley Health and Human Services (DVHHS) was formed pursuant to Minn. Stat. § 471.59, by Cottonwood and Jackson Counties. DVHHS began official operations on January 1, 2014, and performs human services and public health functions. Funding is provided by the member counties based on consideration of the population based on the most recent national census. DVHHS is governed by the Board of Commissioners made up of the five Commissioners from each member county.

Financing is provided by state and federal grants and appropriations from member counties. Cottonwood County's contributions in 2024 for the health and human services function were $2,963,473. Complete financial statements of DVHHS can be obtained at 11 Fourth Street, Windom, Minnesota 56111.

Cottonwood County Family Services Collaborative

The Cottonwood County Family Services Collaborative was established in 2000 under the authority of Minn. Stat. §§ 142D.15 and 245.491. The Collaborative includes DVHHS; Cottonwood County Corrections; Southwestern Mental Health Center; Independent School District 177; Independent School District 173; Independent School District 2884; Independent School District 991; Western Community Action, Inc./Head Start; and Cottonwood County. The primary function of the Collaborative is to create opportunities to enhance family strengths and support through service coordination and access to informal communication.

The Collaborative is financed primarily by state grants. Control of the Collaborative is vested in the governing board consisting of ten members. The governing board is composed of one member from each Executive

Committee organization. The DVHHS acts as the fiscal agent for the Collaborative. During 2024, Cottonwood County did not contribute to the Collaborative.

Complete financial information can be obtained by contacting DVHHS at 11 Fourth Street, Windom, Minnesota 56111.

Red Rock Rural Water System

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

The governing body is composed of nine members appointed to three-year terms by the District Court. The bond issue and notes payable are shown as long-term debt in the financial statements of the Red Rock Rural Water System. Complete financial information can be obtained from the Red Rock Rural Water System, 305 West Whited Street, Jeffers, Minnesota 56145.

Southwest Regional Solid Waste Commission

Cottonwood County has entered into a joint powers agreement with 11 other counties to create and operate the Southwest Regional Solid Waste Commission under the authority of Minn. Stat. § 471.59. The Commission was formed to exercise the County’s authority and obligation pursuant to Minn. Stat. chs. 400 and 115A; to provide for the management of solid waste in the respective counties; and provide the greatest public service benefit possible for the entire contiguous 12-county area encompassed by the counties in planning, management, and implementation of methods to deal with solid waste in southwest Minnesota.

The governing board is composed of one Board member from each of the participating counties. Financing of the Commission’s solid waste management program is through appropriations from the participating counties, grants and loans from the Minnesota Office of Waste Management, or from the sale of bonds or other obligations secured by revenues of the Commission. Administration and planning costs of the Commission are assessed to the counties on equal shares.

The Commission is headquartered in Ivanhoe, Minnesota, where Lincoln County acts as fiscal host. A complete financial report of the Southwest Regional Solid Waste Commission can be obtained from the Lincoln County Auditor, 319 North Rebecca Street, PO Box 29, Ivanhoe, Minnesota 56142.

Southwestern Minnesota Adult Mental Health Consortium Board

In November 1997, the Southwestern Minnesota Adult Mental Health Consortium Board was created under the authority of Minn. Stat. § 471.59. Presently, its members include Big Stone, Chippewa, Kandiyohi, Lac qui Parle, McLeod, Meeker, Nobles, Renville, Swift, and Yellow Medicine Counties; Southwest Health and Human Services, representing Lincoln, Lyon, Murray, Pipestone, Redwood, and Rock Counties; and DVHHS, representing Cottonwood and Jackson Counties. The Board is headquartered in Windom, Minnesota, where DVHHS acts as fiscal agent.

The Board takes actions and enters into agreements as necessary to plan and develop within the Southwestern Minnesota Adult Mental Health Consortium Board's geographic jurisdiction, a system of care that serves the needs of adults with serious and persistent mental illness. The governing board is composed of one Board member from each of the participating counties. Financing is provided by state proceeds or appropriations for the development of the system of care.

A complete financial report of the Southwestern Minnesota Adult Mental Health Consortium Board can be obtained by contacting DVHHS at 11 Fourth Street, Windom, Minnesota 56111.

Southwestern Mental Health Center, Inc.

Southwestern Mental Health Center, Inc., is a private, non-profit agency established in 1959 by Cottonwood, Jackson, Nobles, Pipestone, and Rock Counties in southwest Minnesota. It was formed for the purpose of providing mental health services and programs to the residents of these counties.

During 2024, Cottonwood County did not contribute to Southwestern Mental Health Center, Inc., for mental health services. Complete financial statements for Southwestern Mental Health Center, Inc., can be obtained at 216 East Luverne Street, Luverne, Minnesota 56156.

Rural Minnesota Energy Board

The Rural Minnesota Energy Board was established in 2005 under the authority of Minn. Stat. § 471.59. The purpose of the Board is to provide policy guidance on issues surrounding energy development in rural Minnesota. The focus of the Board includes, but is not limited to, renewable energy, wind energy, energy transmission lines, hydrogen energy technology, and bio-diesel and ethanol use. During the year, Cottonwood County paid $2,500 to the Board.

Southwest Minnesota Regional Emergency Communications Board

As of August 23, 2013, the Southwest Minnesota Regional Radio Board changed its name to the Southwest Minnesota Regional Emergency Communications Board. The Southwest Minnesota Regional Radio Board was established April 22, 2008, between Cottonwood County, the City of Marshall, the City of Worthington, and 12 other counties under authority of Minn. Stat. §§ 471.59 and 403.39. The purpose of the agreement is to formulate a regional radio board to provide for regional administration of enhancements to the Statewide Public Safety Radio and Communication System (ARMER).

Control is vested in a Joint Powers Board consisting of one County Commissioner and one City Council member for each party to the agreement. The members representing counties and cities are appointed by their respective governing bodies for the membership of that governing body. In addition, voting members of the Board include a member of the Southwest Minnesota Regional Advisory Committee, a member of the Southwest Minnesota Regional Radio System User Committee, and a member of the Southwest Minnesota Owners and Operators Committee.

Financing is provided by appropriations from member parties and by state and federal grants. During 2024, Cottonwood County contributed $2,510 to the Joint Powers Board.

Southwest Minnesota Private Industry Council, Inc.

The Southwest Minnesota Private Industry Council, Inc., (SW MN PIC) is a private non-profit corporation, which was created through a joint powers agreement on October 1, 1983, and began operations in 1985 under the Job Training Partnership Act authorized by Congress to administer and operate job training programs in a 14-county area of southwestern Minnesota. These counties include Big Stone, Chippewa, Cottonwood, Jackson, Lac qui Parle, Lincoln, Lyon, Murray, Nobles, Pipestone, Redwood, Rock, Swift, and Yellow Medicine.

SW MN PIC is governed by the Chief Elected Official Board, which is composed of one representative from each member county. During 2024, Cottonwood County contributed $2,840 to SW MN PIC. Separate financial information can be obtained from the Lyon County Government Center, 607 West Main Street, Marshall, Minnesota 56258.

Advocate, Connect, Educate (A.C.E.) of Southwest Minnesota

Cottonwood County, in conjunction with Lincoln, Lyon, Murray, Nobles, Redwood, and Rock Counties, and the Southwest Regional Development Commission, pursuant to Minn. Stat. § 471.59, have formed an agreement to coordinate the delivery of volunteer services to non-profit community service entities and local units of government meeting the guidelines for receiving volunteer services under the authority of the counties. The entity known as Retired and Senior Volunteer Program of Southwest Minnesota (RSVP of Southwest Minnesota) changed its name to A.C.E. of Southwest Minnesota as of January 1, 2014. The Board comprises one voting member from each participating county and one voting member of the A.C.E. of Southwest Minnesota Advisory Council. In 2024, Cottonwood County made contributions of $27,411 to the A.C.E. of Southwest Minnesota.

PrimeWest Health

The PrimeWest Central County-Based Purchasing Initiative (since renamed PrimeWest Health) was established in December 1998 by a joint powers agreement with Big Stone, Douglas, Grant, McLeod, Meeker, Pipestone, Pope, Renville, Stevens, and Traverse Counties under the authority of Minn. Stat. § 471.59. In 2008, Beltrami, Clearwater, and Hubbard Counties joined the partnership. In 2023, Chippewa, Cottonwood, Jackson, Kandiyohi, Lac qui Parle, Lincoln, Lyon, Nobles, Redwood, Swift, and Yellow Medicine Counties were added to PrimeWest Health. Pipestone County has since joined Southwest Health and Human Services for public health and human services functions. The partnership is organized to directly purchase health care services for county residents who are eligible for Medical Assistance and General Assistance Medical Care as authorized by Minn. Stat. § 256B.692. County-based purchasing is the local control alternative favored for improved coordination of services to prepaid Medical Assistance programs in complying with Minnesota Department of Health requirements as set forth in Minn. Stat. chs. 62D and 62N.

Control of PrimeWest Health is vested in a Joint Powers Board of Directors, composed of two Commissioners from each member county (one active and one alternate). Each member of the Joint Powers Board of Directors is appointed by the County Commissioners of the county represented.

In the event of termination of the joint powers agreement, all assets owned pursuant to this agreement shall be sold, and the proceeds, together with monies on hand, will be distributed to the current members based on their proportional share of each member’s county-based purchasing eligible population.

Financing is provided by Medical Assistance and General Assistance Medical Care payments from the Minnesota Department of Human Services, initial start-up loans from the member counties, and by proportional contributions from member counties, if necessary, to cover operational costs. Cottonwood County did not contribute to PrimeWest Health in 2024.

Complete financial information can be obtained from its administrative office at PrimeWest Health, 3905 Dakota Street, Suite 101, Alexandria, Minnesota 56308.

Property Assessed Clean Energy (MinnPACE) Loan Program

The County has entered into an agreement with the Saint Paul Port Authority to facilitate the implementation and administration of the MinnPACE loan program. Through this program, qualifying commercial building owners within the County can receive loans from the Port Authority for the purpose of financing energy efficiency and conservation building improvement projects. While the County is not liable for the repayment of the loans in any manner, it does have certain responsibilities under the agreement. By participating, the County has agreed to: (1) levy assessments against the related properties in accordance with the loan agreements between the Port Authority and property owners, (2) collect scheduled assessment payments, and (3) transfer all collections to the Port Authority. The County has met those responsibilities for 2024. At December 31, 2024, the outstanding PACE loans to be collected by the County are $13,638.

Jointly-Governed Organizations

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

Area II Minnesota River Basin Project

The Area II Minnesota River Basin Project provides cost-share and technical assistance for the implementation of flood reduction measures to the area between the Cities of Ortonville and Mankato. During the year, Cottonwood County paid $4,042 to the Project.

Greater Blue Earth River Basin Alliance

The Greater Blue Earth River Basin Alliance (GBERBA) establishes goals, policies, and objectives to protect and enhance land and water resources in the Greater Blue Earth River Basin. The Board consists of County Commissioners and members of the Soil and Water Conservation Districts. During the year, Cottonwood County made payments in the amount of $1,691 to the GBERBA.

Redwood-Cottonwood Rivers Control Area

The Redwood-Cottonwood Rivers Control Area (RCRCA) works to improve water quality, reduce erosion, and enhance recreational opportunities by providing education, outreach, monitoring, and technical assistance within the boundaries of the watersheds of the Redwood and Cottonwood Rivers for the participating counties. The RCRCA consists of Brown, Cottonwood, Lincoln, Lyon, Murray, Pipestone, Redwood, and Yellow Medicine Counties. During the year, Cottonwood County made payments of $9,920 to the RCRCA.

Heron Lake Watershed District

The Heron Lake Watershed District was established to protect and improve water resources within the Watershed border. The County Board is responsible for appointing two members of the Board of Managers for the Heron

Lake Watershed District, but Cottonwood County's responsibility does not extend beyond making the appointments.

Region Five – Southwest Minnesota Homeland Security Emergency Management Organization

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

Minnesota Criminal Justice Data Communications Network

The Minnesota Criminal Justice Data Communications Network Joint Powers Agreement exists to create access for the County Sheriff and County Attorney to systems and tools available from the State of Minnesota, Department of Public Safety, and the Bureau of Criminal Apprehension to carry out criminal justice. During the year, Cottonwood County contributed $1,680 to the joint powers.

Minnesota Counties Computer Cooperative

Under the Minnesota Joint Powers Law, Minn. Stat. § 471.59, Minnesota counties have created the Minnesota Counties Computer Cooperative (MCCC) to jointly provide for the establishment, operation, and maintenance of data processing systems, facilities, and management information systems. During the year, Cottonwood County expended $20,629 to the MCCC.

South Central Minnesota County Comprehensive Water Planning Project

The South Central Minnesota County Comprehensive Water Planning Project was established to provide regional water quality to Minnesota River Basin member counties. The project involves Blue Earth, Brown, Cottonwood, Faribault, Freeborn, Jackson, Le Sueur, Martin, Nicollet, Sibley, Steele, Waseca, and Watonwan Counties. Cottonwood County did not contribute to the Project in 2024.

Required Supplementary Information

Cottonwood County
Windom, Minnesota

Exhibit A-1

Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2024

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget
Revenues				
Taxes	$ 8,954,571	$ 8,954,571	$ 8,636,160	$ (318,411)
Special assessments	192,000	192,000	262,576	70,576
Licenses and permits	25,420	25,420	26,071	651
Intergovernmental	2,124,523	2,124,523	2,613,747	489,224
Settlements	-	-	114,088	114,088
Charges for services	498,800	498,800	499,945	1,145
Fines and forfeits	12,000	12,000	8,046	(3,954)
Investment earnings	210,250	210,250	1,023,495	813,245
Miscellaneous	435,652	435,652	569,806	134,154
Total Revenues	**$ 12,453,216**	**$ 12,453,216**	**$ 13,753,934**	**$ 1,300,718**
Expenditures				
Current				
General government				
Commissioners	$ 547,253	$ 547,253	$ 616,045	$ (68,792)
Courts	88,000	88,000	32,164	55,836
Law library	11,000	11,000	2,459	8,541
Auditor/treasurer	615,250	615,250	617,189	(1,939)
Assessor	614,578	614,578	498,101	116,477
Geographic information system	19,600	19,600	18,538	1,062
Office of technology	382,025	382,025	376,393	5,632
Elections	192,993	192,993	208,146	(15,153)
Attorney	495,806	495,806	496,279	(473)
Recorder	389,049	389,049	415,384	(26,335)
Building and plant	335,418	335,418	313,509	21,909
Veterans service officer	128,964	128,964	127,531	1,433
Other general government	274,109	274,109	421,676	(147,567)
Total general government	**$ 4,094,045**	**$ 4,094,045**	**$ 4,143,414**	**$ (49,369)**
Public safety				
Sheriff	$ 1,867,009	$ 1,867,009	$ 1,933,348	$ (66,339)
Sheriff drug forfeiture	-	-	600	(600)
Emergency services	128,835	128,835	128,247	588
Coroner	60,000	60,000	28,394	31,606
Safety program	11,960	11,960	11,676	284
Jail	1,679,225	1,679,225	1,644,087	35,138
Probation and parole	201,346	201,346	324,871	(123,525)
Total public safety	**$ 3,948,375**	**$ 3,948,375**	**$ 4,071,223**	**$ (122,848)**
Sanitation				
Recycling	**$ 410,348**	**$ 410,348**	**$ 529,494**	**$ (119,146)**

Cottonwood County
Windom, Minnesota

Exhibit A-1
(Continued)

Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2024

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget
Expenditures				
Current (Continued)				
Health and human services				
Environmental health	**$ 16,464**	**$ 16,464**	**$ 16,938**	**$ (474)**
Culture and recreation				
Parks	$ 201,181	$ 201,181	$ 231,598	$ (30,417)
Regional library	63,720	63,720	63,720	-
Snow riders	112,000	112,000	113,331	(1,331)
Total culture and recreation	**$ 376,901**	**$ 376,901**	**$ 408,649**	**$ (31,748)**
Conservation of natural resources				
Extension	$ 154,644	$ 154,644	$ 159,038	$ (4,394)
Soil and water conservation	132,082	132,082	156,709	(24,627)
Water planning	115,690	115,690	102,026	13,664
Water quality loan program	207,500	207,500	412,734	(205,234)
Environmental services	163,549	163,549	200,487	(36,938)
Total conservation of natural resources	**$ 773,465**	**$ 773,465**	**$ 1,030,994**	**$ (257,529)**
Intergovernmental				
Health and human services	**$ 2,963,473**	**$ 2,963,473**	**$ 2,963,473**	**$ -**
Debt service				
Principal	$ -	$ -	$ 289,511	$ (289,511)
Interest	2,000	2,000	12,139	(10,139)
Total debt service	**$ 2,000**	**$ 2,000**	**$ 301,650**	**$ (299,650)**
Total Expenditures	**$ 12,585,071**	**$ 12,585,071**	**$ 13,465,835**	**$ (880,764)**
Excess of Revenues Over (Under) Expenditures	**$ (131,855)**	**$ (131,855)**	**$ 288,099**	**$ 419,954**
Other Financing Sources (Uses)				
Transfers in	$ -	$ -	$ 15,089	$ 15,089
Transfers out	-	-	(112,360)	(112,360)
Loans issued	150,000	150,000	385,464	235,464
Leases issued	-	-	62,492	62,492
Proceeds from the sale of capital assets	-	-	31,340	31,340
Total Other Financing Sources (Uses)	**$ 150,000**	**$ 150,000**	**$ 382,025**	**$ 232,025**
Net Change in Fund Balance	**$ 18,145**	**$ 18,145**	**$ 670,124**	**$ 651,979**
Fund Balance – January 1	**11,183,705**	**11,183,705**	**11,183,705**	**-**
Fund Balance – December 31	**$ 11,201,850**	**$ 11,201,850**	**$ 11,853,829**	**$ 651,979**

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

Cottonwood County
Windom, Minnesota

Exhibit A-2

Budgetary Comparison Schedule
Road and Bridge Special Revenue Fund
For the Year Ended December 31, 2024

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 2,413,344	$ 2,413,344	$ 2,421,204	$ 7,860
Licenses and permits	30,000	30,000	16,500	(13,500)
Intergovernmental	8,400,000	8,400,000	7,902,305	(497,695)
Charges for services	30,000	30,000	30,878	878
Miscellaneous	75,000	75,000	74,247	(753)
Total Revenues	**$ 10,948,344**	**$ 10,948,344**	**$ 10,445,134**	**$ (503,210)**
Expenditures				
Current				
Highways and streets				
Administration	$ 608,345	$ 608,345	$ 495,066	$ 113,279
Maintenance	2,129,145	2,129,145	1,560,423	568,722
Construction	6,326,809	6,326,809	4,527,907	1,798,902
Equipment and maintenance shops	1,434,045	1,434,045	1,246,705	187,340
Total highways and streets	**$ 10,498,344**	**$ 10,498,344**	**$ 7,830,101**	**$ 2,668,243**
Capital outlay				
Highways and streets	**$ -**	**$ -**	**$ 8,835,790**	**$ (8,835,790)**
Intergovernmental				
Highways and streets	**$ 500,000**	**$ 500,000**	**$ 801,625**	**$ (301,625)**
Debt service				
Principal	$ -	$ -	$ 1,578	$ (1,578)
Interest	-	-	212	(212)
Bond issuance costs	-	-	225,006	(225,006)
Total debt service	**$ -**	**$ -**	**$ 226,796**	**$ (226,796)**
Total Expenditures	**$ 10,998,344**	**$ 10,998,344**	**$ 17,694,312**	**$ (6,695,968)**
Excess of Revenues Over (Under) Expenditures	**$ (50,000)**	**$ (50,000)**	**$ (7,249,178)**	**$ (7,199,178)**
Other Financing Sources (Uses)				
Bonds issued	$ -	$ -	$ 9,635,000	$ 9,635,000
Premium on bonds issued	-	-	398,780	398,780
Leases issued	-	-	12,556	12,556
Proceeds from sale of capital assets	50,000	50,000	33,301	(16,699)
Total Other Financing Sources (Uses)	**$ 50,000**	**$ 50,000**	**$ 10,079,637**	**$ 10,029,637**
Net Change in Fund Balance	**$ -**	**$ -**	**$ 2,830,459**	**$ 2,830,459**

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

Exhibit A-2
(Continued)

Budgetary Comparison Schedule
Road and Bridge Special Revenue Fund
For the Year Ended December 31, 2024

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Fund Balance – January 1, as previously reported	$ 4,456,063	$ 4,456,063	$ 4,456,063	$ -
Restatement (Note 1)	529,409	529,409	529,409	-
Fund Balance – January 1, as restated	**$ 4,985,472**	**$ 4,985,472**	**$ 4,985,472**	**$ -**
Increase (decrease) in inventories	**$ -**	**$ -**	**$ 16,463**	**$ 16,463**
Fund Balance – December 31	**$ 4,985,472**	**$ 4,985,472**	**$ 7,832,394**	**$ 2,846,922**

Cottonwood County
Windom, Minnesota

Exhibit A-3

Budgetary Comparison Schedule
Ditch Special Revenue Fund
For the Year Ended December 31, 2024

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget
Revenues				
Special assessments	$ 89,087	$ 89,087	$ 427,431	$ 338,344
Miscellaneous	-	-	68,197	68,197
Total Revenues	**$ 89,087**	**$ 89,087**	**$ 495,628**	**$ 406,541**
Expenditures				
Current				
Conservation of natural resources				
Other	90,269	90,269	1,047,486	(957,217)
Debt service				
Interest	-	-	23,429	(23,429)
Total Expenditures	**$ 90,269**	**$ 90,269**	**$ 1,070,915**	**$ (980,646)**
Excess of Revenues Over (Under) Expenditures	**$ (1,182)**	**$ (1,182)**	**$ (575,287)**	**$ (574,105)**
Other Financing Sources (Uses)				
Transfers in	$ -	$ -	$ 112,360	$ 112,360
Transfers out	-	-	(15,089)	(15,089)
Total Other Financing Sources (Uses)	**$ -**	**$ -**	**$ 97,271**	**$ 97,271**
Net Change in Fund Balance	**$ (1,182)**	**$ (1,182)**	**$ (478,016)**	**$ (476,834)**
Fund Balance – January 1	**(73,166)**	**(73,166)**	**(73,166)**	**-**
Fund Balance – December 31	**$ (74,348)**	**$ (74,348)**	**$ (551,182)**	**$ (476,834)**

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

Cottonwood County
Windom, Minnesota

Schedule of Changes in Total OPEB Liability and Related Ratios
Other Postemployment Benefits
December 31, 2024

	2024	2023
Total OPEB Liability		
Service cost	$ 24,184	$ 38,003
Interest	15,266	7,625
Changes of benefit terms	-	-
Differences between expected and actual experience	33,145	36,563
Changes of assumption or other inputs	13,720	(32,155)
Benefit payments	(33,996)	(8,129)
Net change in total OPEB liability	**$ 52,319**	**$ 41,907**
Total OPEB Liability – Beginning	**346,825**	**304,918**
Total OPEB Liability – Ending	**$ 399,144**	**$ 346,825**
Covered-employee payroll	$ 5,816,572	$ 5,153,309
Total OPEB liability (asset) as a percentage of covered-employee payroll	6.86%	6.73%

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

Exhibit A-4

2022	2021	2020	2019	2018	2017
$ 37,253	$ 32,913	$ 29,020	$ 25,644	$ 23,659	$ 8,999
6,482	10,755	12,546	10,458	11,251	7,658
-	-	-	-	9,791	-
2,087	(74,676)	164	(1,968)	(21,310)	(4,586)
(2,467)	27,295	15,675	(3,949)	7,077	74,920
(13,812)	(35,529)	(37,690)	(27,087)	(20,438)	(39,115)
$ 29,543	**$ (39,242)**	**$ 19,715**	**$ 3,098**	**$ 10,030**	**$ 47,876**
275,375	**314,617**	**294,902**	**291,804**	**281,774**	**233,898**
$ 304,918	**$ 275,375**	**$ 314,617**	**$ 294,902**	**$ 291,804**	**$ 281,774**
$ 4,720,728	$ 4,597,120	$ 4,487,961	$ 4,367,845	$ 4,083,191	$ 3,954,664
6.46%	5.99%	7.01%	6.75%	7.15%	7.13%

Exhibit A-5

Schedule of Proportionate Share of Net Pension Liability
PERA General Employees Retirement Plan
December 31, 2024

Measurement Date	Employer's Proportion of the Net Pension Liability/ Asset	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability Associated with Cottonwood County (b)	Employer's Proportionate Share of the Net Pension Liability and the State's Related Share of the Net Pension Liability (Asset) (a + b)	Covered Payroll (c)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2024	0.0444 %	$ 1,640,502	$ 42,420	$ 1,682,922	$ 3,768,780	43.53 %	89.08 %
2023	0.0458	2,561,084	70,657	2,631,741	3,642,703	70.31	83.10
2022	0.0445	3,524,415	103,315	3,627,730	3,336,516	105.63	76.67
2021	0.0463	1,977,218	60,363	2,037,581	3,332,155	59.34	87.00
2020	0.0440	2,638,001	81,245	2,719,246	3,132,392	84.22	79.06
2019	0.0444	2,454,777	76,163	2,530,940	3,141,273	78.15	80.23
2018	0.0437	2,424,297	79,638	2,503,935	2,938,376	82.50	79.53
2017	0.0455	2,904,690	36,528	2,941,218	2,931,536	99.08	75.90
2016	0.0442	3,588,821	46,790	3,635,611	2,726,276	131.64	68.91
2015	0.0441	2,285,491	N/A	2,285,491	2,661,420	85.87	78.19

The measurement date for each year is June 30.
N/A – Not Applicable

Cottonwood County
Windom, Minnesota

Exhibit A-6

Schedule of Contributions
PERA General Employees Retirement Plan
December 31, 2024

Year Ending		Statutorily Required Contributions (a)		Actual Contributions in Relation to Statutorily Required Contributions (b)		Contribution (Deficiency) Excess (b - a)		Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
2024	$	281,274	$	281,274	$	-	$	3,750,325	7.50 %
2023		287,045		287,045		-		3,827,269	7.50
2022		255,384		255,384		-		3,405,117	7.50
2021		250,764		250,764		-		3,343,515	7.50
2020		241,892		241,892		-		3,225,227	7.50
2019		237,075		237,075		-		3,160,998	7.50
2018		227,619		227,619		-		3,034,917	7.50
2017		214,441		214,441		-		2,857,339	7.50
2016		221,212		221,212		-		2,949,196	7.50
2015		201,271		201,271		-		2,682,647	7.50

The County's year-end is December 31.

Cottonwood County
Windom, Minnesota

Exhibit A-7

Schedule of Proportionate Share of Net Pension Liability
PERA Public Employees Police and Fire Plan
December 31, 2024

Measurement Date	Employer's Proportion of the Net Pension Liability/ Asset	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability Associated with Cottonwood County (b)	Employer's Proportionate Share of the Net Pension Liability and the State's Related Share of the Net Pension Liability (Asset) (a + b)	Covered Payroll (c)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2024	0.0643 %	$ 845,632	$ 32,235	$ 877,867	$ 890,068	95.01 %	90.17 %
2023	0.0617	1,065,479	42,928	1,108,407	810,708	131.43	86.47
2022	0.0627	2,728,456	119,123	2,847,579	761,542	358.28	70.53
2021	0.0627	483,978	21,752	505,730	737,603	65.61	93.66
2020	0.0667	879,177	20,721	899,898	752,700	116.80	87.19
2019	0.0694	738,833	N/A	738,833	732,528	100.86	89.26
2018	0.0686	731,205	N/A	731,205	722,622	101.19	88.84
2017	0.0710	958,584	N/A	958,584	723,927	132.41	85.43
2016	0.0690	2,769,090	N/A	2,769,090	632,067	438.10	63.88
2015	0.0640	727,190	N/A	727,190	581,888	124.97	86.61

The measurement date for each year is June 30.
N/A – Not Applicable

Cottonwood County
Windom, Minnesota

Exhibit A-8

Schedule of Contributions
PERA Public Employees Police and Fire Plan
December 31, 2024

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b - a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
2024	$ 162,372	$ 162,372	$ -	$ 917,354	17.70 %
2023	148,824	148,824	-	840,814	17.70
2022	137,364	137,364	-	776,070	17.70
2021	132,307	132,307	-	747,501	17.70
2020	131,805	131,805	-	744,663	17.70
2019	125,411	125,411	-	739,887	16.95
2018	117,506	117,506	-	725,345	16.20
2017	114,244	114,244	-	705,068	16.20
2016	115,740	115,740	-	714,650	16.20
2015	96,819	96,819	-	597,738	16.20

The County's year-end is December 31.

Cottonwood County
Windom, Minnesota

Exhibit A-9

Schedule of Proportionate Share of Net Pension Liability
PERA Public Employees Local Government Correctional Service Retirement Plan
December 31, 2024

Measurement Date	Employer's Proportion of the Net Pension Liability/ Asset	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	Covered Payroll (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2024	0.3291 %	$ 100,318	$ 835,582	12.01 %	97.54 %
2023	0.3250	146,916	762,151	19.28	95.94
2022	0.3074	1,021,798	675,310	151.31	74.58
2021	0.3154	(51,814)	695,283	(7.45)	101.61
2020	0.2988	81,076	650,285	12.47	96.67
2019	0.2997	41,493	639,351	6.49	98.17
2018	0.3034	49,900	619,731	8.05	97.64
2017	0.3100	883,503	622,062	142.03	67.89
2016	0.2800	1,022,879	520,527	196.51	58.16
2015	0.2700	41,742	479,860	8.70	96.95

The measurement date for each year is June 30.

Exhibit A-10

Schedule of Contributions
PERA Public Employees Local Government Correctional Service Retirement Plan
December 31, 2024

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b - a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
2024	$ 74,466	$ 74,466	$ -	$ 851,039	8.75 %
2023	69,862	69,862	-	798,423	8.75
2022	62,760	62,760	-	717,258	8.75
2021	60,151	60,151	-	687,441	8.75
2020	57,873	57,873	-	661,403	8.75
2019	56,474	56,474	-	645,413	8.75
2018	55,040	55,040	-	629,027	8.75
2017	53,023	53,023	-	606,249	8.75
2016	49,357	49,357	-	564,095	8.75
2015	44,352	44,352	-	507,119	8.75

The County's year-end is December 31.

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

Note 1 – Budget Information

The Cottonwood County Board adopts estimated revenue and expenditure budgets for the General Fund and special revenue funds. The expenditure budget is approved at the fund level.

The budgets may be amended or modified at any time by the County Board. Comparisons of final budgeted revenues and expenditures to actual are presented in the required supplementary information for the General Fund and special revenue funds. The legal level of budgetary control (the level at which expenditures may not legally exceed appropriations) is the fund level.

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

Note 2 – Budget Amendments

The revenue and expenditure budgets were not amended during the year.

Note 3 – Excess of Expenditures Over Appropriations

The following funds had expenditures in excess of appropriations (the legal level of budgetary control) for the year ended December 31, 2024:

Excess of Expenditures Over Appropriations as of December 31, 2024

	Expenditures	Final Budget	Excess
General Fund	$ 13,465,835	$ 12,585,071	$ 880,764
Road and Bridge Special Revenue Fund	17,694,312	10,998,344	6,695,968
Ditch Special Revenue Fund	1,070,915	90,269	980,646

The expenditures in excess of budget were funded by available fund balance.

Note 4 – Other Postemployment Benefits Funded Status

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

Note 5 – Other Postemployment Benefits – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

The following changes in actuarial assumptions occurred:

2024

- Health care trend rates have been updated to an initial rate of 7.5 percent decreasing by 0.5 percent annually to an ultimate rate of 4.5 percent.

- The discount rate used changed from 4.31 percent to 4.00 percent.

<u>2023</u>

- Mortality tables were updated to the SOA Pub-2010 General Headcount Weighted Mortality table fully generational using Scale MP-2021 for general employees and the SOA Pub-2010 Contingent Survivor Headcount Weighted Mortality table fully generational using Scale MP-2021 for surviving spouses.

- Health care trend rates have been reset to an initial rate of 8.0 percent decreasing by 0.5 percent annually to an ultimate rate of 4.5 percent. Further, the 2023 health care trend rate has been updated based on actual premium changes from 2023 to 2024.

- Disability rates, retirement rates, and payroll growth rates were updated to follow the most recent Public Employees Retirement Association (PERA) actuarial valuation as of June 30, 2022.

- The discount rate used changed from 2.25 percent to 4.31 percent.

<u>2022</u>

- The discount rate used changed from 2.12 percent to 2.25 percent.

<u>2021</u>

- Mortality tables were updated to the SOA Pub-2010 General Headcount Weighted Mortality table fully generational using Scale MP-2020 for general employees, the SOA Pub-2010 Non-Safety Disabled Retiree Headcount Weighted Mortality table fully generational using Scale MP-2020 for disabled employees, and the SOA Pub-2010 Contingent Survivor Headcount Weighted Mortality table fully generational using Scale MP-2020 for surviving spouses.

- Disability rates, retirement rates, and payroll growth rates were updated to follow the most recent PERA actuarial valuation as of June 30, 2020.

- Health care trend rates have been reset to an initial rate of 8.0 percent decreasing by 0.5 percent annually to an ultimate rate of 4.5 percent.

- The discount rate used changed from 3.26 percent to 2.12 percent.

<u>2020</u>

- The discount rate used changed from 4.11 percent to 3.26 percent.

<u>2019</u>

- The discount rate used changed from 3.44 percent to 4.11 percent.

- Mortality tables used were changed for healthy lives from SOA RPH-2017 Total Dataset Mortality table fully generational using Scale MP-2017 to SOA RPH-2018 Total Dataset Mortality table fully generational using Scale MP-2018. Mortality tables used for disabled lives changed from SOA RPH-2017 Total Dataset Mortality table fully generational using Scale MP-2017 to SOA RPH-2018 Disabled Retiree Mortality table fully generational using Scale MP-2018.

- The retirement assumption has been updated to follow the PERA actuarial valuation as of June 30, 2018.

- Health care trend rates have been reset to an initial rate of 8.0 percent decreasing by 0.5 percent annually to an ultimate rate of 4.5 percent.

- For elected officials, age and marital status assumptions have been updated to follow PERA assumptions as of June 30, 2018. Spousal age difference has also been updated to follow PERA assumptions for all other County employees.

2018

- The discount rate used changed from 3.81 percent to 3.44 percent.

2017

- The discount rate used changed from 3.57 percent to 3.81 percent.

- Mortality tables used were changed for healthy lives from 2000 Retired Pensioners Mortality Rates for Male and Female to SOA RPH-2017 Total Dataset Mortality table fully generational using Scale MP-2017. Mortality tables used for disabled lives changed from 2000 Retired Pensioners Mortality Rates for Male and Female set ahead 20 years to SOA RPH-2017 Total Dataset Mortality table fully generational using Scale MP-2017.

- The retirement assumption has been updated to follow the PERA actuarial valuation as of June 30, 2016.

- The health care election assumption for County employees who are not elected officials has been increased from 25 percent to 40 percent based on actual historical County information.

- Health care trend rates have been reset to an initial rate of 8.0 percent decreasing by 0.5 percent annually to an ultimate rate of 4.5 percent.

The following change in plan provisions occurred:

2018

- The maximum County subsidy for elected officials increased from $720 per month to $800 per month for all coverage levels.

Note 6 – Defined Benefit Pension Plans – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

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

General Employees Retirement Plan

2024

- Rates of merit and seniority were adjusted, resulting in slightly higher rates.

- Assumed rates of retirement were adjusted as follows: increase the rate of assumed unreduced retirements, slight adjustments to Rule of 90 retirement rates, and slight adjustments to early retirement rates.

- Assumed rates of withdrawal were increased for both males and females.

- Assumed rates of disability were decreased.

- Slight adjustments were made to the use of the Pub-2010 General Mortality table as recommended in the most recent experience study.

- Minor changes to form of payment assumptions were applied for male and female retirees.

- Minor changes to assumptions were made with respect to missing participant data.

- The workers' compensation offset for disability benefits was eliminated.

- The actuarial equivalent factors were updated to reflect changes in assumptions.

<u>2023</u>

- The investment return assumption and single discount rate were changed from 6.50 percent to 7.00 percent.

- A one-time direct state aid contribution of $170.1 million occurred on October 1, 2023.

- The vesting period for those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service.

- The benefit increase delay for early retirements on or after January 1, 2024, was eliminated.

- For Basic Plan members, a one-time, non-compounding benefit increase of 4.00 percent, minus the actual 2024 adjustment, will be payable in a lump sum for calendar year 2024 by March 31, 2024.

- For Coordinated Plan members, a one-time, non-compounding benefit increase of 2.50 percent, minus the actual 2024 adjustment, will be payable in a lump sum for calendar year 2024 by March 31, 2024.

<u>2022</u>

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

<u>2021</u>

- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent.

- The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

<u>2020</u>

- The price inflation assumption was decreased from 2.50 percent to 2.25 percent.

- The payroll growth assumption was decreased from 3.25 percent to 3.00 percent.

- Assumed salary increase rates were changed as recommended in the June 30, 2019, experience study. The net effect is assumed rates that average 0.25 percent less than previous rates.

- Assumed rates of retirement were changed as recommended in the June 30, 2019, experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.

- Assumed rates of termination were changed as recommended in the June 30, 2019, experience study. The new rates are based on service and are generally lower than the previous rates for years two to five and slightly higher thereafter.

- Assumed rates of disability were changed as recommended in the June 30, 2019, experience study. The change results in fewer predicted disability retirements for males and females.

- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Employee Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 Disabled Annuitant Mortality table to the Pub-2010 General/Teacher Disabled Retiree Mortality table, with adjustments.

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

- The assumed spouse age difference was changed from two years older for females to one year older.

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

- Augmentation for current privatized members was reduced to 2.00 percent for the period July 1, 2020, through December 31, 2023, and 0.00 percent thereafter. Augmentation was eliminated for privatizations occurring after June 30, 2020.

2019

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

2018

- The mortality projection scale was changed from Scale MP-2015 to Scale MP-2017.

- The assumed benefit increase rate was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter, to 1.25 percent per year.

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.

- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.

- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.

- Contribution stabilizer provisions were repealed.

- Post-retirement benefit increases were changed from 1.00 percent per year with a provision to increase to 2.50 percent upon attainment of 90 percent funding to 50 percent of the Social Security cost-of-living adjustment, not less than 1.00 percent and not more than 1.50 percent, beginning January 1, 2019.

- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to the Rule of 90 retirees, disability benefit recipients, or survivors.

- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017

- The Combined Service Annuity (CSA) loads were changed from 0.80 percent for active members and 60 percent for vested and non-vested deferred members (30 percent for deferred Minneapolis Employees Retirement Fund members). The revised CSA loads are now 0.00 percent for active member liability, 15 percent for vested deferred member liability, and 3.00 percent for non-vested deferred member liability.

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year for all years to 1.00 percent per year through 2044 and 2.50 percent per year thereafter.

- Minneapolis Employees Retirement Fund plan provisions change the employer supplemental contribution to $21 million in calendar years 2017 and 2018 and returns to $31 million through calendar year 2031. The state's required contribution is $16 million in PERA's fiscal years 2018 and 2019 and returns to $6 million annually through calendar year 2031.

2016

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2035 and 2.50 percent per year thereafter, to 1.00 percent for all future years.

- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was also changed from 7.90 percent to 7.50 percent.

- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

Public Employees Police and Fire Plan

2024

- The state contribution of $9 million per year will continue until the earlier of: (1) both the Public Employees Retirement Association Police and Fire Plan and the State Patrol Retirement Fund attaining 90 percent funded status for three consecutive years (on an actuarial value of assets basis), or (2) July 1, 2048. The contribution was previously due to expire upon attainment of 90 percent funded status for one year.

- The additional $9 million contribution will continue until the Plan is fully funded for a minimum of three consecutive years on an actuarial value of assets basis or July 1, 2048, if earlier. This contribution was previously due to expire upon attainment of fully funded status on an actuarial value of assets basis for one year (or July 1, 2048, if earlier).

<u>2023</u>

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

<u>2022</u>

- The single discount rate changed from 6.50 percent to 5.40 percent.
- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

<u>2021</u>

- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent.
- The inflation assumption was changed from 2.50 percent to 2.25 percent.
- The payroll growth assumption was changed from 3.25 percent to 3.00 percent.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 Public Safety Mortality table. The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.
- The base mortality table for disabled annuitants was changed from the RP-2014 Healthy Annuitant Mortality table (with future mortality improvement according to Scale MP-2019) to the Pub-2010 Public Safety Disabled Annuitant Mortality table (with future mortality improvement according to Scale MP-2020).
- Assumed rates of salary increase were modified as recommended in the July 14, 2020, experience study. The overall impact is a decrease in gross salary increase rates.

- Assumed rates of retirement were changed as recommended in the July 14, 2020, experience study. The changes result in slightly more unreduced retirements and fewer assumed early retirements.

- Assumed rates of withdrawal were changed from select and ultimate rates to service-based rates. The changes result in more assumed terminations.

- Assumed rates of disability were increased for ages 25-44 and decreased for ages over 49. Overall, proposed rates result in more projected disabilities.

- Assumed percent married for active female members was changed from 60 percent to 70 percent. Minor changes to form of payment assumptions were applied.

2020

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

2019

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

2018

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

- Post-retirement benefit increases changed to 1.00 percent for all years with no trigger.

- An end date of July 1, 2048, was added to the existing $9.0 million state contribution. Additionally, annual state aid will equal $4.5 million in fiscal years 2019 and 2020, and $9.0 million thereafter, until the plan reaches 100 percent funding, or July 1, 2048, if earlier.

- Member contributions were changed effective January 1, 2019, and January 1, 2020, from 10.80 percent to 11.30 and 11.80 percent of pay, respectively. Employer contributions were changed effective January 1, 2019, and January 1, 2020, from 16.20 percent to 16.95 and 17.70 percent of pay, respectively. Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.

- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.

- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017

- The assumed salary increases were changed as recommended in the June 30, 2016, experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates.

- The assumed rates of retirement were changed, resulting in fewer retirements.

- The CSA load was 30 percent for vested and non-vested, deferred members. The CSA load has been changed to 33 percent for vested members and 2.00 percent for non-vested members.

- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality table assumed for healthy retirees.

- The assumed termination rates were decreased to 3.00 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.

- The assumed percentage of married female members was decreased from 65 percent to 60 percent.

- The assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.

- The assumed percentage of female members electing joint and survivor annuities was increased.

- The assumed post-retirement benefit increase rate was changed from 1.00 percent for all years to 1.00 percent per year through 2064 and 2.50 percent thereafter.

- The single discount rate was changed from 5.60 percent per annum to 7.50 percent per annum.

2016

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2037 and 2.50 percent per year thereafter, to 1.00 percent for all future years.

- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was changed from 7.90 percent to 5.60 percent.

- The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

Public Employees Local Government Correctional Service Retirement Plan

2024

- Employee contribution rates will increase from 5.83 percent of pay to 6.83 percent of pay, effective July 1, 2025.

- Employer contribution rates will increase from 8.75 percent of pay to 10.25 percent of pay, effective July 1, 2025.

- The benefit multiplier was changed from 1.9 percent to 2.2 percent for service earned after June 30, 2025.

2023

- The investment return rate was changed from 6.50 percent to 7.00 percent.

- The single discount rate changed from 5.42 percent to 7.00 percent.

- A one-time direct state aid contribution of $5.3 million occurred on October 1, 2023.

- A one-time, non-compounding benefit increase of 2.50 percent, minus the actual 2024 adjustment, will be payable in a lump sum for calendar year 2024 by March 31, 2024.

- The maximum benefit increase will revert back to 2.50 percent, if the maximum increase is 1.50 percent and the Plan's funding ratio improves to 85 percent for two consecutive years on a market value of assets basis.

2022

- The single discount rate changed from 6.50 percent to 5.42 percent.

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

- The benefit increase assumption was changed from 2.00 percent per annum to 2.00 percent per annum through December 31, 2054, and 1.50 percent per annum thereafter.

2021

- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent.

- The inflation assumption was changed from 2.50 percent to 2.25 percent.

- The payroll growth assumption was changed from 3.25 percent to 3.00 percent.

- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 Public Safety Mortality table. The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

- The base mortality table for disabled annuitants was changed from the RP-2014 Healthy Annuitant Mortality table (with future mortality improvement according to Scale MP-2019) to the Pub-2010 Public Safety Disabled Annuitant Mortality table (with future mortality improvement according to Scale MP-2020).

- Assumed rates of salary increase were modified as recommended in the July 10, 2020, experience study. The overall impact is a decrease in gross salary increase rates.

- Assumed rates of retirement were changed as recommended in the July 10, 2020, experience study. The changes result in slightly more unreduced retirements and fewer assumed early retirements.

- Assumed rates of withdrawal were changed as recommended in the July 10, 2020, experience study. The new rates predict more terminations, both in the three-year select period (based on service) and the ultimate rates (based on age).

- Assumed rates of disability were lowered.

- Assumed percent married for active members was lowered from 85 percent to 75 percent.

- Minor changes to form of payment assumptions were applied.

2020

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

2019

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

2018

- The single discount rate was changed from 5.96 percent per annum to 7.50 percent per annum.
- The mortality projection scale was changed from Scale MP-2016 to Scale MP-2017.
- The assumed post-retirement benefit increase was changed from 2.50 percent per year to 2.00 percent per year.
- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Post-retirement benefit increases were changed from 2.50 percent per year with a provision to reduce to 1.00 percent if the funding status declines to a certain level, to 100 percent of the Social Security cost-of-living adjustment, not less than 1.00 percent and not more than 2.50 percent, beginning January 1, 2019. If the funding status declines to 85 percent for two consecutive years, or 80 percent for one year, the maximum increase will be lowered to 1.50 percent.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017

- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016 and is applied to healthy and disabled members. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the RP-2014 disabled annuitant mortality table (with future mortality improvement according to Scale MP-2016).
- The CSA load was 30 percent for vested and non-vested, deferred members. The CSA load has been changed to 35 percent for vested members and 1.00 percent for non-vested members.
- The single discount rate was changed from 5.31 percent per annum to 5.96 percent per annum.

2016

- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was changed from 7.90 percent to 5.31 percent.
- The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

Supplementary Information

Cottonwood County
Windom, Minnesota

Exhibit B-1

Budgetary Comparison Schedule
Building Capital Projects Fund
For the Year Ended December 31, 2024

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 2,279,035	$ 2,279,035	$ 2,279,035	$ -
Expenditures				
Capital outlay				
General government	14,979,035	14,979,035	66,880	14,912,155
Excess of Revenues Over (Under) Expenditures	**$ (12,700,000)**	**$ (12,700,000)**	**$ 2,212,155**	**$ 14,912,155**
Other Financing Sources (Uses)				
Bonds issued	12,700,000	12,700,000	-	(12,700,000)
Net Change in Fund Balance	**$ -**	**$ -**	**$ 2,212,155**	**$ 2,212,155**
Fund Balance – January 1	**6,623,917**	**6,623,917**	**6,623,917**	**-**
Fund Balance – December 31	**$ 6,623,917**	**$ 6,623,917**	**$ 8,836,072**	**$ 2,212,155**

Cottonwood County
Windom, Minnesota

Fiduciary Funds

Custodial Funds

Taxes and Penalties Custodial Fund – to account for the collection of taxes and penalties and their payment to the various taxing districts.

State Revenue Custodial Fund – to account for the state's share of collections and their payment to the state.

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

Exhibit C-1

Combining Statement of Fiduciary Net Position
Fiduciary Funds – Custodial Funds
December 31, 2024

	Taxes and Penalties	State Revenue	Jail Canteen	Total Custodial Funds
Assets				
Cash and pooled investments	$ 291,848	$ 37,138	$ 22,825	$ 351,811
Taxes receivable for other governments	216,011	-	-	216,011
Special assessments receivable for other governments	125,824	-	-	125,824
Total Assets	**$ 633,683**	**$ 37,138**	**$ 22,825**	**$ 693,646**
Liabilities				
Due to other governments	**$ 232,364**	**$ 3,346**	**$ -**	**$ 235,710**
Deferred Inflows of Resources				
Prepaid taxes	**$ 119,295**	**$ -**	**$ -**	**$ 119,295**
Net Position				
Restricted for individuals, organizations, and other governments	**$ 282,024**	**$ 33,792**	**$ 22,825**	**$ 338,641**

Cottonwood County
Windom, Minnesota

Exhibit C-2

Combining Statement of Changes in Fiduciary Net Position
Fiduciary Funds – Custodial Funds
For the Year Ended December 31, 2024

	Taxes and Penalties	State Revenue	Jail Canteen	Total Custodial Funds
Additions				
Contributions from individuals	$ -	$ -	$ 64,698	$ 64,698
Property tax collections for other governments	14,867,450	-	-	14,867,450
Fees collected for the state	-	643,164	-	643,164
Miscellaneous	4,570	-	-	4,570
Total Additions	**$ 14,872,020**	**$ 643,164**	**$ 64,698**	**$ 15,579,882**
Deductions				
Payments of property tax to other governments	$ 14,675,821	$ -	$ -	$ 14,675,821
Payments to the state	-	645,179	-	645,179
Payments to other individuals/entities	273,383	-	64,224	337,607
Total Deductions	**$ 14,949,204**	**$ 645,179**	**$ 64,224**	**$ 15,658,607**
Change in Net Position	**$ (77,184)**	**$ (2,015)**	**$ 474**	**$ (78,725)**
Net Position – January 1	**359,208**	**35,807**	**22,351**	**417,366**
Net Position – December 31	**$ 282,024**	**$ 33,792**	**$ 22,825**	**$ 338,641**

Schedules

Cottonwood County
Windom, Minnesota

Exhibit D-1

Schedule of Intergovernmental Revenue
For the Year Ended December 31, 2024

	Governmental Funds	Enterprise Fund	Total
Appropriations and Shared Revenue			
State			
Highway users tax	$ 5,938,929	$ -	$ 5,938,929
County program aid	844,637	-	844,637
PERA aid	18,256	-	18,256
Disparity reduction aid	43,136	-	43,136
Market value credit	255,221	-	255,221
Cannabis aid	2,114	-	2,114
Police aid	126,118	-	126,118
Local homeless prevention aid	6,469	-	6,469
Statewide affordable housing aid	88,448	-	88,448
Enhanced 911	168,321	-	168,321
SCORE	86,753	-	86,753
Aquatic invasive species aid	56,199	-	56,199
Riparian protection aid	124,861	-	124,861
Total appropriations and shared revenue	**$ 7,759,462**	**$ -**	**$ 7,759,462**
Payments			
Local			
Payments in lieu of taxes	**$ 398,683**	**$ -**	**$ 398,683**
Grants			
State			
Minnesota Department/Board/Office of			
Corrections	$ 136,492	$ -	$ 136,492
IT Services	51,764	-	51,764
Natural Resources	113,331	-	113,331
Public Safety	53,620	-	53,620
Secretary of State	18,272	-	18,272
Transportation	239,112	-	239,112
Water and Soil Resources	93,266	-	93,266
Veterans Affairs	7,500	-	7,500
Pollution Control Agency	1,983	-	1,983
Total state	**$ 715,340**	**$ -**	**$ 715,340**
Federal			
Department of			
Homeland Security	$ 201,028	$ -	$ 201,028
Justice	1,391	-	1,391
Transportation	388,234	-	388,234
Treasury	1,051,914	10,999	1,062,913
Total federal	**$ 1,642,567**	**$ 10,999**	**$ 1,653,566**
Total state and federal grants	**$ 2,357,907**	**$ 10,999**	**$ 2,368,906**
Total Intergovernmental Revenue	**$ 10,516,052**	**$ 10,999**	**$ 10,527,051**

Exhibit D-2

Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2024

Federal Grantor / Pass-Through Agency / Program Title	Assistance Listing Number	Pass-Through Grant Numbers	Expenditures	Passed Through to Subrecipients
U.S. Department of Justice				
Direct				
Bulletproof Vest Partnership Program	16.607		$ 500	$ -
Passed Through Minnesota Department of Public Safety				
Bulletproof Vest Partnership Program	16.607	Not provided	891	-
(Total Bulletproof Vest Partnership Program 16.607 $1,391)				
Total U.S. Department of Justice			**$ 1,391**	**$ -**
U.S. Department of Transportation				
Passed Through Minnesota Department of Transportation				
Highway Planning and Construction	20.205	1056243	**$ 388,234**	**$ 285,700**
U.S. Department of the Treasury				
Direct				
COVID-19 – Coronavirus State and Local Fiscal Recovery Funds	21.027		**$ 1,062,913**	**$ -**
U.S. Department of Homeland Security				
Passed Through Minnesota Department of Public Safety				
Disaster Grants – Public Assistance (Presidentially Declared Disasters)	97.036	PA-05-MN-4797	$ 178,732	$ -
Emergency Management Performance Grants	97.042	F-EMPG-2022	22,296	-
Total U.S. Department of Homeland Security			**$ 201,028**	**$ -**
Total Federal Awards			**$ 1,653,566**	**$ 285,700**

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

Note 1 – Summary of Significant Accounting Policies

Reporting Entity

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

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal award activity of Cottonwood County under programs of the federal government for the year ended December 31, 2024. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule of Expenditures of Federal Awards presents only a selected portion of the operations of Cottonwood County, it is not intended to and does not present the financial position, changes in net position, or cash flows of Cottonwood County.

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

Note 2 – De Minimis Cost Rate

Cottonwood County has elected to not use the ten percent de minimis indirect cost rate nor the 15 percent de minimis indirect cost rate, as applicable, allowed under the Uniform Guidance.

Note 3 – Coronavirus State and Local Fiscal Recovery Funds

During the current year, Cottonwood County has identified $584,951 of 2023 expenditures to be applied to the Coronavirus State and Local Fiscal Recovery Funds, Assistance Listing No. 21.027. These expenditures were not identified in time to be included in the 2023 Schedule of Expenditures of Federal Awards. Because they are not current year expenditures, they are not included in the 2024 Schedule of Expenditures of Federal Awards.

Management and Compliance Section

STATE OF MINNESOTA

Office of the State Auditor

Julie Blaha
State Auditor

Suite 500
525 Park Street
Saint Paul, MN 55103

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

Independent Auditor's Report

Board of County Commissioners
Cottonwood County
Windom, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Cottonwood County, Minnesota, as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated May 30, 2025.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs as item 2024-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

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

Main: (651) 296-2551 • Fax: (651) 296-4755 • TTY: (800) 627-3529 • State.Auditor@osa.state.mn.us • www.osa.state.mn.us
An equal opportunity employer

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

Minnesota Legal Compliance

In connection with our audit, we noted that Cottonwood County failed to comply with the provisions of the contracting – bid laws section of the *Minnesota Legal Compliance Audit Guide for Counties*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters, as described in the Schedule of Findings and Questioned Costs as item 2024-003. Also, in connection with our audit, nothing came to our attention that caused us to believe that Cottonwood County failed to comply with the provisions of the depositories of public funds and public investments, conflicts of interest, public indebtedness, claims and disbursements, and miscellaneous provisions sections of the *Minnesota Legal Compliance Audit Guide for Counties*, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the County's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

Cottonwood County's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Cottonwood County's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs and Corrective Action Plan. The County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

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

/s/Julie Blaha

Julie Blaha
State Auditor

/s/Chad Struss

Chad Struss, CPA
Deputy State Auditor

May 30, 2025

STATE OF MINNESOTA

Julie Blaha
State Auditor

Office of the State Auditor

Suite 500
525 Park Street
Saint Paul, MN 55103

Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

Independent Auditor's Report

Board of County Commissioners
Cottonwood County
Windom, Minnesota

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program
We have audited Cottonwood County's compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on Cottonwood County's major federal program for the year ended December 31, 2024. Cottonwood County's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, Cottonwood County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2024.

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

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

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

Main: (651) 296-2551 • Fax: (651) 296-4755 • TTY: (800) 627-3529 • State.Auditor@osa.state.mn.us • www.osa.state.mn.us
An equal opportunity employer

Auditor's Responsibilities for the Audit of Compliance

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

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

- exercise professional judgment and maintain professional skepticism throughout the audit;

- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the County's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances; and

- obtain an understanding of the County's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances, and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over compliance. Accordingly, no such opinion is expressed.

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

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance, and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2024-002. Our opinion on the major federal program is not modified with respect to this matter.

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

Report on Internal Control Over Compliance

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

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2024-002 to be a significant deficiency.

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

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

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

/s/Julie Blaha

Julie Blaha
State Auditor

/s/Chad Struss

Chad Struss, CPA
Deputy State Auditor

May 30, 2025

Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2024

Section I – Summary of Auditor's Results

Financial Statements

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

Internal control over financial reporting:
- Material weaknesses identified? **Yes**
- Significant deficiencies identified? **None reported**

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

Federal Awards

Internal control over the major federal program:
- Material weaknesses identified? **No**
- Significant deficiencies identified? **Yes**

Type of auditor's report issued on compliance for the major federal program: **Unmodified**

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

Identification of the major federal program:

Assistance Listing Number	Name of Federal Program or Cluster
21.027	COVID-19 – Coronavirus State and Local Fiscal Recovery Funds

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

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

Section II – Financial Statement Findings

2024-001 **Prior Period Adjustment**
Prior Year Finding Number: N/A
Year of Finding Origination: 2024
Type of Finding: Internal Control Over Financial Reporting
Severity of Deficiency: Material Weakness

Criteria: A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements of the financial statements on a timely basis. One indication of a material weakness in internal control is the restatement of previously issued financial statements to reflect the correction of material misstatements due to error.

Condition: A prior period adjustment was identified that resulted in significant changes to Cottonwood County's financial statements.

Context: The need for prior period adjustments can raise doubts as to the accuracy of the Cottonwood County financial statement information being presented.

Effect: The January 1, 2024, net position and fund balance of the governmental activities and the Road and Bridge Special Revenue Fund, respectively, were increased by $529,409 to recognize revenue that should have been recorded in the prior year.

Cause: According to the County, they failed to identify the activity in a timely manner.

Recommendation: We recommend the County review internal controls currently in place and design and implement procedures to improve internal controls over financial reporting to prevent, or detect and correct, misstatements in the financial statements.

View of Responsible Official: Acknowledge

Section III – Federal Award Findings and Questioned Costs

2024-002 **<u>Suspension and Debarment</u>**
Prior Year Finding Number: N/A
Year of Finding Origination: 2024
Type of Finding: Internal Control Over Compliance and Compliance
Severity of Deficiency: Significant Deficiency and Other Matter

Federal Agency: U.S. Department of the Treasury
Program: 21.027 COVID-19 – Coronavirus State and Local Fiscal Recovery Funds
Award Number and Year: SLFRP3546; 2021

Pass-Through Agency: N/A - Direct

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

Federal requirements prohibit non-federal entities from contracting with or making subawards under covered transactions to parties that are suspended or debarred. Title 2 U.S. *Code of Federal Regulations* § 180.300 describes a required verification process. Prior to entering into the transaction, one of the following must be performed: (1) checking SAM.gov exclusions, (2) collecting a certification, or (3) adding a clause or condition to the covered transaction. The County's written procurement policy, however, requires both checking SAM.gov exclusions and obtaining a certification from the contractor prior to entering into a covered transaction.

Condition: For three covered transactions tested, the County did not follow its written procurement policy to perform verification for suspended or debarred vendors by checking SAM.gov prior to entering into the covered transactions. Also, certifications were not obtained from contractors for two of the three covered transactions tested.

Questioned Costs: None.

Context: The County entered into a total of 11 covered transactions for the Coronavirus State and Local Fiscal Recovery Funds program during 2024. At the time of the audit, the County provided a signed certification for one of the three transactions tested and provided support that the vendors tested were not recently listed as suspended or debarred on SAM.gov.

The sample size was based on guidance from Chapter 11 of the AICPA Audit Guide, *Government Auditing Standards and Single Audits*.

Effect: Failure to verify vendors are not suspended, debarred, or otherwise excluded prior to entering into a covered transaction may result in the County entering into a transaction with a vendor that is not authorized to provide goods and services under the grant.

Cause: At the time of entering into the covered transactions, the County was not aware which transactions would be used as grant expenditures, and the County did not perform a SAM.gov search. Additionally, the County indicated two of the transactions tested were professional service agreements, and the County was not required to follow a formal bidding process; therefore, certifications were not obtained.

Recommendation: We recommend the County maintain documentation to demonstrate that vendors were not debarred, suspended, or otherwise excluded from conducting business with the County; the County should complete this documentation prior to entering into a covered transaction.

View of Responsible Official: Acknowledge

Section IV – Other Findings and Recommendations

2024-003 **<u>Contracting and Bidding – Withholding Affidavit for Contractors (IC-134)</u>**
Prior Year Finding Number: 2023-001
Year of Finding Origination: 2023
Type of Finding: Minnesota Legal Compliance

Criteria: Minnesota Statutes, Section 270C.66, states that, before making final settlement with any contractor under a contract requiring the employment of employees for wages by the contractor and by subcontractors, the County is required to obtain proof of compliance with the withholding requirements of Minn. Stat. § 290.92. This requirement can be satisfied through receipt of Form IC-134 from the Commissioner of Revenue certifying compliance.

Condition: Testing of compliance with State of Minnesota contracting and bid laws identified three instances where final settlement was made on a contract requiring the employment of individuals for wages prior to receiving a Minnesota Department of Revenue approved Form IC-134, which certifies the reporting of employee withholdings from the contractor.

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

Effect: The County is not in compliance with Minn. Stat. § 270C.66.

Cause: The County indicated they were not aware the contract requirements were applicable for these contracts.

Recommendation: We recommend the County obtain the required IC-134 withholding affidavit form before final settlement is made with contractors and subcontractors on all contracts requiring the employment of employees for wages.

View of Responsible Official: Acknowledge

Board of County Commissioners
Cottonwood County

900 Third Avenue
Windom, Minnesota 56101
Phone: 507.831.5669 FAX: 507.831.1183
E- mail: kelly.thongvivong@co.cottonwood.mn.us
Website: www.co.cottonwood.mn.us

Representation of Cottonwood County
Windom, Minnesota

Corrective Action Plan
For the Year Ended December 31, 2024

Finding Number: 2024-001
Finding Title: Prior Period Adjustment

Name of Contact Person Responsible for Corrective Action:
Carolyn Rempel, Auditor/Treasurer

Corrective Action Planned:
Investigate what the previous A/T reported as ARPA expenditures and make sure that they are recorded in the correct years.

Anticipated Completion Date:
06/30/2025

Finding Number: 2024-002
Finding Title: Suspension and Debarment
Program: 21.027 COVID-19 – Coronavirus State and Local Fiscal Recovery Funds

Name of Contact Person Responsible for Corrective Action:
Nick Klisch, Highway Engineer

Corrective Action Planned:
Be aware of the County Policy on Suspension and Debarment. Wording has been updated on the current policy by the County Attorney to make the process clearer.

Anticipated Completion Date:
06/30/2025

Finding Number: 2024-003
Finding Title: Contracting and Bidding – Withholding Affidavit for Contractors (IC-134)

Name of Contact Person Responsible for Corrective Action:
Nick Klisch, Highway Engineer and Kelly Thongvivong, County Coordinator

Corrective Action Planned:
Follow procedures to ensure that all contracting and bidding is administered in accordance with Minnesota statutes. Ensure that the IC 134 forms have been obtained before final payment is made on any contract. Clarify with the auditors if there is a contract in question and what paperwork is required.

Anticipated Completion Date:
12/31/2025

Board of County Commissioners
Cottonwood County

900 Third Avenue
Windom, Minnesota 56101
Phone: 507.831.5669 FAX: 507.831.1183
E- mail: kelly.thongvivong@co.cottonwood.mn.us
Website: www.co.cottonwood.mn.us

Representation of Cottonwood County
Windom, Minnesota

Summary Schedule of Prior Audit Findings
For the Year Ended December 31, 2024

Finding Number: 2023-001
Year of Finding Origination: 2023
Finding Title: Contracting and Bidding Compliance

Summary of Condition: Testing of compliance with State of Minnesota contracting and bid laws identified the following instances of noncompliance:

- One of the three contracts tested over $175,000 added an additional project to the contract over $175,000 through the change order process without documentation of Board approval through official proceedings.
- For two of the five contracts tested, which included both the employment of individuals for wages and the final payment had been made, the final payment was issued without receiving an approved Minnesota Department of Revenue Form IC-134.

Summary of Corrective Action Previously Reported: Implement procedures to ensure that all contracting and bidding are administered in accordance with Minnesota statutes.

Status: Partially Corrected. The Highway department has been further instructed to obtain all IC 134's before making final payments on any contracts. We will reach out for further clarification when needed regarding what qualifies as a contract and what documentation is required.