

State of Minnesota



Office of the State Auditor

Julie Blaha
State Auditor

Houston County Caledonia, Minnesota

Year Ended December 31, 2021

Description of the Office of the State Auditor

The mission of the Office of the State Auditor is to oversee local government finances for Minnesota taxpayers by helping to ensure financial integrity and accountability in local governmental financial activities.

Through financial, compliance, and special audits, the State Auditor oversees and ensures that local government funds are used for the purposes intended by law and that local governments hold themselves to the highest standards of financial accountability.

The State Auditor performs approximately 100 financial and compliance audits per year and has oversight responsibilities for over 3,300 local units of government throughout the state. The office currently maintains five divisions:

Audit Practice – conducts financial and legal compliance audits of local governments;

Government Information – collects and analyzes financial information for cities, towns, counties, and special districts;

Legal/Special Investigations – provides legal analysis and counsel to the Office and responds to outside inquiries about Minnesota local government law; as well as investigates allegations of misfeasance, malfeasance, and nonfeasance in local government;

Pension – monitors investment, financial, and actuarial reporting for Minnesota’s local public pension funds; and

Tax Increment Financing – promotes compliance and accountability in local governments’ use of tax increment financing through financial and compliance audits.

The State Auditor serves on the State Executive Council, State Board of Investment, Land Exchange Board, Public Employees Retirement Association Board, Minnesota Housing Finance Agency, and the Rural Finance Authority Board.

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Houston County Caledonia, Minnesota

Year Ended December 31, 2021



Office of the State Auditor

**Audit Practice Division
Office of the State Auditor
State of Minnesota**

**HOUSTON COUNTY
CALEDONIA, MINNESOTA**

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CALEDONIA, MINNESOTA**

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CALEDONIA, MINNESOTA**

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INTRODUCTORY SECTION

**HOUSTON COUNTY
CALEDONIA, MINNESOTA**

ORGANIZATION
DECEMBER 31, 2021

			<u>Term Expires</u>
Elected			
Commissioners			
Board Member	DeWayne Severson ²	District 1	January 2025
Board Member	Eric Johnson	District 2	January 2023
Chair	Robert Burns	District 3	January 2025
Board Member	Teresa Walter	District 4	January 2023
Vice Chair	Greg Myhre ¹	District 5	January 2025
Attorney	Samuel Jandt		January 2023
Auditor/Treasurer	Donna Trehus		January 2023
Sheriff	Mark Inglett		January 2023
Appointed			
Assessor	Luke Onstad		December 2024
Engineer	Brian Pogodzinski		April 2025
Coroner	Mayo Medical Examiner		Indefinite
Court Administrator	Darlene Larson		Indefinite
Recorder - Interim	Mary Betz		January 2023
Finance Director	Carol Lapham		Indefinite
Public Health/Human Services Director	John Pugleasa		Indefinite
Veterans Service Officer	Robert Thoen		January 2024

¹Chair 2022

²Vice Chair 2022

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Houston County
Caledonia, Minnesota

Report on the Audit of the Financial Statements

Opinions

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

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Houston County, as of December 31, 2021, and the respective changes in financial position 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.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 7, 2022, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

/s/Julie Blaha

JULIE BLAHA
STATE AUDITOR

/s/Dianne Syverson

DIANNE SYVERSON, CPA
DEPUTY STATE AUDITOR

October 7, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

**HOUSTON COUNTY
CALEDONIA, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2021
(Unaudited)**

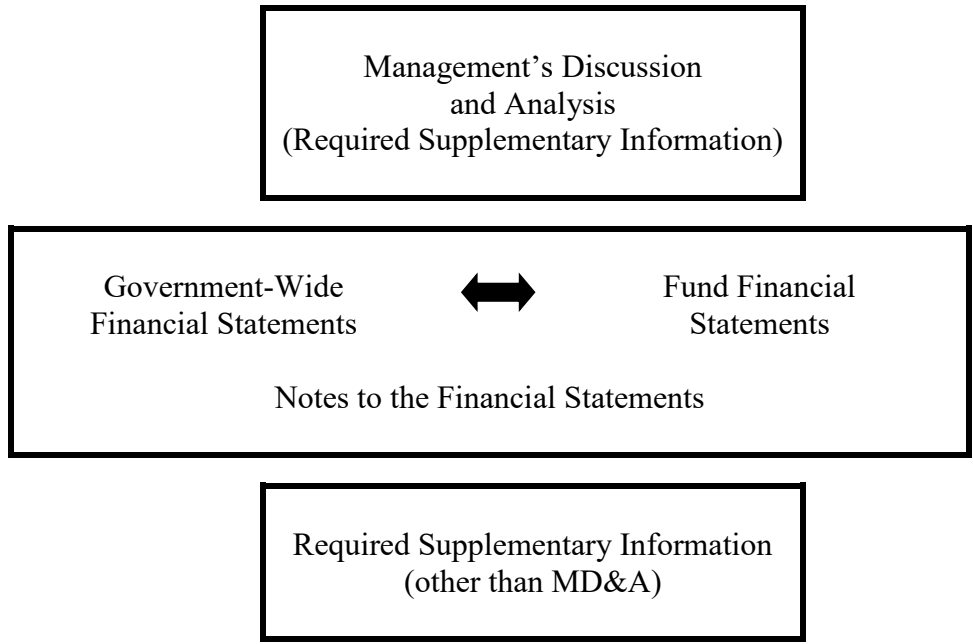
The Management's Discussion and Analysis (MD&A) provides an overview of the County's financial activities for the fiscal year ended December 31, 2021. Since this information is designed to focus on current year activities, resulting changes, and currently known facts, it should be read in conjunction with the County's financial statements.

FINANCIAL HIGHLIGHTS

- Governmental activities' total net position is \$87,948,533, of which \$77,710,318 is the net investment in capital assets and \$4,048,600 is restricted to specific purposes.
- Houston County's net position increased by \$3,761,055 for the year ended December 31, 2021.
- The net cost of governmental activities for the current fiscal year was \$10,862,138. The net cost was funded by general revenues, including taxes and grants.
- Governmental funds' fund balances decreased by \$1,377,241.

OVERVIEW OF THE FINANCIAL STATEMENTS

This MD&A is intended to serve as an introduction to the basic financial statements. Houston 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), certain budgetary comparison schedules, and information on the County's other postemployment benefits (OPEB) and net pension liability are required to accompany the basic financial statements and, therefore, are included as required supplementary information. The following chart demonstrates how the different pieces are interrelated.



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. Government-wide financial statements start on page 14. For governmental activities, these statements tell how these 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 an 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 is shown on Exhibits 1 and 2. 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 them. You can think of the County's net position—the difference between assets and deferred outflows of resources from 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.

The Statement of Activities presents information showing how the County's net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows only in future years. The activities of Houston County are presented as governmental activities because they are principally supported by taxes and intergovernmental revenues. The County's basic services are reported here, including general government, public safety, transportation, sanitation, human services, health, culture and recreation, conservation of natural resources, and economic development.

Fund Financial Statements

Our analysis of the County's major funds begins on page 17. 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. 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 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. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation following each governmental fund financial statement.

Reporting the County's Fiduciary Responsibilities

The County is the trustee, or fiduciary, over assets that can be used only by other governments, nonprofits, or individuals. All of the County's fiduciary activities are reported in a separate Statement of Fiduciary Net Position. We exclude these activities from the County's other financial statements because the County cannot use these assets to finance its operations.

THE COUNTY AS A WHOLE

The County's net position increased \$3,761,055 from \$84,187,478 to \$87,948,533.

Table 1
Net Position
(in Millions)

	<u>2021</u>	<u>2020</u>
Assets		
Current and other assets	\$ 21.1	\$ 20.3
Capital assets	<u>92.5</u>	<u>87.3</u>
Total Assets	<u>\$ 113.6</u>	<u>\$ 107.6</u>
Deferred Outflows of Resources		
Deferred pension/OPEB outflows	\$ 4.7	\$ 1.2
Deferred charge on refunding	<u>0.5</u>	<u>0.6</u>
Total Deferred Outflows of Resources	<u>\$ 5.2</u>	<u>\$ 1.8</u>
Liabilities		
Long-term liabilities	\$ 21.6	\$ 21.8
Other liabilities	<u>3.0</u>	<u>1.6</u>
Total Liabilities	<u>\$ 24.6</u>	<u>\$ 23.4</u>
Deferred Inflows of Resources		
Advance allotment	\$ -	\$ 0.2
Deferred pension/OPEB inflows	<u>6.3</u>	<u>1.6</u>
Total Deferred Inflows of Resources	<u>\$ 6.3</u>	<u>\$ 1.8</u>
Net Position		
Net investment in capital assets	\$ 77.7	\$ 74.1
Restricted	4.0	3.6
Unrestricted	<u>6.2</u>	<u>6.5</u>
Total Net Position	<u><u>\$ 87.9</u></u>	<u><u>\$ 84.2</u></u>

Net position of the County's governmental activities increased by 4.5 percent (\$87,948,533 compared to \$84,187,478).

Table 2
Change in Net Position
(in Millions)

	2021	2020
Revenues		
Program revenues		
Fees, charges, fines, and other	\$ 3.2	\$ 2.7
Operating grants and contributions	10.0	10.9
Capital grants and contributions	1.7	1.9
General revenues		
Property taxes	12.1	12.1
Other taxes and payments in lieu of taxes	0.6	0.6
Grants and contributions	1.6	4.0
Other general revenues	0.3	0.4
Total Revenues	<u>\$ 29.5</u>	<u>\$ 32.6</u>
Expenses		
General government	\$ 4.6	\$ 5.6
Public safety	4.3	4.6
Transportation	7.9	7.0
Human services	5.5	5.5
Health	0.8	0.7
Sanitation	0.9	1.0
Culture and recreation	0.4	0.4
Conservation of natural resources	0.3	0.3
Economic development	0.6	1.5
Interest	0.5	0.4
Total Expenses	<u>\$ 25.8</u>	<u>\$ 27.0</u>
Increase (Decrease) in Net Position	\$ 3.7	\$ 5.6
Net Position – January 1	<u>84.2</u>	<u>78.6</u>
Net Position – December 31	<u>\$ 87.9</u>	<u>\$ 84.2</u>

Governmental Activities

The cost of all governmental activities this year was \$25,810,380. However, as shown in the Statement of Activities, the amount that the taxpayers ultimately financed for these activities through County property taxes was only \$12,106,891, because some of the cost was paid by those who directly benefited from the programs (\$3,201,766) or by other governments and organizations that subsidized certain programs with grants and contributions (\$11,746,476). The

County paid for the remaining “public benefit” portion of governmental activities with \$14,623,193 in general revenues, primarily property taxes and other revenues, such as interest and general entitlements, resulting in an increase to net position of \$3,761,055.

Table 3 presents the cost of each of the County’s four 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.

**Table 3
Governmental Activities
(in Millions)**

	Total Cost of Services		Net Cost (Revenue) of Services	
	2021	2020	2021	2020
Transportation	\$ 7.9	\$ 7.0	\$ 0.8	\$ (0.9)
Human services	5.5	5.5	1.6	1.6
General government	4.6	5.6	3.9	4.7
Public safety	4.3	4.6	3.5	3.8

FINANCIAL ANALYSIS OF THE COUNTY’S FUNDS

As noted earlier, Houston County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the County’s funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County’s financing requirements. In particular, unrestricted fund balance may serve as a useful measure of a county’s net resources available for spending at the end of the year.

At December 31, 2021, Houston County’s governmental funds reported combined ending fund balances of \$16,079,534, a decrease of \$1,377,241 in comparison with 2020. The County is reporting an unassigned fund balance of \$6,346,533 in 2021. The remainder of fund balance is nonspendable, restricted, committed, or assigned to indicate that it is not available for new spending because it has already been committed.

The General Fund is the chief operating fund of Houston County. At December 31, 2021, unassigned fund balance was \$6,602,962, while total fund balance was \$7,823,327. As a measure of the General Fund’s liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 57.0 percent of total General Fund expenditures, while total fund balance represents 67.6 percent of the same amount. While the 2021 General Fund final budget reflected a \$64,397 surplus, the General Fund ended the year with an increase of \$237,377 to fund balance. The General Fund December 31, 2021, fund balance of \$7,823,327 increased from the 2020 balance of \$7,585,950.

The Road and Bridge Special Revenue Fund's fund balance decreased by \$1,803,295 to \$5,481,679, of which all but \$1,080,389 is assigned. In 2021, the highway department building project began construction. The Road and Bridge fund made a transfer to the Capital Projects Fund of \$2,839,000 to pay for the construction. This was offset by an increase in State Aid funds received but not spent and additional funding.

The Health and Human Services Special Revenue Fund's fund balance decreased by \$12,548 to \$1,336,353, all of which is assigned. The decrease in fund balance is the result of a net use of funds from Health and Human Services.

The Debt Service Fund's fund balance of \$1,694,604 is an increase of \$21,172 over the 2020 fund balance of \$1,673,432. Debt Service levies one year in advance at 105 percent of debt service requirements for the upcoming years principal and interest payments resulting in the increase for fund balance.

The Capital Projects Fund's fund balance increased by \$180,053 from a negative fund balance of \$436,482 in 2020 resulting in a negative fund balance of \$256,429. The negative balance is the result of accruing contracts payable in the amount of \$256,901.

General Fund Budgetary Highlights

Houston County revised its General Fund budget during 2021, increasing expected revenues by 16.7 percent and increasing appropriations by 15.9 percent, respectively. For the year ended December 31, 2021, expenditures were less than the final budget by \$1,940,104.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2021, the County had \$92,570,017 invested in a broad range of capital assets, including land, buildings, highways and streets, and equipment. (See Table 4.) This amount represents a net increase (including additions and deductions) of \$5,299,065, or 6.1 percent, over last year. More detailed information about the County's capital assets can be found in Note 3.A of the financial statements

Table 4
Capital Assets at Year-End
(Net of Depreciation, in Millions)

	2021	2020
Land	\$ 3.0	\$ 3.0
Construction in progress	6.2	0.7
Buildings and improvements	16.3	16.5
Machinery, furniture, and equipment	3.9	4.2
Infrastructure	63.2	62.9
Totals	\$ 92.6	\$ 87.3

Long-Term Debt

At the end of the current fiscal year, the County had total general obligation bonds outstanding in the amount of \$14,774,333 as shown in Table 5. More detailed information about the County’s long-term liabilities is presented in Note 3.C to the financial statements.

Table 5
Outstanding Debt at Year-End
(in Millions)

	2021	2020
G.O. bonds	\$ 14.8	\$ 12.7

Other obligations include loans payable, capital leases, compensated absences, pension benefits, and other postemployment benefits.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

The County’s elected and appointed officials considered many factors when setting the fiscal year 2022 budget, tax rates, and fees that will be charged for the government-type activities.

- The unemployment rate in Houston County decreased, moving from 4.02 percent in 2020 to 2.87 percent in 2021 for the annual average. This is lower than the U.S. average of 5.37 percent and lower than the Minnesota rate of 3.41 percent.
- County General Fund expenditures for 2022 are budgeted to increase 0.6 percent from the 2021 level.
- Houston County’s population decreased by 0.8 percent from 2011 (18,933) to 2021 (18,778), compared to an increase of 7.7 percent in Minnesota as a whole. Citizens age 65+ comprise 22.8 percent of the County’s population.

- The proposed property tax levy was increased by three percent for 2022.
- During 2022, Houston County continues construction of the Highway Department complex with completion expected by year's end. The County Board of Commissioners will also be considering the repurposing or demolition of the Historic Jail and the use of the insurance settlement following the 2014 damage to the unoccupied building that occurred when the sprinkler system malfunctioned. The County will continue to analyze the organizational structure following the elimination of the County Administrator position aiming to streamline operations and increase efficiencies. County operations and funding were affected by the declaration of the COVID-19 pandemic and will continue into 2022 with the award of ARPA funding.

CONTACTING HOUSTON 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 Finance Director, Carol Lapham, Houston County Courthouse, 304 South Marshall Street, Caledonia, Minnesota 55921.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

**HOUSTON COUNTY
CALEDONIA, MINNESOTA**

EXHIBIT 1

**STATEMENT OF NET POSITION
GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2021**

Assets

Cash and pooled investments	\$	12,648,884
Petty cash and change funds		17,160
Investments		4,811,994
Taxes receivable		
Delinquent		153,929
Accounts receivable – net		111,973
Accrued interest receivable		23,939
Loans receivable		325,799
Due from other governments		2,318,097
Inventories		574,203
Prepaid items		13,956
Net pension asset		81,877
Capital assets		
Non-depreciable		9,124,191
Depreciable – net of accumulated depreciation		83,445,826
		83,445,826
Total Assets	\$	113,651,828

Deferred Outflows of Resources

Deferred charge on refunding	\$	508,007
Deferred other postemployment benefits outflows		80,099
Deferred pension outflows		4,622,129
		4,622,129
Total Deferred Outflows of Resources	\$	5,210,235

Liabilities

Accounts payable	\$	381,211
Salaries payable		387,228
Contracts payable		274,631
Due to other governments		61,845
Accrued interest payable		164,174
Unearned revenue		1,737,526
Customer deposits		45,812
Long-term liabilities		
Due within one year		1,178,495
Due in more than one year		15,243,835
Net pension liability		4,634,112
Other postemployment benefits liability		518,391
		518,391
Total Liabilities	\$	24,627,260

**HOUSTON COUNTY
CALEDONIA, MINNESOTA**

***EXHIBIT 1
(Continued)***

**STATEMENT OF NET POSITION
GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2021**

Deferred Inflows of Resources

Deferred other postemployment benefits inflows	\$ 76,842
Deferred pension inflows	<u>6,209,428</u>
Total Deferred Inflows of Resources	<u>\$ 6,286,270</u>

Net Position

Net investment in capital assets	\$ 77,710,318
Restricted for	
General government	297,610
Public safety	543,168
Debt service	1,694,604
Highways and streets	1,147,587
Economic development	365,631
Unrestricted	<u>6,189,615</u>
Total Net Position	<u>\$ 87,948,533</u>

**HOUSTON COUNTY
CALEDONIA, MINNESOTA**

EXHIBIT 2

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>Program Revenues</u>			Net (Expense) Revenues and Change in Net Position	
	<u>Expenses</u>	<u>Fees, Charges, Fines, and Other</u>	<u>Operating Grants and Contributions</u>		<u>Capital Grants and Contributions</u>
<u>Functions/Programs</u>					
Primary government					
Governmental activities					
General government	\$ 4,613,925	\$ 434,911	\$ 272,500	\$ -	\$ (3,906,514)
Public safety	4,265,821	379,881	377,904	-	(3,508,036)
Transportation	7,860,807	171,799	5,162,997	1,693,413	(832,598)
Sanitation	959,504	721,981	111,569	-	(125,954)
Human services	5,509,866	664,917	3,206,019	-	(1,638,930)
Health	773,912	739,089	662,949	-	628,126
Culture and recreation	384,697	77,863	2,651	-	(304,183)
Conservation of natural resources	361,467	665	130,459	-	(230,343)
Economic development	592,247	10,660	115,625	10,390	(455,572)
Interest	488,134	-	-	-	(488,134)
Total Governmental Activities	<u>\$ 25,810,380</u>	<u>\$ 3,201,766</u>	<u>\$ 10,042,673</u>	<u>\$ 1,703,803</u>	<u>\$ (10,862,138)</u>
General Revenues					
Property taxes					\$ 12,106,891
Mortgage registry and deed tax					24,681
Wheelage tax					206,280
Payments in lieu of tax					355,206
Grants and contributions not restricted to specific programs					1,553,840
Unrestricted investment earnings					87,385
Miscellaneous					249,197
Gain on sale of capital assets					39,713
Total general revenues					<u>\$ 14,623,193</u>
Change in net position					<u>\$ 3,761,055</u>
Net Position – Beginning					<u>84,187,478</u>
Net Position – Ending					<u>\$ 87,948,533</u>

FUND FINANCIAL STATEMENTS

GOVERNMENTAL FUNDS

**HOUSTON COUNTY
CALEDONIA, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2021**

	General	Road and Bridge
<u>Assets</u>		
Cash and pooled investments	\$ 6,449,871	\$ 3,670,884
Petty cash and change funds	17,060	100
Investments	3,110,976	1,501,018
Taxes receivable		
Delinquent	92,192	24,391
Accounts receivable – net	25,032	8,044
Loans receivable	325,799	-
Accrued interest receivable	21,529	2,325
Due from other funds	2,861	-
Due from other governments	226,362	757,701
Prepaid expense	13,956	-
Inventories	-	574,203
	\$ 10,285,638	\$ 6,538,666
 <u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>		
Liabilities		
Accounts payable	\$ 62,657	\$ 193,829
Salaries payable	196,865	57,525
Contracts payable	-	17,730
Due to other funds	-	-
Due to other governments	2,909	45,618
Unearned revenue	1,737,526	-
Customer deposits	45,812	-
	\$ 2,045,769	\$ 314,702
 Deferred Inflows of Resources		
Unavailable revenue	\$ 416,542	\$ 742,285

EXHIBIT 3

Health and Human Services	Debt Service	Capital Projects	Total
\$ 839,984	\$ 1,687,673	\$ 472	\$ 12,648,884
-	-	-	17,160
200,000	-	-	4,811,994
20,250	17,096	-	153,929
78,897	-	-	111,973
-	-	-	325,799
85	-	-	23,939
-	-	-	2,861
1,334,034	-	-	2,318,097
-	-	-	13,956
-	-	-	574,203
\$ 2,473,250	\$ 1,704,769	\$ 472	\$ 21,002,795
\$ 124,725	\$ -	\$ -	\$ 381,211
132,838	-	-	387,228
-	-	256,901	274,631
2,861	-	-	2,861
13,318	-	-	61,845
-	-	-	1,737,526
-	-	-	45,812
\$ 273,742	\$ -	\$ 256,901	\$ 2,891,114
\$ 863,155	\$ 10,165	\$ -	\$ 2,032,147

**HOUSTON COUNTY
CALEDONIA, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2021**

	General	Road and Bridge
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>		
(Continued)		
Fund Balances		
Nonspendable		
Prepaid items	\$ 13,956	\$ -
Inventories	-	574,203
Restricted for		
Debt service	-	-
Recorder's technology equipment	180,023	-
Recorder's compliance	108,527	-
E-911	331,679	-
Economic development loans	365,631	-
Conceal and carry	204,821	-
Sheriff's DUI forfeiture	6,668	-
Attorney forfeited property	9,060	-
Road and bridge projects	-	506,186
Assigned		
Road and bridge	-	4,401,290
Human services	-	-
Unassigned	6,602,962	-
	\$ 7,823,327	\$ 5,481,679
Total Fund Balances		
	\$ 7,823,327	\$ 5,481,679
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 10,285,638	\$ 6,538,666

**EXHIBIT 3
(Continued)**

<u>Health and Human Services</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ 13,956
-	-	-	574,203
-	1,694,604	-	1,694,604
-	-	-	180,023
-	-	-	108,527
-	-	-	331,679
-	-	-	365,631
-	-	-	204,821
-	-	-	6,668
-	-	-	9,060
-	-	-	506,186
-	-	-	4,401,290
1,336,353	-	-	1,336,353
-	-	(256,429)	6,346,533
\$ 1,336,353	\$ 1,694,604	\$ (256,429)	\$ 16,079,534
\$ 2,473,250	\$ 1,704,769	\$ 472	\$ 21,002,795

**HOUSTON COUNTY
CALEDONIA, MINNESOTA**

EXHIBIT 4

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION—GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021**

Fund balances – total governmental funds (Exhibit 3)	\$	16,079,534
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		92,570,017
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.		2,032,147
Deferred outflows of resources resulting from pension and other postemployment benefits liabilities are not available resources and, therefore, are not reported in the governmental funds.		4,702,228
Deferred outflows of resources resulting from debt refundings are not reported in the governmental funds.		508,007
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Loans payable	\$ (61,337)	
Capital lease payable	(400,278)	
Bonds payable	(14,100,000)	
Bond premium	(674,333)	
Accrued interest payable	(164,174)	
Net pension asset	81,877	
Net pension liability	(4,634,112)	
Other postemployment benefits liability	(518,391)	
Compensated absences	(1,186,382)	(21,657,130)
Deferred inflows of resources resulting from pension and other postemployment benefits liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		(6,286,270)
Net Position of Governmental Activities (Exhibit 1)	\$	<u>87,948,533</u>

**HOUSTON COUNTY
CALEDONIA, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021**

	General	Road and Bridge
Revenues		
Taxes	\$ 7,407,808	\$ 2,025,222
Licenses and permits	109,430	4,770
Intergovernmental	2,433,536	6,894,714
Charges for services	1,512,370	146,896
Fines and forfeits	6,139	-
Gifts and contributions	6,722	-
Investment earnings	77,955	8,327
Miscellaneous	261,495	3,047
	\$ 11,815,455	\$ 9,082,976
Expenditures		
Current		
General government	\$ 4,754,936	\$ -
Public safety	4,468,594	-
Transportation	-	7,926,310
Sanitation	912,028	-
Human services	-	-
Health	22,000	-
Culture and recreation	209,936	-
Conservation of natural resources	363,859	-
Economic development	617,993	-
Intergovernmental		
Transportation	-	277,817
Culture and recreation	165,977	-
Capital outlay	-	-
Debt service		
Principal	57,857	54,720
Interest	4,898	4,453
Bond issuance costs	-	-
Administrative (fiscal) charges	-	-
	\$ 11,578,078	\$ 8,263,300

EXHIBIT 5

Health and Human Services	Debt Service	Capital Projects	Total
\$ 1,624,943	\$ 1,315,205	\$ -	\$ 12,373,178
-	-	-	114,200
4,024,815	78,167	-	13,431,232
645,463	-	-	2,304,729
-	-	-	6,139
-	-	-	6,722
1,103	-	-	87,385
140,420	-	-	404,962
\$ 6,436,744	\$ 1,393,372	\$ -	\$ 28,728,547
\$ -	\$ -	\$ 16,115	\$ 4,771,051
-	-	-	4,468,594
-	-	-	7,926,310
-	-	-	912,028
5,649,825	-	-	5,649,825
795,102	-	-	817,102
-	-	-	209,936
-	-	-	363,859
-	-	-	617,993
-	-	-	277,817
-	-	-	165,977
-	-	5,646,437	5,646,437
4,124	940,000	-	1,056,701
241	418,475	-	428,067
-	-	68,438	68,438
-	13,725	-	13,725
\$ 6,449,292	\$ 1,372,200	\$ 5,730,990	\$ 33,393,860

**HOUSTON COUNTY
CALEDONIA, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021**

	General	Road and Bridge
Excess of Revenues Over (Under) Expenditures	\$ 237,377	\$ 819,676
Other Financing Sources (Uses)		
Proceeds from capital lease	\$ -	\$ 112,160
Bond issuance	-	-
Premium on bond issuance	-	-
Transfer in	-	-
Transfer out	-	(2,839,000)
Proceeds from sale of capital assets	-	41,554
Total Other Financing Sources (Uses)	\$ -	\$ (2,685,286)
Net Change in Fund Balance	\$ 237,377	\$ (1,865,610)
Fund Balance – January 1	7,585,950	7,284,974
Increase (decrease) in inventories	-	62,315
Fund Balance – December 31	\$ 7,823,327	\$ 5,481,679

**EXHIBIT 5
(Continued)**

<u>Health and Human Services</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>
\$ (12,548)	\$ 21,172	\$ (5,730,990)	\$ (4,665,313)
\$ -	\$ -	\$ -	\$ 112,160
-	-	2,945,000	2,945,000
-	-	127,043	127,043
-	-	2,839,000	2,839,000
-	-	-	(2,839,000)
-	-	-	41,554
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,911,043</u>	<u>\$ 3,225,757</u>
\$ (12,548)	\$ 21,172	\$ 180,053	\$ (1,439,556)
1,348,901	1,673,432	(436,482)	17,456,775
<u>-</u>	<u>-</u>	<u>-</u>	<u>62,315</u>
<u>\$ 1,336,353</u>	<u>\$ 1,694,604</u>	<u>\$ (256,429)</u>	<u>\$ 16,079,534</u>

**HOUSTON COUNTY
CALEDONIA, MINNESOTA**

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, 2021**

Net change in fund balances – total governmental funds (Exhibit 5) \$ (1,439,556)

Amounts reported for governmental activities in the statement of activities are different because:

In the funds, under the modified accrual basis, receivables not available for expenditure are deferred. In the statement of activities, those revenues are recognized when earned. The adjustment to revenue between the fund statements and the statement of activities is the increase or decrease in revenue deferred as unavailable.

Deferred inflows of resources – December 31	\$ 2,032,147	
Deferred inflows of resources – January 1	(1,220,376)	811,771

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

Expenditures for general capital assets and infrastructure	\$ 8,608,538	
Net book value of assets disposed	(58,792)	
Current year depreciation	(3,250,681)	5,299,065

Issuing long-term debt provides current financial resources to governmental funds, while the repayment of debt consumes current financial resources. Neither transaction, however, has any effect on net position. Also, governmental funds report the net effect of issuance costs, premiums, discounts, and similar items when debt is first issued; whereas, those amounts are deferred and amortized over the life of the debt in the statement of net position.

Proceeds of new debt		
General obligation bonds issued	\$ (2,945,000)	
Premium on bonds issued	(127,043)	
Capital lease issued	(112,160)	
Principal repayments		
General obligation bonds	940,000	
Loans	11,388	
Capital lease	105,313	
Current year amortization of discounts and premiums	90,123	(2,037,379)

**HOUSTON COUNTY
CALEDONIA, MINNESOTA**

**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, 2021**

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Change in compensated absences	\$ 31,757	
Change in accrued interest payable	(11,582)	
Change in net pension asset	81,877	
Change in net pension liability	2,230,491	
Change in other postemployment benefits liability	(15,168)	
Change in deferred outflows of resources	3,400,430	
Change in deferred inflows of resources	(4,652,966)	
Change in inventories	62,315	1,127,154
Change in Net Position of Governmental Activities (Exhibit 2)		<u>\$ 3,761,055</u>

FIDUCIARY FUNDS

**HOUSTON COUNTY
CALEDONIA, MINNESOTA**

EXHIBIT 7

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2021**

	<u>Custodial Funds</u>
<u>Assets</u>	
Cash and pooled investments	\$ 1,696,804
Investments	207,004
Taxes receivable for other governments	<u>265,905</u>
Total Assets	<u>\$ 2,169,713</u>
<u>Liabilities</u>	
Due to other governments	<u>\$ 503,391</u>
<u>Deferred Inflows of Resources</u>	
Prepaid taxes	<u>\$ 94,922</u>
<u>Net Position</u>	
Restricted for individuals, organizations, and other governments	<u>\$ 1,571,400</u>

**HOUSTON COUNTY
CALEDONIA, MINNESOTA**

EXHIBIT 8

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Custodial Funds
<u>Additions</u>	
Appropriations from counties	\$ 154,914
Contributions from individuals	1,210,558
Interest earnings	844
Property tax collections for other governments	17,159,794
Fees collected for state	4,742,927
Refunds collected for tax abatements	154,317
Payments from state	1,425,449
Payments from other entities	3,745
Miscellaneous	20,949
	\$ 24,873,497
<u>Deductions</u>	
Payments of property tax to other governments	\$ 17,357,777
Payments to state	4,735,889
Administrative expense	474,445
Payments to other individuals/entities	1,104,171
Payments to other governments	1,125,294
	\$ 24,797,576
Change in net position	\$ 75,921
Net Position – January 1	1,495,479
Net Position – December 31	\$ 1,571,400

**HOUSTON COUNTY
CALEDONIA, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2021

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, 2021. 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.

A. Financial Reporting Entity

Houston County was established February 23, 1854, and is an organized county having the powers, duties, and privileges granted counties by Minn. Stat. ch. 373. As required by accounting principles generally accepted in the United States of America, these financial statements present Houston County (primary government) and its component unit for which the County is financially accountable. 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.

Blended Component Unit

Blended component units are legally separate organizations so intertwined with the County that they are, in substance, the same as the County and, therefore, are reported as if they were part of the County. Houston County has one blended component unit, which is reported as part of the General Fund.

<u>Component Unit</u>	<u>Component Unit Included in Reporting Entity Because</u>	<u>Separate Financial Statements</u>
Houston County Economic Development Authority (EDA) provides for development within the County.	County Commissioners are the members of the EDA Board, and the County has operational responsibility.	Separate financial statements are not prepared.

**HOUSTON COUNTY
CALEDONIA, MINNESOTA**

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity (Continued)

Joint Ventures and Jointly-Governed Organizations

The County participates in joint ventures described in Note 4.D. The County also participates in jointly-governed organizations described in Note 4.C.

B. Basic Financial Statements

1. Government-Wide Statements

The government-wide financial statements (the statement of net position and the statement of activities) display information about the primary government and its component unit. 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 are normally supported by taxes and intergovernmental revenues.

The government-wide statement of net position is presented on a consolidated basis by column and is 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 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.

**HOUSTON COUNTY
CALEDONIA, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements (Continued)

2. Fund Financial Statements

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

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 accounts for restricted revenues from the federal and state governments, as well as committed property tax revenues used for the construction and maintenance of roads, bridges, and other projects affecting County roadways.

The Health and Human Services Special Revenue Fund accounts for restricted revenue sources from federal, state, and other oversight agencies, as well as committed property tax revenues used for economic assistance and community social services programs.

The Debt Service Fund is used to account for all financial resources restricted for payment of principal, interest, and related costs of long-term bonded debt.

The Capital Projects Fund is used to account for financial resources committed for the land acquisition and Highway Department complex construction.

Additionally, the County reports the following fund type:

Custodial funds are custodial in nature and do not present results of operations or have a measurement focus. These funds account for assets that the County holds for others in an agent capacity.

**HOUSTON COUNTY
CALEDONIA, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Houston County considers all revenues as available if collected within 60 days after the end of the current period. 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. Proceeds of long-term debt and acquisitions under capital 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.

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

1. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2021, based on market prices. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments are credited to the General Fund. Other funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants. Pooled investment earnings for 2021 were \$77,955.

**HOUSTON COUNTY
CALEDONIA, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity
(Continued)

2. Receivables and Payables

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

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

All receivables are shown net of an allowance for uncollectibles.

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.

3. Inventories and Prepaid Items

All inventories are valued at cost using the weighted average method. Inventories in governmental funds are recorded as expenditures when purchased rather than when consumed. Inventories at the government-wide level are recorded as expenses when consumed.

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

**HOUSTON COUNTY
CALEDONIA, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity
(Continued)

4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (for example, roads, bridges, and similar items), are reported in the government-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost of more than \$10,000 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.

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

Property, plant, and equipment of the County are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	50
Building improvements	50
Public domain infrastructure	50 - 75
Furniture, equipment, and vehicles	3 - 20

5. Compensated Absences

The liability for compensated absences reported in the financial statements consists of unpaid, accumulated annual vacation, compensatory, and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. Compensated absences are accrued when incurred in the government-wide financial statements. 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 current portion is calculated using a trend analysis based on prior year payouts.

**HOUSTON COUNTY
CALEDONIA, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity
(Continued)

6. Unearned Revenue

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

7. Pension Plan

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

8. Long-Term Obligations

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

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

**HOUSTON COUNTY
CALEDONIA, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity
(Continued)

9. 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 a consumption of net assets that applies to a future period(s) and will not be recognized as an outflow of resources (expenditure/expense) until then. The County has three items—deferred charge on refunding, deferred pension, and deferred other postemployment benefits (OPEB) outflows—that qualify for reporting in this category. Deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt and only arises under the full accrual basis of accounting. The County reports deferred outflows of resources only under the full accrual basis of accounting associated with pension plans and OPEB and, accordingly, 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 so will not be recognized as an inflow of resources (revenue) or reduction of expense until that time. The County reports three types of deferred inflows—unavailable revenue, deferred pension, and deferred OPEB inflows—that qualify for reporting in this category. Unavailable revenue arises only under the modified accrual basis of accounting and, accordingly, is reported only in the governmental funds balance sheet. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available. The County also reports deferred inflows of resources associated with pension and OPEB benefits. These inflows arise only under the full accrual basis of accounting and, accordingly, are reported only in the statement of net position.

**HOUSTON COUNTY
CALEDONIA, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity
(Continued)

10. Classification of Net Position

Net position in the government-wide financial statements is classified in the following categories:

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

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

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

11. Classification of Fund Balances

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 is imposed by law through constitutional provisions or enabling legislation.

**HOUSTON COUNTY
CALEDONIA, MINNESOTA**

1. Summary of Significant Accounting Policies

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

11. Classification of Fund Balances (Continued)

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

Assigned – amounts the County intends to use for specific purposes but 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 Finance Director, who has been delegated that authority by Board resolution.

Unassigned – spendable amounts not contained in the other fund balance classifications for the General Fund. 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.

12. Minimum Fund Balance

Houston County has adopted a minimum fund balance policy to address cash flow or working capital needs for the General Fund and other special revenue funds, which are heavily reliant on property tax revenues to fund current operations. However, property tax revenues are not available for distribution until June. Therefore, the County Board has determined the need to maintain a minimum

**HOUSTON COUNTY
CALEDONIA, MINNESOTA**

1. Summary of Significant Accounting Policies

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

12. Minimum Fund Balance (Continued)

unassigned fund balance in the General Fund and an unrestricted (committed and assigned) fund balance in the remaining special revenue funds until the tax revenues are distributed. The County Board has determined this amount to be not less than 40 percent and not more than 65 percent of the sum of the most recent budget year's property tax levy.

13. 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 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.

2. Stewardship, Compliance, and Accountability

Deficit Fund Equity

The Capital Projects Fund had a deficit unassigned fund balance of \$256,429 as of December 31, 2021. This deficit was caused by a contracts payable related to the Road and Bridge building project. The County intends to transfer funds from the Road and Bridge Special Revenue Fund for this project.

**HOUSTON COUNTY
CALEDONIA, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

Reconciliation of the County's total cash and investments to the basic financial statements follows:

Government-wide statement of net position	
Governmental activities	
Cash and pooled investments	\$ 12,648,884
Petty cash and change funds	17,160
Investments	4,811,994
Statement of fiduciary net position	
Cash and pooled investments	1,696,804
Investments	<u>207,004</u>
Total Cash and Investments	<u>\$ 19,381,846</u>
Deposits	<u>\$ 16,357,725</u>
Petty cash and change funds	<u>\$ 17,160</u>
Investments	
Negotiable securities	\$ 2,607,344
Municipal bonds	<u>399,617</u>
Total investments	<u>\$ 3,006,961</u>
Total Deposits, Petty Cash and Change Funds, and Investments	<u>\$ 19,381,846</u>

**HOUSTON COUNTY
CALEDONIA, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

a. Deposits

The County is authorized by Minn. Stat. §§ 118A.02 and 118A.04 to designate a depository for public funds and to invest in certificates of deposit. The County is required by Minn. Stat. § 118A.03 to protect all County 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 plus accrued interest at the close of the financial institution's banking day, not covered by insurance or bonds.

Authorized collateral includes treasury bills, notes and bonds; issues of U.S. government agencies; general obligations rated "A" or better and revenue obligations rated "AA" or better; irrevocable standby letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution 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 of obtaining collateral or bond for all uninsured amounts on deposit and obtaining necessary documentation to show compliance with state law and perfected security interest under federal law. As of December 31, 2021, the County's deposits were not exposed to custodial credit risk.

**HOUSTON COUNTY
CALEDONIA, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

b. 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) 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.

**HOUSTON COUNTY
CALEDONIA, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

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 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 prior to maturity; and (2) investing operating funds, when most prudent, 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.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less Than 1 Year</u>	<u>1 - 3 Years</u>	<u>3 - 13 Years</u>
Municipal bonds	\$ 399,617	\$ 150,230	\$ -	\$ 249,387
Negotiable certificates of deposit	2,607,344	805,166	827,288	974,890
Total Investments	<u>\$ 3,006,961</u>	<u>\$ 955,396</u>	<u>\$ 827,288</u>	<u>\$ 1,224,277</u>

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, as set by the Houston County Investment Policy, to invest only in securities that meet the ratings requirements of state statute.

The County is required to disclose the credit quality ratings of investments in debt securities, external investment pools, money market funds, bond mutual funds, and other pooled investments of fixed income securities. Houston County invests in the following investment pools/mutual funds:

**HOUSTON COUNTY
CALEDONIA, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments

Credit Risk (Continued)

	<u>Credit Rating</u>	<u>Rating Agency</u>	<u>Fair Value</u>
Municipal bonds	AAA/AA	Standard & Poor's	\$ 399,617

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 that are in the possession of an outside party. The County's policy is to minimize custodial credit risk by limiting investments with any one broker to no more than ten percent of its Securities Investor Protection Corporation coverage plus any excess coverage, if provided. At December 31, 2021, none of Houston County's investments were subject to custodial credit risk.

Concentration of Credit Risk

It is the County's policy to minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the County's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

As of December 31, 2021, the County did have investments that represented five percent or more of the County's total investments in the following issuers:

Goldman Sachs Bank USA, New York, NY	\$ 152,073
Toyota Financial Savings Bank, Henderson, NV	237,872
Capital One Bank USA National Association, Glen Allen, VA	156,824
American Express National Bank, Sandy, UT	250,130
Merrick Bank, South Jordan, UT	155,391
Morgan Stanley Private Bank National Association, Purchase, NY	205,312
Sallie Mae Bank, Salt Lake City, UT	197,968

**HOUSTON COUNTY
CALEDONIA, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Fair Value Measurement

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, 2021, the County had the following recurring fair value measurements.

	December 31, 2021	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				
Municipal bonds	\$ 399,617	\$ -	\$ 399,617	\$ -
Negotiable certificates of deposit	2,607,344	-	2,607,344	-
 Total Investments Included in the Fair Value Hierarchy	 \$ 3,006,961	 \$ -	 \$ 3,006,961	 \$ -

**HOUSTON COUNTY
CALEDONIA, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments

Fair Value Measurement (Continued)

Debt securities classified in Level 2 are valued using the following approaches:

- 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.

2. Receivables

Receivables as of December 31, 2021, for the County's governmental activities, including the applicable allowances for uncollectible accounts, are as follows:

	<u>Receivables (Gross)</u>	<u>Less: Allowance for Uncollectibles</u>	<u>Receivables (Net)</u>	<u>Amounts Not Scheduled for Collection During the Subsequent Year</u>
Governmental Activities				
Taxes	\$ 153,929	\$ -	\$ 153,929	\$ -
Accounts	214,323	(102,350)	111,973	-
Accrued interest	23,939	-	23,939	-
Loans	325,799	-	325,799	258,194
Due from other governments	<u>2,318,097</u>	<u>-</u>	<u>2,318,097</u>	<u>611,568</u>
Total Governmental Activities	<u>\$ 3,036,087</u>	<u>\$ (102,350)</u>	<u>\$ 2,933,737</u>	<u>\$ 869,762</u>

The loans receivable are economic development loans accounted for in the General Fund.

**HOUSTON COUNTY
CALEDONIA, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets (Continued)

3. Capital Assets

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

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 941,752	\$ -	\$ -	\$ 941,752
Land – infrastructure right-of-way	1,779,146	-	-	1,779,146
Land improvements	251,088	-	-	251,088
Construction in progress	707,063	5,459,361	14,219	6,152,205
Total capital assets not depreciated	\$ 3,679,049	\$ 5,459,361	\$ 14,219	\$ 9,124,191
Capital assets depreciated				
Buildings	\$ 19,087,790	\$ -	\$ -	\$ 19,087,790
Building improvements	1,816,636	90,734	10,017	1,897,353
Other improvements	785,757	95,726	-	881,483
Machinery, furniture, and equipment	8,883,970	493,220	455,333	8,921,857
Infrastructure	117,029,025	2,483,716	134,433	119,378,308
Total capital assets depreciated	\$ 147,603,178	\$ 3,163,396	\$ 599,783	\$ 150,166,791
Less: accumulated depreciation for				
Buildings	\$ 4,072,126	\$ 379,755	\$ -	\$ 4,451,881
Building improvements	925,129	36,714	4,758	957,085
Other improvements	192,836	15,761	-	208,597
Machinery, furniture, and equipment	4,736,005	639,899	404,002	4,971,902
Infrastructure	54,085,179	2,178,552	132,231	56,131,500
Total accumulated depreciation	\$ 64,011,275	\$ 3,250,681	\$ 540,991	\$ 66,720,965
Total capital assets depreciated, net	\$ 83,591,903	\$ (87,285)	\$ 58,792	\$ 83,445,826
Governmental Activities Capital Assets, Net	\$ 87,270,952	\$ 5,372,076	\$ 73,011	\$ 92,570,017

**HOUSTON COUNTY
CALEDONIA, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

Depreciation expense was charged to functions/programs as follows:

Governmental Activities	\$	120,800
General government		434,744
Public safety		2,596,979
Highways and streets, including depreciation of infrastructure assets		10,440
Human services		31,179
Sanitation		8,784
Culture and recreation		47,755
Economic development		<u>47,755</u>
Total Depreciation Expense – Governmental Activities	<u>\$</u>	<u>3,250,681</u>

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2021, is as follows:

1. Due To/From Other Funds

Receivable Fund	Payable Fund	Amount
General	Health and Human Services	\$ 2,861

These balances reflect the interfund goods and services provided and not paid at year-end but expected to be paid in the subsequent year.

2. Interfund Transfers

Interfund transfers for the year ended December 31, 2021, consisted of the following:

Fund From	Fund To	Amount	
Road and Bridge	Capital Projects	\$ 2,839,000	Transfer for Highway Building

**HOUSTON COUNTY
CALEDONIA, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

C. Liabilities

1. Construction Commitments

Houston County has active construction projects as of December 31, 2021. The projects include the following:

	Spent-to-Date	Remaining Commitment
Governmental Activities		
Highway building project	\$ 5,815,847	\$ 497,976
Roads and bridges	336,875	276,528

2. Capital Lease

The County has entered into a lease agreement as lessee for financing the acquisition of certain equipment. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date. The capital lease consists of the following at December 31, 2021:

Capital Lease	Final Maturity	Installment Amount	Payment Amount	Original Issue Amount	Outstanding Balance December 31, 2021
2019 Dodge Durango	2024	Yearly	\$ 6,247	\$ 31,236	\$ 15,618
2019 Dodge Durango	2024	Yearly	6,818	34,091	17,046
2019 Jeep Compass	2024	Yearly	4,299	21,494	10,747
2019 Jeep Compass	2024	Yearly	4,299	21,494	10,747
2019 Jeep Compass	2024	Yearly	4,315	21,575	11,147
2020 Dodge Ram	2025	Yearly	9,294	46,470	27,882
2020 Dodge Ram	2025	Yearly	9,635	48,177	28,906
2020 Dodge Ram	2025	Yearly	9,294	46,470	27,882
2020 Dodge Durango	2025	Yearly	5,924	29,620	18,759
2020 Dodge Durango	2025	Yearly	5,924	29,620	18,759
2020 Dodge Durango	2025	Yearly	5,924	29,620	18,759
2020 Chevrolet Silverado	2025	Yearly	7,008	35,044	23,363
2020 Jeep Compass	2025	Yearly	4,365	21,827	14,188
2020 Chevrolet Silverado	2025	Yearly	6,027	30,133	21,093
2020 Dodge Durango	2025	Yearly	6,285	31,423	22,520
2020 Chevrolet Silverado	2025	Yearly	6,090	30,452	22,331
2021 Chevrolet Silverado	2026	Yearly	5,917	44,379	38,462
2021 Chevrolet Silverado	2026	Yearly	2,953	35,436	32,483
2021 Chevrolet Silverado	2026	Yearly	2,953	35,436	32,483
Total of Leases			\$ 113,571	\$ 623,997	\$ 413,175

**HOUSTON COUNTY
CALEDONIA, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

2. Capital Lease (Continued)

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2021, were as follows:

Year Ending December 31	Governmental Activities
2022	\$ 124,800
2023	124,800
2024	112,177
2025	40,173
2026	11,225
Total	\$ 413,175
Less: amount representing interest	(12,897)
Present Value of Minimum Lease Payments	\$ 400,278

The leases are paid from the General Fund, Road and Bridge Special Revenue Fund, and Health and Human Services Special Revenue Fund.

3. Long-Term Debt

Loans Payable

In December 2016, Houston County received a grant of \$192,000 from the Minnesota Department of Employment and Economic Development. The County used the grant to make an installment loan to fund an economic development project in the County. The County is entitled to 40 percent of the principal repaid, plus interest at two percent. The remaining \$115,200, plus interest, is to be repaid to the state. Payments on the state loan began in January 2017 with monthly payments of \$1,060 and will be made until December 2026. Total payments due from 2022 to 2026, including interest of \$3,232 at December 31, 2021, are \$64,569. The loan payments will be made from the General Fund.

**HOUSTON COUNTY
CALEDONIA, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

3. Long-Term Debt (Continued)

Bonds

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2021
2017A G.O. Jail Bonds	2031	\$65,000 - \$1,315,000	2.00 - 3.00	\$ 9,380,000	\$ 9,165,000
2020A G.O. Jail Refunding Bonds	2022	\$160,000 - \$880,000	5.00	2,870,000	1,990,000
2021A G.O. State Aid Bonds	2037	\$175,000 - \$215,000	2.00 - 3.00	2,945,000	2,945,000
Total General Obligation Bonds				<u>\$ 15,195,000</u>	<u>\$ 14,100,000</u>

Debt payments for the above debt are being made from the Debt Service Fund.

4. Debt Service Requirements

Debt service requirements at December 31, 2021, were as follows:

Year Ending December 31	General Obligation Bonds		Loans Payable	
	Principal	Interest	Principal	Interest
2022	\$ 930,000	\$ 394,103	\$ 11,618	\$ 1,102
2023	1,155,000	354,352	11,853	867
2024	1,190,000	312,103	12,092	628
2025	1,235,000	270,202	12,336	384
2026	1,290,000	232,552	13,438	251
2027 - 2031	7,040,000	581,288	-	-
2032 - 2036	1,045,000	45,785	-	-
2037	215,000	1,451	-	-
Total	<u>\$ 14,100,000</u>	<u>\$ 2,191,836</u>	<u>\$ 61,337</u>	<u>\$ 3,232</u>

**HOUSTON COUNTY
CALEDONIA, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

5. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2021, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
2017A G.O. Jail Bonds	\$ 9,225,000	\$ -	\$ 60,000	\$ 9,165,000	\$ 205,000
2020A G.O. Jail Refunding Bonds	2,870,000	-	880,000	1,990,000	725,000
2021A G.O. State Aid Bonds	-	2,945,000	-	2,945,000	-
Premium on bonds	637,413	127,043	90,123	674,333	-
Total bonds payable	\$ 12,732,413	\$ 3,072,043	\$ 1,030,123	\$ 14,774,333	\$ 930,000
Loans payable	72,725	-	11,388	61,337	11,618
Capital lease payable	393,431	112,160	105,313	400,278	118,238
Compensated absences	1,218,139	965,066	996,823	1,186,382	118,639
Long-Term Liabilities	\$ 14,416,708	\$ 4,149,269	\$ 2,143,647	\$ 16,422,330	\$ 1,178,495

Compensated absences liabilities are generally liquidated by the General Fund and the Road and Bridge and Health and Human Services Special Revenue Funds.

D. Deferred Outflows/Inflows of Resources

1. Deferred Outflows of Resources

There were no deferred outflows of resources reported in the governmental funds for the year ended December 31, 2021.

2. Deferred Inflows of Resources

As of December 31, 2021, there were various components of unavailable revenue for the governmental funds as follows:

**HOUSTON COUNTY
CALEDONIA, MINNESOTA**

3. Detailed Notes on All Funds

D. Deferred Outflows/Inflows of Resources

2. Deferred Inflows of Resources (Continued)

	Unavailable Revenue
Delinquent property taxes	\$ 90,862
Intergovernmental	903,225
Loans receivable	314,533
Other	723,527
Total Governmental Funds	\$ 2,032,147

E. Pension Plans

1. Defined Benefit Pension Plans

a. Plan Description

All full-time and certain part-time employees of Houston 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, and the Basic Plan and Minneapolis Employees Retirement Fund members are not. The Basic Plan was closed to new members in 1967. The Minneapolis Employees Retirement Fund was closed to new members during 1978 and merged into the General Employees Plan in 2015. All new members must participate in the Coordinated

**HOUSTON COUNTY
CALEDONIA, MINNESOTA**

3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans

a. Plan Description (Continued)

Plan, for which benefits vest after five years of credited service. No Houston 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, but before July 1, 2014, 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 for members first hired after June 30, 2014, vest on a prorated basis from 50 percent after ten years and increasing five percent for each year of service until fully vested after 20 years.

Local government employees of a county-administered facility who are responsible for the direct security, custody, and control of the county 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.

b. 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 maximum of 1.50 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective

**HOUSTON COUNTY
CALEDONIA, MINNESOTA**

3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans

b. Benefits Provided (Continued)

date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under the Rule of 90 are exempt from the delay to normal retirement.

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 maximum of 2.50 percent. If the Correctional Plan's funding status declines to 85 percent or below for two consecutive years, or 80 percent for one year, the maximum will be lowered from 2.50 percent to 1.50 percent. 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.

**HOUSTON COUNTY
CALEDONIA, MINNESOTA**

3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans

b. Benefits Provided (Continued)

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 are available for vested members and are based on years of service and average high-five salary.

c. 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 2020.

**HOUSTON COUNTY
CALEDONIA, MINNESOTA**

3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans

c. Contributions (Continued)

In 2021, the County and members were required to contribute the following percentages of annual covered salary:

	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

The County’s contributions for the year ended December 31, 2021, to the pension plans were:

General Employees Plan	\$ 522,185
Police and Fire Plan	193,622
Correctional Plan	97,013

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

d. Pension Costs

General Employees Plan

At December 31, 2021, the County reported a liability of \$3,958,705 for its proportionate share of the General Employees Plan’s net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County’s proportion of the net pension liability was based on the County’s contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2020, through June 30, 2021, relative to the total employer contributions received from all of

**HOUSTON COUNTY
CALEDONIA, MINNESOTA**

3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs

General Employees Plan (Continued)

PERA's participating employers. At June 30, 2021, the County's proportion was 0.0956 percent. It was 0.0910 percent measured as of June 30, 2020. The County recognized pension expense of (\$13,083) for its proportionate share of the General Employees Plan's pension expense.

The County also recognized \$9,761 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's expense related to its contribution to the General Employees Plan, which qualifies as a special funding situation. Legislation requires the State of Minnesota to contribute \$16 million to the General Employees Plan annually until September 15, 2031.

The County's proportionate share of the net pension liability	\$ 3,958,705
State of Minnesota's proportionate share of the net pension liability associated with the County	<u>120,978</u>
Total	<u>\$ 4,079,683</u>

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

**HOUSTON COUNTY
CALEDONIA, MINNESOTA**

3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs

General Employees Plan (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 23,796	\$ 120,891
Changes in actuarial assumptions	2,417,103	85,873
Difference between projected and actual investment earnings	-	3,431,748
Changes in proportion	109,700	-
Contributions paid to PERA subsequent to the measurement date	260,641	-
	\$ 2,811,240	\$ 3,638,512
Total		

The \$260,641 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, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2022	\$ (113,205)
2023	(31,784)
2024	(7,818)
2025	(935,106)

**HOUSTON COUNTY
CALEDONIA, MINNESOTA**

3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs (Continued)

Police and Fire Plan

At December 31, 2021, the County reported a liability of \$675,407 for its proportionate share of the Police and Fire Plan's net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2020, through June 30, 2021, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2021, the County's proportion was 0.0915 percent. It was 0.9069 percent measured as of June 30, 2020. The County recognized pension expense of (\$78,910) for its proportionate share of the Police and Fire Plan's pension expense.

The State of Minnesota also contributed \$18 million to the Police and Fire Plan in the plan fiscal year ended June 30, 2021. The contribution consisted of \$9 million in direct state aid that meets the definition of a special funding situation and \$9 million in supplemental state aid that does not meet the definition of a special funding situation.

Legislation requires the State of Minnesota to pay direct state aid of \$9 million on October 1, 2020, and to pay \$9 million by October 1 of each subsequent year until full funding is reached, or July 1, 2048, whichever is earlier. The County recognized an additional \$5,534 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's pension expense related to the special funding situation.

**HOUSTON COUNTY
CALEDONIA, MINNESOTA**

3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs

Police and Fire Plan (Continued)

The County's proportionate share of the net pension liability	\$	675,407
State of Minnesota's proportionate share of the net pension liability associated with the County		30,386
Total	\$	705,793

Legislation also requires the State of Minnesota to contribute \$9 million to the Police and Fire Plan each year, starting in fiscal year 2014, until the plan is 90 percent funded, or until the State Patrol Plan is 90 percent funded, whichever occurs later. The County also recognized \$7,875 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's on-behalf contribution to the Police and Fire Plan.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 133,610	\$ -
Changes in actuarial assumptions	992,672	411,337
Difference between projected and actual investment earnings	-	1,277,362
Changes in proportion	16,521	169,164
Contributions paid to PERA subsequent to the measurement date	102,284	-
Total	\$ 1,245,087	\$ 1,857,863

**HOUSTON COUNTY
CALEDONIA, MINNESOTA**

3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs

Police and Fire Plan (Continued)

The \$102,284 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, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2022	\$ (556,841)
2023	(100,347)
2024	(97,305)
2025	(157,232)
2026	196,665

Correctional Plan

At December 31, 2021, the County reported an asset of \$81,877 for its proportionate share of the Correctional Plan's net pension asset. The net pension asset was measured as of June 30, 2021, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date. The County's proportion of the net pension asset was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2020, through June 30, 2021, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2021, the County's proportion was 0.4984 percent. It was 0.4846 percent measured as of June 30, 2020. The County recognized pension expense of (\$212,725) for its proportionate share of the Correctional Plan's pension expense.

**HOUSTON COUNTY
CALEDONIA, MINNESOTA**

3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs

Correctional Plan (Continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 45,678
Changes in actuarial assumptions	512,530	7,323
Difference between projected and actual investment earnings	-	659,004
Changes in proportion	4,580	1,048
Contributions paid to PERA subsequent to the measurement date	48,692	-
Total	\$ 565,802	\$ 713,053

The \$48,692 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, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

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3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs

Correctional Plan (Continued)

Year Ended December 31	Pension Expense Amount
2022	\$ (25,852)
2023	(3,472)
2024	12,060
2025	(178,679)

Total Pension Expense

The total pension expense for all plans recognized by the County for the year ended December 31, 2021, was (\$304,718).

e. Actuarial Assumptions

The total pension liability in the June 30, 2021, actuarial valuation was determined using the individual entry-age normal actuarial cost method and the following additional actuarial assumptions:

	General Employees Fund	Police and Fire Fund	Correctional Fund
Inflation	2.25% per year	2.25% per year	2.25% per year
Active Member Payroll Growth	3.00% per year	3.00% per year	3.00% per year
Investment Rate of Return	6.50%	6.50%	6.50%

**HOUSTON COUNTY
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3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans

e. Actuarial Assumptions (Continued)

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, 2021, valuation 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 24, 2021, was utilized.

The long-term expected rate of return on pension plan investments is 6.50 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. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

**HOUSTON COUNTY
CALEDONIA, MINNESOTA**

3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans

e. Actuarial Assumptions (Continued)

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

f. Discount Rate

The discount rate used to measure the total pension liability was 6.50 percent in 2021, which is a decrease of one percent from 2020. 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 positions 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.

g. Changes in Actuarial Assumptions and Plan Provisions

The following changes in actuarial assumptions occurred in 2021:

General Employees Plan

- 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.

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CALEDONIA, MINNESOTA**

3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans

g. Changes in Actuarial Assumptions and Plan Provisions (Continued)

Police and Fire Plan

- 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 MN-2020.
- The base mortality table for disabled annuitants was changed from the RP-2014 Healthy Annuitant Mortality table (with future mortality improvement according to Scale MP-2019) to the Pub-2010 Public Safety Disabled Annuitant Mortality table (with future mortality improvement according to Scale MP-2020).
- Assumed rates of salary increase were modified as recommended in the July 14, 2020, experience study. The overall impact is a decrease in gross salary increase rates.
- Assumed rates of retirement were changed as recommended in the July 14, 2020, experience study. The changes result in slightly more unreduced retirements and fewer assumed early retirements.
- Assumed rates of withdrawal were changed from select and ultimate rates to service-based rates. The changes result in more assumed terminations.

**HOUSTON COUNTY
CALEDONIA, MINNESOTA**

3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans

g. Changes in Actuarial Assumptions and Plan Provisions

Police and Fire Plan (Continued)

- 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.

Correctional Plan

- 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 MN-2020.
- The base mortality table for disabled annuitants was changed from the RP-2014 Healthy Annuitant Mortality table (with future mortality improvement according to Scale MP-2019) to the Pub-2010 Public Safety Disabled Annuitant Mortality table (with future mortality improvement according to Scale MP-2020).
- Assumed rates of salary increase were modified as recommended in the July 10, 2020, experience study. The overall impact is a decrease in gross salary increase rates.

**HOUSTON COUNTY
CALEDONIA, MINNESOTA**

3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans

g. Changes in Actuarial Assumptions and Plan Provisions

Correctional Plan (Continued)

- 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.

h. 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:

	Proportionate Share of the					
	General Employees Plan		Police and Fire Plan		Correctional Plan	
	Discount Rate	Net Pension Liability	Discount Rate	Net Pension Liability	Discount Rate	Net Pension Liability (Asset)
1% Decrease	5.50%	\$ 8,073,738	5.50%	\$ 2,144,304	5.50%	\$ 852,119
Current	6.50	3,958,705	6.50	675,407	6.50	(81,877)
1% Increase	7.50	582,070	7.50	(528,724)	7.50	(823,103)

**HOUSTON COUNTY
CALEDONIA, MINNESOTA**

3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans (Continued)

i. 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.

2. Defined Contribution Plan

Four Board members of Houston 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 Houston County during the year ended December 31, 2021, were:

	<u>Employee</u>	<u>Employer</u>
Contribution amount	\$ 3,205	\$ 3,205
Percentage of covered payroll	5.00%	5.00%

**HOUSTON COUNTY
CALEDONIA, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

F. Other Postemployment Benefits (OPEB)

Plan Description

The County provides health insurance benefits for certain retired employees under a single-employer, defined benefit, self-insured health care plan, financed and administered by the Southeast Service Cooperative and Houston County. Blue Cross and Blue Shield of Minnesota (BCBSM), under contract with the Southeast Service Cooperative, is the Claims Administrator. The County provides benefits for retirees as required by Minn. Stat. § 471.61, subd. 2b. Active employees, who retire from the County when eligible to receive a retirement benefit from PERA (or a similar plan) and do not participate in any other health benefits program providing coverage similar to that herein described, are eligible to continue coverage with respect to both themselves and their eligible dependent(s) under the County’s health benefits program.

Retirees are required to pay 100 percent of the total group rate. Since the premium is a blended rate determined on the entire active and retiree population, the retirees, whose costs are statistically higher than the group average, are receiving an implicit rate “subsidy.” As of January 1, 2021, there were two retirees receiving health benefits from the County’s health plan.

No assets have been accumulated in a trust that meets the criteria in paragraph 4 of GASB 75. The OPEB plan does not issue a stand-alone financial report.

As of the January 1, 2021, actuarial valuation, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	2
Active plan participants	<u>143</u>
Total	<u><u>145</u></u>

**HOUSTON COUNTY
CALEDONIA, MINNESOTA**

3. Detailed Notes on All Funds

F. Other Postemployment Benefits (OPEB) (Continued)

Total OPEB Liability

The County's total OPEB liability of \$518,391 was measured as of January 1, 2021, and was determined by an actuarial valuation as of January 1, 2021.

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

Inflation	2.00 percent
Salary increases	Service graded table, 2.50 percent used to roll forward to the valuation date
Health care cost trend	6.50 percent, decreasing to 5 percent over 6 years

The current year discount rate is 2.00 percent, which is a change from the prior year rate of 3.80 percent. For the current valuation, the discount rate was set by considering published rate information for 20-year high quality, tax-exempt, general obligation municipal bonds as of the Measurement Date.

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

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance at December 31, 2020	\$ 503,223
Changes for the year	
Service cost	\$ 52,555
Interest	20,522
Assumption changes	58,665
Differences between expected and actual experience	(84,822)
Benefit payments	<u>(31,752)</u>
Net change	<u>\$ 15,168</u>
Balance at December 31, 2021	<u>\$ 518,391</u>

**HOUSTON COUNTY
CALEDONIA, MINNESOTA**

3. Detailed Notes on All Funds

F. Other Postemployment Benefits (OPEB)

Changes in the Total OPEB Liability (Continued)

Other postemployment benefits are liquidated by the General Fund, Road and Bridge Special Revenue Fund, and Health and Human Services Special Revenue Fund.

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 1.0 percentage point lower or 1.0 percentage point higher than the current discount rate:

	Discount Rate		Total OPEB Liability
1% Decrease	1.00%	\$	556,047
Current	2.00		518,391
1% Increase	3.00		482,755

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 1.0 percentage point lower or 1.0 percentage point higher than the current health care cost trend rate:

	Health Care Trend Rate		Total OPEB Liability
1% Decrease	5.50% Decreasing to 4.0%	\$	463,427
Current	6.50% Decreasing to 5.0%		518,391
1% Increase	7.50% Decreasing to 6.0%		583,315

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

For the year ended December 31, 2021, the County recognized OPEB expense of \$5,376. The County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

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CALEDONIA, MINNESOTA**

3. Detailed Notes on All Funds

F. Other Postemployment Benefits (OPEB)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources
Related to OPEB (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 3,105	\$ 70,685
Changes in actuarial assumptions	48,887	6,157
Contributions made subsequent to the measurement date	28,107	-
Total	\$ 80,099	\$ 76,842

The \$28,107 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended December 31	OPEB Expense Amount
2022	\$ (5,376)
2023	(5,376)
2024	(5,377)
2025	(4,359)
2026	(4,362)

Changes in Actuarial Assumptions

The following changes in actuarial assumptions occurred in 2021:

- The health care trend rates were changed to better anticipate short-term and long-term medical increases.

**HOUSTON COUNTY
CALEDONIA, MINNESOTA**

3. Detailed Notes on All Funds

F. Other Postemployment Benefits (OPEB)

Changes in Actuarial Assumptions (Continued)

- The mortality tables were updated from the RP-2014 Mortality Tables (Blue Collar for Public Safety, White Collar for Others) with MP-2018 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Safety) with MP-2020 Generational Improvement Scale.
- The salary increase rates were changed from a flat 3.00 percent per year for all employees to rates which vary by service and contract group.
- The retirement and withdrawal tables for non-public safety employees were updated.
- The inflation rate was changed from 2.50 percent to 2.00 percent.
- The discount rate was changed from 3.80 percent to 2.00 percent.

4. Summary of Significant Contingencies and Other Items

A. 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 for which the County carries commercial insurance. The County has entered into a joint powers agreement with other Minnesota counties to form the Minnesota Counties Intergovernmental Trust (MCIT). The County is a member of both the MCIT Workers' Compensation and Property and Casualty Divisions. For other risk, the County carries commercial insurance. There were no significant reductions in insurance from the prior year. The amount of settlements did not exceed insurance coverage for the past three fiscal years.

**HOUSTON COUNTY
CALEDONIA, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

A. Risk Management (Continued)

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 2021 and 2022. 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 County has entered into a joint powers agreement with MCIT to authorize the Board to exercise the common powers of the participating governmental units in connection with certain matters pertaining to the administration and funding of group employee benefits and other financial risk management services. The County may choose to participate in any of the services offered. The County may withdraw from the pool at any time giving a 90-day written notice. There is no contingent liability after withdrawal.

B. Contingent Liabilities

The County has entered into an agreement with the Minnesota Department of Agriculture and a local lending institution to jointly administer the Agricultural Best Management Loan Program to individuals to implement projects that prevent or mitigate nonpoint source water pollution. While the County is not liable for the repayment of the loans in any manner, it does have certain responsibilities under the agreement. The County has met those responsibilities for 2021.

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

**HOUSTON COUNTY
CALEDONIA, MINNESOTA**

4. Summary of Significant Contingencies and Other Items (Continued)

C. Jointly-Governed Organizations

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

The Southeast Minnesota Emergency Medical Services (SEEMS) Joint Powers Board consists of Dodge, Fillmore, Freeborn, Goodhue, Houston, Mower, Olmsted, Rice, Steele, Wabasha, and Winona Counties. The purpose of SEEMS is to ensure quality patient care is available throughout the 11-county area by maximizing the response capabilities of emergency medical personnel and to promote public education on injury prevention and appropriate response during a medical emergency. Each member county appoints one member to the Joint Powers Board. During the year, Houston County paid \$5,000 to the joint powers.

The Region One – Southeast Minnesota Homeland Security and Emergency Management Organization was established to provide for regional coordination of planning, training, purchase of equipment, and allocating emergency services and staff in order to better respond to emergencies and natural or other disasters within the region. There are 16 counties participating, with one member from each entity being represented on the Joint Powers Board. Houston County's responsibility does not extend beyond making this appointment.

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, the County made no payments to the joint powers.

Houston County, in conjunction with other local governments, participates in the State of Minnesota's Sentence to Serve (STS) program. STS is a project of the State Department of Administration's Strive Toward Excellence in Performance (STEP) program. STEP's goal is a statewide effort to make positive improvements in public services. It gives the courts an alternative to jail or fines for the nonviolent offenders who can work on a variety of community or state projects. Private funding, funds from various foundations and initiative funds, as well as the Minnesota Departments of Corrections and Natural Resources, provide the funds needed to operate the STS program. Although Houston County has no operational or financial control over the STS program, Houston County paid \$103,260 to the program during the year.

**HOUSTON COUNTY
CALEDONIA, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

C. Jointly-Governed Organizations (Continued)

The Southeast Minnesota Immunization Connection (SEMIC) Joint Powers Board promotes an implementation and maintenance of a regional immunization information system to ensure age-appropriate immunizations through complete and accurate records. During the year, Houston County made no payments to SEMIC.

The Southeast Service Cooperative delivers numerous services to support administrative and instructional functions to its members and to improve learning opportunities. During the year, Houston County made payments of \$250 to the Cooperative.

The Workforce Development provides various job training services to several counties. During the year, Houston County paid \$131,832 to the Workforce Development.

The Southeastern Minnesota Community Action Council (SEMCCAC) provides various services on behalf of member counties to assist people to achieve or maintain independence and self-reliance through their own and community resources. SEMCCAC provides services in Dodge, Fillmore, Freeborn, Houston, Mower, Steele, and Winona Counties. It also provides housing and redevelopment for Houston County through Bluff Country. During the year, Houston County paid \$15,681 to SEMCCAC.

Under Minnesota Joint Powers Law, Minn. Stat. § 471.59, Minnesota counties have created the Minnesota Counties Computer Cooperative (MCCC) to jointly provide for the establishment, operation, and maintenance of data processing systems, facilities, and management information systems. During the year, Houston County paid \$111,501 to the MCCC.

D. Joint Ventures

Southeastern Minnesota Library

The Southeastern Minnesota Library provides regional library services to counties and cities in southeastern Minnesota. During the year, Houston County paid \$165,977 to the Library.

**HOUSTON COUNTY
CALEDONIA, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

D. Joint Ventures (Continued)

Southeast Minnesota Regional Emergency Communications Board

The Southeast Minnesota Regional Emergency Communications Board (formerly known as Southeast Minnesota Regional Radio Board) was formed in 2008 under the authority of Minn. Stat. §§ 471.59 and 403.39. It is governed by a membership of 11 counties and one city. The Board consists of one County Commissioner from each member county and one City Council member from the member city. The Board was formulated to provide for the regional administration of enhancements to the Allied Radio Matrix Emergency Response (ARMER) system owned and operated by the State of Minnesota and to enhance and improve interoperable public safety communications along with coordination of 911 and public safety broadband data services within the region.

The financial activities of the Board are accounted for by Olmsted County as the fiscal agent. During 2021, Houston County paid \$1,500 to the Board.

Southeast Minnesota Violent Crime Enforcement Team (SEMV CET)

Houston County and other regional counties and cities have formed the Southeast Minnesota Violent Crime Enforcement Team under the authority of Minn. Stat. § 471.59, to work cooperatively in the enforcement of controlled substance laws and crime-related offenses. The SEMVCET is governed by a governing board made up of members known as “Directors”. The Chief Law Enforcement Officer from each member county and member city shall serve as a Director.

Olmsted County has been appointed as the fiscal agent for the SEMVCET. During 2021, Houston County paid \$7,649 to the SEMVCET.

Family Services Collaborative

The Houston County Family Services Collaborative was established in 1995 under the authority of Minn. Stat. §§ 471.59 and 124D.23. The Collaborative includes Houston County, four Houston County school districts, and SEMCAC, each of which appoints members to the Collaborative’s governing board. The purpose of the Collaborative is to provide a coordinated approach to support and nurture individuals and families through prevention and intervention so as to ensure success for every child.

**HOUSTON COUNTY
CALEDONIA, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

D. Joint Ventures

Family Services Collaborative (Continued)

Control of the Collaborative is vested in a Board of Directors. Houston County appoints two members to this Board. Houston County acts as fiscal agent for the Collaborative. The Collaborative is financed by state grants and appropriations from participating members. During 2021, Houston County provided no funding.

In the event of withdrawal from the Collaborative, the withdrawing party shall give a 30-day notice. The withdrawing party remains liable for fiscal obligations incurred prior to the effective date of withdrawal and shall not be entitled to any compensation as long as the Collaborative continues in existence. Should the Collaborative cease to exist, all property, real and personal, at the time of termination shall be distributed by the governing board.

Currently, the Collaborative does not prepare complete financial statements; therefore, the Collaborative does not have audited financial statements. Financial information can be obtained by contacting the following: Houston County PH & HS, Accounting Unit, 304 South Marshall Street, Caledonia, Minnesota 55921.

5. Subsequent Events

On March 11, 2021, the President of the United States signed an amended version of the COVID Relief Package, the American Rescue Plan, which includes \$65.1 billion in direct, flexible aid for counties in America. The U.S. Department of the Treasury will oversee and administer payments of the State and Local Coronavirus Recovery Funds to state and local governments, for which every county is eligible to receive a direct allocation from the Treasury. Counties will receive funds in two tranches—50 percent in 2021, and the remaining 50 percent no earlier than 12 months from the first payment. The U.S. Treasury is required to pay the first tranche to counties no later than 60 days after enactment. Houston County's projected allocation of the State and Local Coronavirus Recovery Funds is \$3,612,832. Houston County received \$1,806,416 on May 19, 2021, and \$1,806,416 on June 9, 2022.

**HOUSTON COUNTY
CALEDONIA, MINNESOTA**

5. Subsequent Events (Continued)

During 2022, final settlement agreements were reached with pharmaceutical companies and distributors as part of the National Prescription Opiate Litigation. For Houston County, the amount to be received as a result of this litigation is \$688,022, to be received over 18 years, which has been recorded as due from other governments in the Health and Human Services Special Revenue Fund in the current year. The Minnesota Opioids State-Subdivision Memorandum of Agreement was signed January 24, 2022.

REQUIRED SUPPLEMENTARY INFORMATION

**HOUSTON COUNTY
CALEDONIA, MINNESOTA**

EXHIBIT A-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 7,459,203	\$ 7,462,554	\$ 7,407,808	\$ (54,746)
Licenses and permits	69,475	88,400	109,430	21,030
Intergovernmental	2,440,561	4,146,574	2,433,536	(1,713,038)
Charges for services	1,373,850	1,510,817	1,512,370	1,553
Fines and forfeits	5,000	5,000	6,139	1,139
Gifts and contributions	3,000	5,200	6,722	1,522
Investment earnings	124,200	147,400	77,955	(69,445)
Miscellaneous	159,409	216,634	261,495	44,861
Total Revenues	\$ 11,634,698	\$ 13,582,579	\$ 11,815,455	\$ (1,767,124)
Expenditures				
Current				
General government				
Commissioners	\$ 164,757	\$ 184,850	\$ 244,894	\$ (60,044)
Courts	94,300	94,300	23,261	71,039
Administrator	139,600	52,313	52,314	(1)
County auditor	325,430	338,792	351,989	(13,197)
Motor vehicle/license bureau	111,451	116,241	114,427	1,814
County assessor	445,857	486,169	492,926	(6,757)
Elections	9,100	9,100	14,316	(5,216)
Finance	195,947	200,081	125,760	74,321
Data processing	552,290	559,483	566,017	(6,534)
Fleet	14,662	14,662	1,689	12,973
Personnel	241,896	246,687	242,018	4,669
Attorney	636,227	585,699	529,320	56,379
Recorder	239,485	273,041	251,449	21,592
Surveyor	199,577	200,370	193,994	6,376
Planning and zoning	336,157	349,241	253,416	95,825
Buildings and plant	758,763	694,276	726,964	(32,688)
Veterans service	123,154	129,436	136,144	(6,708)
GIS	99,750	97,528	78,593	18,935
Other general government	337,199	2,134,019	355,445	1,778,574
Total general government	\$ 5,025,602	\$ 6,766,288	\$ 4,754,936	\$ 2,011,352

**HOUSTON COUNTY
CALEDONIA, MINNESOTA**

**EXHIBIT A-1
(Continued)**

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Current (Continued)				
Public safety				
Sheriff	\$ 2,103,715	\$ 2,154,732	\$ 2,041,624	\$ 113,108
Boat and water safety	11,293	11,293	11,818	(525)
Emergency services	40,256	41,374	28,037	13,337
Coroner	58,787	58,787	58,759	28
E-911 system	94,854	94,854	40,386	54,468
County jail	1,959,106	1,984,577	1,995,271	(10,694)
Community corrections	297,238	300,555	292,699	7,856
Total public safety	\$ 4,565,249	\$ 4,646,172	\$ 4,468,594	\$ 177,578
Sanitation				
Solid waste	\$ 707,039	\$ 742,639	\$ 702,228	\$ 40,411
Recycling	228,640	240,491	209,800	30,691
Total sanitation	\$ 935,679	\$ 983,130	\$ 912,028	\$ 71,102
Health				
Transportation	\$ 16,500	\$ 16,500	\$ 16,500	\$ -
Health center (waivered services)	5,500	5,500	5,500	-
Total health	\$ 22,000	\$ 22,000	\$ 22,000	\$ -
Culture and recreation				
Historical society	\$ 42,500	\$ 42,500	\$ 42,500	\$ -
Parks	72,100	72,100	56,657	15,443
Other culture and recreation	100,000	100,000	110,779	(10,779)
Total culture and recreation	\$ 214,600	\$ 214,600	\$ 209,936	\$ 4,664
Conservation of natural resources				
County extension	\$ 186,132	\$ 187,699	\$ 177,297	\$ 10,402
Soil and water conservation	133,800	133,800	133,800	-
Agriculture society/County fair	24,000	24,000	24,000	-
Water planning	22,672	22,672	28,762	(6,090)
Total conservation of natural resources	\$ 366,604	\$ 368,171	\$ 363,859	\$ 4,312

**HOUSTON COUNTY
CALEDONIA, MINNESOTA**

*EXHIBIT A-1
(Continued)*

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Current (Continued)				
Economic development				
Community development	\$ 109,089	\$ 91,853	\$ 459,961	\$ (368,108)
Airport	255,289	255,289	153,330	101,959
Other economic development	4,702	4,702	4,702	-
Total economic development	\$ 369,080	\$ 351,844	\$ 617,993	\$ (266,149)
Intergovernmental				
County/regional library	\$ 165,930	\$ 165,977	\$ 165,977	\$ -
Debt service				
Principal	\$ -	\$ -	\$ 57,857	\$ (57,857)
Interest	-	-	4,898	(4,898)
Total debt service	\$ -	\$ -	\$ 62,755	\$ (62,755)
Total Expenditures	\$ 11,664,744	\$ 13,518,182	\$ 11,578,078	\$ 1,940,104
Net Change in Fund Balance	\$ (30,046)	\$ 64,397	\$ 237,377	\$ 172,980
Fund Balance – January 1	7,585,950	7,585,950	7,585,950	-
Fund Balance – December 31	\$ 7,555,904	\$ 7,650,347	\$ 7,823,327	\$ 172,980

**HOUSTON COUNTY
CALEDONIA, MINNESOTA**

EXHIBIT A-2

**BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 2,036,313	\$ 2,036,313	\$ 2,025,222	\$ (11,091)
Licenses and permits	5,000	5,000	4,770	(230)
Intergovernmental	7,124,278	7,228,171	6,894,714	(333,457)
Charges for services	232,000	232,000	146,896	(85,104)
Investment earnings	13,835	13,835	8,327	(5,508)
Miscellaneous	1,100	1,100	3,047	1,947
Total Revenues	\$ 9,412,526	\$ 9,516,419	\$ 9,082,976	\$ (433,443)
Expenditures				
Current				
Transportation				
Administration	\$ 299,397	\$ 306,224	\$ 309,716	\$ (3,492)
Maintenance	2,540,805	2,623,708	2,450,422	173,286
Construction	5,279,633	5,274,543	4,005,707	1,268,836
Equipment maintenance and shop	1,076,863	1,076,863	1,160,465	(83,602)
Total transportation	\$ 9,196,698	\$ 9,281,338	\$ 7,926,310	\$ 1,355,028
Intergovernmental				
Highways and streets	\$ 256,828	\$ 277,817	\$ 277,817	\$ -
Debt service				
Principal	\$ -	\$ -	\$ 54,720	\$ (54,720)
Interest	-	-	4,453	(4,453)
Total debt service	\$ -	\$ -	\$ 59,173	\$ (59,173)
Total Expenditures	\$ 9,453,526	\$ 9,559,155	\$ 8,263,300	\$ 1,295,855
Excess of Revenues Over (Under)				
Expenditures	\$ (41,000)	\$ (42,736)	\$ 819,676	\$ 862,412
Other Financing Sources (Uses)				
Capital lease issued	\$ -	\$ -	\$ 112,160	\$ 112,160
Transfer out	-	-	(2,839,000)	(2,839,000)
Proceeds from sale of capital assets	41,000	41,000	41,554	554
Total Other Financing Sources (Uses)	\$ 41,000	\$ 41,000	\$ (2,685,286)	\$ (2,726,286)
Net Change in Fund Balance	\$ -	\$ (1,736)	\$ (1,865,610)	\$ (1,863,874)
Fund Balance – January 1	7,284,974	7,284,974	7,284,974	-
Increase (decrease) in inventories	-	-	62,315	62,315
Fund Balance – December 31	\$ 7,284,974	\$ 7,283,238	\$ 5,481,679	\$ (1,801,559)

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

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**HOUSTON COUNTY
CALEDONIA, MINNESOTA**

EXHIBIT A-3

**BUDGETARY COMPARISON SCHEDULE
HEALTH AND HUMAN SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 1,642,566	\$ 1,642,566	\$ 1,624,943	\$ (17,623)
Intergovernmental	4,170,452	4,199,342	4,024,815	(174,527)
Charges for services	721,813	721,813	645,463	(76,350)
Investment earnings	2,000	2,000	1,103	(897)
Miscellaneous	293,998	293,998	140,420	(153,578)
Total Revenues	\$ 6,830,829	\$ 6,859,719	\$ 6,436,744	\$ (422,975)
Expenditures				
Current				
Human services				
Income maintenance	\$ 2,177,634	\$ 2,229,950	\$ 2,022,715	\$ 207,235
Social services	3,928,963	3,963,058	3,627,110	335,948
Total human services	\$ 6,106,597	\$ 6,193,008	\$ 5,649,825	\$ 543,183
Health				
Public health	\$ 724,232	\$ 760,200	\$ 795,102	\$ (34,902)
Debt Service				
Principal	\$ -	\$ -	\$ 4,124	\$ (4,124)
Interest	-	-	241	(241)
Total debt service	\$ -	\$ -	\$ 4,365	\$ (4,365)
Total Expenditures	\$ 6,830,829	\$ 6,953,208	\$ 6,449,292	\$ 503,916
Net Change in Fund Balance	\$ -	\$ (93,489)	\$ (12,548)	\$ 80,941
Fund Balance – January 1	1,348,901	1,348,901	1,348,901	-
Fund Balance – December 31	\$ 1,348,901	\$ 1,255,412	\$ 1,336,353	\$ 80,941

**HOUSTON COUNTY
CALEDONIA, MINNESOTA**

EXHIBIT A-4

**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
OTHER POSTEMPLOYMENT BENEFITS
DECEMBER 31, 2021**

	2021	2020	2019	2018
Total OPEB Liability				
Service cost	\$ 52,555	\$ 35,003	\$ 33,983	\$ 30,723
Interest	20,522	18,872	15,844	15,145
Differences between expected and actual experience	(84,822)	-	6,213	-
Changes of assumption or other inputs	58,665	-	(12,316)	-
Benefit payments	(31,752)	(24,339)	(32,103)	(23,849)
Net change in total OPEB liability	\$ 15,168	\$ 29,536	\$ 11,621	\$ 22,019
Total OPEB Liability – Beginning	503,223	473,687	462,066	440,047
Total OPEB Liability – Ending	\$ 518,391	\$ 503,223	\$ 473,687	\$ 462,066
Covered-employee payroll	\$ 8,167,225	\$ 8,057,857	\$ 7,823,162	\$ 8,044,084
Total OPEB liability (asset) as a percentage of covered-employee payroll	6.35%	6.25%	6.05%	5.74%

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

**HOUSTON COUNTY
CALEDONIA, MINNESOTA**

EXHIBIT A-5

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA GENERAL EMPLOYEES RETIREMENT PLAN
DECEMBER 31, 2021**

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 Houston 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
2021	0.0956 %	\$ 3,958,705	\$ 120,978	\$ 4,079,683	\$ 6,808,140	58.15 %	87.00 %
2020	0.0910	5,455,866	168,408	5,624,274	6,477,278	84.23	79.06
2019	0.0907	5,014,600	155,827	5,170,427	6,417,384	78.14	80.23
2018	0.0889	4,931,808	161,920	5,093,728	5,978,318	82.49	79.53
2017	0.0953	6,083,889	76,526	6,160,415	6,490,088	93.74	75.90
2016	0.1007	8,176,341	106,770	8,283,111	5,560,161	147.05	68.91
2015	0.0959	4,967,497	N/A	4,967,497	5,828,943	85.22	78.19

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

N/A – Not Applicable

**HOUSTON COUNTY
CALEDONIA, MINNESOTA**

EXHIBIT A-6

**SCHEDULE OF CONTRIBUTIONS
PERA GENERAL EMPLOYEES RETIREMENT PLAN
DECEMBER 31, 2021**

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)
2021	\$ 522,185	\$ 522,185	\$ -	\$ 6,962,469	7.50 %
2020	494,564	494,564	-	6,594,193	7.50
2019	494,277	494,277	-	6,590,363	7.50
2018	451,479	451,479	-	6,019,720	7.50
2017	475,785	475,785	-	6,343,799	7.50
2016	475,097	475,097	-	6,334,627	7.50
2015	420,031	420,031	-	5,600,413	7.50

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

**HOUSTON COUNTY
CALEDONIA, MINNESOTA**

EXHIBIT A-7

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA PUBLIC EMPLOYEES POLICE AND FIRE PLAN
DECEMBER 31, 2021**

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 Houston 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
2021	0.0915 %	\$ 675,407	\$ 30,386	\$ 705,793	\$ 1,075,636	62.79 %	93.66 %
2020	0.0969	1,277,246	30,065	1,307,311	1,093,427	116.81	87.19
2019	0.0987	1,050,761	N/A	1,050,761	1,041,876	100.85	89.26
2018	0.0960	1,018,998	N/A	1,018,998	1,007,966	101.09	88.84
2017	0.0970	1,309,615	N/A	1,309,615	1,026,852	127.54	85.43
2016	0.1040	4,173,700	N/A	4,173,700	968,970	430.74	63.88
2015	0.1000	1,136,234	N/A	1,136,234	920,237	123.47	86.61

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

**HOUSTON COUNTY
CALEDONIA, MINNESOTA**

EXHIBIT A-8

**SCHEDULE OF CONTRIBUTIONS
PERA PUBLIC EMPLOYEES POLICE AND FIRE PLAN
DECEMBER 31, 2021**

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)
2021	\$ 193,622	\$ 193,622	\$ -	\$ 1,093,908	17.70 %
2020	194,137	194,137	-	1,096,819	17.70
2019	181,624	181,624	-	1,071,529	16.95
2018	165,017	165,017	-	1,018,624	16.20
2017	161,164	161,164	-	994,840	16.20
2016	166,829	166,829	-	1,029,809	16.20
2015	152,447	152,447	-	941,029	16.20

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

**HOUSTON COUNTY
CALEDONIA, MINNESOTA**

EXHIBIT A-9

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA PUBLIC EMPLOYEES LOCAL GOVERNMENT CORRECTIONAL SERVICE RETIREMENT PLAN
DECEMBER 31, 2021**

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
2021	0.4984 %	\$ (81,877)	\$ 1,102,121	(7.43) %	101.61 %
2020	0.4846	131,491	1,054,569	12.47	96.67
2019	0.4590	63,549	979,064	6.49	98.17
2018	0.4800	79,686	989,429	8.05	97.64
2017	0.4900	1,396,505	1,111,491	125.64	67.89
2016	0.4500	1,643,914	821,174	200.19	58.16
2015	0.4300	66,478	776,864	8.56	96.95

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

**HOUSTON COUNTY
CALEDONIA, MINNESOTA**

EXHIBIT A-10

**SCHEDULE OF CONTRIBUTIONS
PERA PUBLIC EMPLOYEES LOCAL GOVERNMENT CORRECTIONAL SERVICE RETIREMENT PLAN
DECEMBER 31, 2021**

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)
2021	\$ 97,013	\$ 97,013	\$ -	\$ 1,108,714	8.75 %
2020	93,150	93,150	-	1,064,568	8.75
2019	89,606	89,606	-	1,024,075	8.75
2018	85,308	85,308	-	974,945	8.75
2017	86,822	86,822	-	992,251	8.75
2016	81,965	81,965	-	936,732	8.75
2015	69,914	69,914	-	799,026	8.75

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

**HOUSTON COUNTY
CALEDONIA, MINNESOTA**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2021

1. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds, except the Capital Projects Fund. All annual appropriations lapse at fiscal year-end.

On or before mid-June of each year, all departments and agencies submit requests for appropriations to the County Finance Director so that a budget can be prepared. Before September 30, the proposed budget is presented to the Houston County Board of Commissioners for review. The Board holds public hearings, and a final budget must be prepared and adopted no later than December 31.

The appropriated budget is prepared by fund, function, and department. The County's department head may make transfers of appropriations within a department. Transfers of appropriations between departments require approval of the County Board. The legal level of budgetary control (the level at which expenditures may not legally exceed appropriations) is the fund level. During the year, the Board made supplementary appropriations to the General Fund, Road and Bridge Special Revenue Fund, and Health and Human Services Special Revenue Fund.

2. Other Postemployment Benefits

In 2018, Houston County implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. See Note 3.F in the notes to the financial statements for additional information regarding the County's other postemployment benefits.

3. Employer Contributions to Other Postemployment Benefits

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

**HOUSTON COUNTY
CALEDONIA, MINNESOTA**

4. Other Postemployment Benefits – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

The following changes in actuarial assumptions occurred in 2021:

- The health care trend rates were changed to better anticipate short-term and long-term medical increases.
- The mortality tables were updated from the RP-2014 Mortality Tables (Blue Collar for Public Safety, White Collar for Others) with MP-2018 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Safety) with MP-2020 Generational Improvement Scale.
- The salary increase rates were changed from a flat 3.00 percent per year for all employees to rates which vary by service and contract group.
- The retirement and withdrawal tables for non-public safety employees were updated.
- The inflation rate was changed from 2.50 percent to 2.00 percent.
- The discount rate was changed from 3.80 percent to 2.00 percent.

No changes in actuarial methods and assumptions occurred in 2020.

The following changes in actuarial methods and assumptions occurred in 2019:

- The health care trend rates were changed to better anticipate short-term and long-term medical increases.
- The mortality tables were updated from the RP-2014 Mortality Tables (blue collar for public safety, white collar for others) with MP-2016 Generational Improvement Scale to the RP-2014 Mortality Tables (blue collar for public safety, white collar for others) with MP-2018 Generational Improvement Scale.
- The retirement and withdrawal tables for public safety employees were updated.
- The discount rate was changed from 3.30 percent to 3.80 percent.

**HOUSTON COUNTY
CALEDONIA, MINNESOTA**

4. Other Postemployment Benefits – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions (Continued)

The following changes in actuarial methods and assumptions occurred in 2018:

- The actuarial cost method changed from the Projected Unit Credit to Entry Age, level percentage of pay.
- The discount rate used changed from 3.50 percent to 3.30 percent.

5. 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

2021

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

2020

- The price inflation assumption was decreased from 2.50 percent to 2.25 percent.
- The payroll growth assumption was decreased from 3.25 percent to 3.00 percent.
- Assumed salary increase rates were changed as recommended in the June 30, 2019, experience study. The net effect is assumed rates that average 0.25 percent less than previous rates.
- 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.

**HOUSTON COUNTY
CALEDONIA, MINNESOTA**

5. Defined Benefit Pension Plans – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

General Employees Retirement Plan

2020 (Continued)

- 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.

**HOUSTON COUNTY
CALEDONIA, MINNESOTA**

5. Defined Benefit Pension Plans – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

General Employees Retirement Plan (Continued)

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.

**HOUSTON COUNTY
CALEDONIA, MINNESOTA**

5. Defined Benefit Pension Plans – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

General Employees Retirement Plan (Continued)

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.

**HOUSTON COUNTY
CALEDONIA, MINNESOTA**

5. Defined Benefit Pension Plans – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions (Continued)

Public Employees Police and Fire Plan

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

**HOUSTON COUNTY
CALEDONIA, MINNESOTA**

5. Defined Benefit Pension Plans – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

Public Employees Police and Fire Plan (Continued)

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.

**HOUSTON COUNTY
CALEDONIA, MINNESOTA**

5. Defined Benefit Pension Plans – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

Public Employees Police and Fire Plan (Continued)

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.

**HOUSTON COUNTY
CALEDONIA, MINNESOTA**

5. Defined Benefit Pension Plans – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

Public Employees Police and Fire Plan

2017 (Continued)

- 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

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 MN-2020.

**HOUSTON COUNTY
CALEDONIA, MINNESOTA**

5. Defined Benefit Pension Plans – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

Public Employees Local Government Correctional Service Retirement Plan

2021 (Continued)

- 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.

**HOUSTON COUNTY
CALEDONIA, MINNESOTA**

5. Defined Benefit Pension Plans – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

Public Employees Local Government Correctional Service Retirement Plan (Continued)

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.

**HOUSTON COUNTY
CALEDONIA, MINNESOTA**

5. Defined Benefit Pension Plans – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

Public Employees Local Government Correctional Service Retirement Plan (Continued)

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

**HOUSTON COUNTY
CALEDONIA, MINNESOTA**

EXHIBIT B-1

**BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 1,314,855	\$ 1,314,855	\$ 1,315,205	\$ 350
Intergovernmental	47,993	47,993	78,167	30,174
Total Revenues	\$ 1,362,848	\$ 1,362,848	\$ 1,393,372	\$ 30,524
Expenditures				
Debt service				
Principal	\$ 976,500	\$ 976,500	\$ 940,000	\$ 36,500
Interest	386,348	386,348	418,475	(32,127)
Administrative (fiscal) charges	-	-	13,725	(13,725)
Total Expenditures	\$ 1,362,848	\$ 1,362,848	\$ 1,372,200	\$ (9,352)
Net Change in Fund Balance	\$ -	\$ -	\$ 21,172	\$ 21,172
Fund Balance – January 1	1,673,432	1,673,432	1,673,432	-
Fund Balance – December 31	\$ 1,673,432	\$ 1,673,432	\$ 1,694,604	\$ 21,172

FIDUCIARY FUNDS

**HOUSTON COUNTY
CALEDONIA, MINNESOTA**

FIDUCIARY FUNDS

CUSTODIAL FUNDS

Custodial funds are used to account for assets held by a governmental unit as an agent for individuals, private organizations, other governmental units, and other funds.

The Sheriff's Holding Fund reflect funds on deposit for inmates of the Houston County Jail, bail money on deposit for out-of-county warrants and civil execution sales, as well as being a holding account for foreclosure sales and redemptions.

The State Revenue Fund accounts for the transfer of County collections to the State of Minnesota (mortgage registry tax, game and fish license sales, motor vehicle license sales, state deed tax sales, and state revenue taxes) and the apportionment of state-aid payments for police and fire departments to cities and towns.

The Crooked Creek Watershed Fund (CCWSCD) accounts for reimbursements to the Watershed District for operations and the collection of assessments to pay the Watershed District's bonded debt and interest.

The MA Estate Collections Fund accounts for the State of Minnesota's share of estate recoveries associated with the Medical Assistance Program.

The Taxes and Penalties Fund accounts for the collection and distribution of miscellaneous agency property taxes (current and delinquent) and prepaid taxes.

The School Districts Fund accounts for property taxes collected and remitted by the County to the various school districts in the County.

The Townships and Cities Fund accounts for the taxes and other amounts received by the County for the various towns and cities.

The Soil and Water Conservation District Fund accounts for the assets of the Root River Soil and Water Conservation District held by the County.

The Family Collaborative Fund accounts for monies received and expended by the Family Services Collaborative.

**HOUSTON COUNTY
CALEDONIA, MINNESOTA**

**COMBINING STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS – CUSTODIAL FUNDS
DECEMBER 31, 2021**

	Sheriff's Holding	State Revenue	CCWSCD
<u>Assets</u>			
Cash and pooled investments	\$ 7,193	\$ 110,703	\$ 922
Investments	-	-	-
Taxes receivable for other governments	-	4,929	666
	\$ 7,193	\$ 115,632	\$ 1,588
<u>Liabilities</u>			
Due to other governments	\$ -	\$ 110,703	\$ 922
<u>Deferred Inflows of Resources</u>			
Prepaid taxes	\$ -	\$ -	\$ -
<u>Net Position</u>			
Restricted for individuals, organizations, and other governments	\$ 7,193	\$ 4,929	\$ 666

EXHIBIT C-1

Custodial Funds						
MA Estate Collections	Taxes and Penalties	School Districts	Townships and Cities	Soil and Water Conservation District	Family Collaborative	Total Custodial Funds
\$ 7,132	\$ 94,922	\$ 190,054	\$ 194,580	\$ 1,018,411	\$ 72,887	\$ 1,696,804
-	-	-	-	157,004	50,000	207,004
-	-	108,828	151,482	-	-	265,905
\$ 7,132	\$ 94,922	\$ 298,882	\$ 346,062	\$ 1,175,415	\$ 122,887	\$ 2,169,713
\$ 7,132	\$ -	\$ 190,054	\$ 194,580	\$ -	\$ -	\$ 503,391
\$ -	\$ 94,922	\$ -	\$ -	\$ -	\$ -	\$ 94,922
\$ -	\$ -	\$ 108,828	\$ 151,482	\$ 1,175,415	\$ 122,887	\$ 1,571,400

**HOUSTON COUNTY
CALEDONIA, MINNESOTA**

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS – CUSTODIAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>Sheriff's Holding</u>	<u>State Revenue</u>	<u>CCWSCD</u>
<u>Additions</u>			
Appropriations from counties	\$ -	\$ -	\$ -
Contributions from individuals	72,521	-	-
Interest earnings	-	-	-
Property tax collections for other governments	-	-	56,334
Fees collected for state	-	4,564,131	-
Refunds collected for tax abatements	-	-	-
Payments from state	-	-	-
Payments from other entities	-	-	-
Miscellaneous	-	-	-
Total Additions	\$ 72,521	\$ 4,564,131	\$ 56,334
<u>Deductions</u>			
Payments of property tax to other governments	\$ -	\$ -	\$ 56,224
Payments to state	-	4,563,720	-
Administrative expense	-	-	-
Payments to other individuals/entities	83,553	-	-
Payments to other governments	-	-	-
Total Deductions	\$ 83,553	\$ 4,563,720	\$ 56,224
Change in Net Position	\$ (11,032)	\$ 411	\$ 110
Net Position – January 1	18,225	4,518	556
Net Position – December 31	\$ 7,193	\$ 4,929	\$ 666

EXHIBIT C-2

Custodial Funds						
MA Estate Collections	Taxes and Penalties	School Districts	Townships and Cities	Soil and Water Conservation District	Family Collaborative	Total Custodial Funds
\$ -	\$ -	\$ -	\$ -	\$ 154,914	\$ -	\$ 154,914
-	171,305	-	966,732	-	-	1,210,558
-	-	-	-	593	251	844
-	-	7,835,915	9,267,545	-	-	17,159,794
178,796	-	-	-	-	-	4,742,927
-	154,317	-	-	-	-	154,317
-	-	-	-	1,365,952	59,497	1,425,449
-	-	-	245	-	3,500	3,745
-	-	-	-	20,778	171	20,949
\$ 178,796	\$ 325,622	\$ 7,835,915	\$ 10,234,522	\$ 1,542,237	\$ 63,419	\$ 24,873,497
\$ -	\$ 171,305	\$ 7,841,200	\$ 9,289,048	\$ -	\$ -	\$ 17,357,777
172,037	-	-	-	-	132	4,735,889
-	-	-	-	451,423	23,022	474,445
6,759	-	-	-	1,013,859	-	1,104,171
-	154,317	-	966,977	-	4,000	1,125,294
\$ 178,796	\$ 325,622	\$ 7,841,200	\$ 10,256,025	\$ 1,465,282	\$ 27,154	\$ 24,797,576
\$ -	\$ -	\$ (5,285)	\$ (21,503)	\$ 76,955	\$ 36,265	\$ 75,921
-	-	114,113	172,985	1,098,460	86,622	1,495,479
\$ -	\$ -	\$ 108,828	\$ 151,482	\$ 1,175,415	\$ 122,887	\$ 1,571,400

OTHER SCHEDULES

**HOUSTON COUNTY
CALEDONIA, MINNESOTA**

EXHIBIT D-1

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2021**

Appropriations and Shared Revenue

State

Highway users tax	\$	6,496,898
PERA contribution		31,766
Disparity reduction aid		109,337
Police aid		117,971
County program aid		1,088,277
Aquatic invasive species aid		22,713
SCORE		71,066
Riparian protection aid		53,737
Market value credit – agricultural		333,056
Enhanced 911		137,619
		137,619

Total appropriations and shared revenue **\$ 8,462,440**

Reimbursement for Services

State

Minnesota Department of Human Services	\$	1,095,759
		1,095,759

Payments

Local

Local – SHIP	\$	2,651
Local – Driftless Grown		12,500
Southeast Service Cooperative		875
Payments in lieu of taxes		355,206
		355,206

Total payments **\$ 371,232**

Grants

State

Minnesota Department/Board of		
Public Safety	\$	3,886
Health		205,416
Agriculture		5,000
Natural Resources		115,652
Human Services		710,899
Veterans Affairs		10,000
Corrections		56,426
Transportation		19,182
Water and Soil Resources		49,009
Pollution Control Agency		40,503
Peace Officer Standards and Training Board		13,395
		13,395

Total state **\$ 1,229,368**

**HOUSTON COUNTY
CALEDONIA, MINNESOTA**

**EXHIBIT D-1
(Continued)**

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2021**

Grants (Continued)

Federal

Department of	
Agriculture	\$ 248,150
Transportation	273,340
Treasury	68,890
Education	3,689
Health and Human Services	1,641,614
Homeland Security	23,433
Environmental Protection Agency	13,317
	<hr/>
Total federal	\$ 2,272,433
	<hr/>
Total state and federal grants	\$ 3,501,801
	<hr/>
Total Intergovernmental Revenue	\$ 13,431,232
	<hr/> <hr/>

**HOUSTON COUNTY
CALEDONIA, MINNESOTA**

EXHIBIT D-2

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2021**

Federal Grantor Pass-Through Agency Program or Cluster Title	Assistance Listing Number	Pass-Through Grant Numbers	Expenditures
U.S. Department of Agriculture			
Passed Through Minnesota Department of Health Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	32573	\$ 102,703
Passed Through Minnesota Department of Human Services SNAP Cluster State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	212MN101S2514	<u>179,035</u>
Total U.S. Department of Agriculture			<u>\$ 281,738</u>
U.S. Department of Transportation			
Direct			
COVID-19 – Airport Improvement Program	20.106		\$ 8,848
Airport Improvement Program (Total Airport Improvement Program 20.106 \$82,433)	20.106		73,585
Passed Through Minnesota Department of Transportation			
Highway Planning and Construction Cluster COVID-19 – Highway Planning and Construction	20.205	8821224	171,154
Passed Through Minnesota Department of Public Safety			
Highway Safety Cluster State and Community Highway Safety	20.600	A-ENFRC21-2021-HOUSTONSO-036	2,242
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	A-ENFRC21-2021-HOUSTONSO-036	2,450
E-911 Grant Program	20.615	A-DECN-HCCIS-2019-SEECB-6	4,580
Highway Safety Cluster National Priority Safety Programs	20.616	A-ENFRC21-2021-HOUSTONSO-036	<u>4,607</u>
Total U.S. Department of Transportation			<u>\$ 267,466</u>
U.S. Department of the Treasury			
Direct			
COVID-19 – Coronavirus State and Local Fiscal Recovery Funds	21.027		<u>\$ 68,890</u>
U.S. Environmental Protection Agency			
Passed Through Goodhue County Soil and Water Conservation District Nonpoint Source Implementation Grants	66.460	158117	<u>\$ 13,317</u>
U.S. Department of Education			
Passed Through Minnesota Department of Health Special Education – Grants for Infants and Families	84.181	BO4MC32551	<u>\$ 3,689</u>

**HOUSTON COUNTY
CALEDONIA, MINNESOTA**

**EXHIBIT D-2
(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2021**

Federal Grantor Pass-Through Agency Program or Cluster Title	Assistance Listing Number	Pass-Through Grant Numbers	Expenditures
U.S. Department of Health and Human Services			
Passed Through Minnesota Department of Health			
Public Health Emergency Preparedness	93.069	12-700-00072	\$ 16,952
Early Hearing Detection and Intervention	93.251	12-700-00072	75
COVID-19 – Immunization Cooperative Agreements	93.268	186446	13,715
COVID-19 – Immunization Cooperative Agreements (Total Immunization Cooperative Agreements 93.268 \$81,307)	93.268	191880	67,592
COVID-19 – Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	191880	43,216
Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families 93.558 \$189,670)	93.558	2101MNTANF	32,290
Medicaid Cluster			
Medical Assistance Program (Total Medical Assistance Program 93.778 \$615,758)	93.778	105166	22,368
Maternal and Child Health Services Block Grant to the States	93.994	12-700-00072	21,414
Passed Through Minnesota Department of Human Services			
Promoting Safe and Stable Families	93.556	2101MNFPS	3,529
Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families 93.558 \$189,670)	93.558	2101MNTANF	157,380
Child Support Enforcement	93.563	2001MNCES	29,040
Child Support Enforcement (Total Child Support Enforcement 93.563 \$331,234)	93.563	2101MNCSES	302,194
Refugee and Entrant Assistance – State Administered Programs	93.566	2101MNRCA	400
CCDF Cluster			
Child Care and Development Block Grant	93.575	2101MNCCDF	4,737
Community-Based Child Abuse Prevention Grants	93.590	1901MNBCAP	2,364
Stephanie Tubbs Jones Child Welfare Services Program	93.645	2001MNCWSS	2,880
Foster Care – Title IV-E	93.658	2101MNFOS	269,751
Social Services Block Grant	93.667	2101MNSOS	98,982
Child Abuse and Neglect State Grants	93.669	2101MNNCAN	703
John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674	2101MNCILP	750
Children's Health Insurance Program	93.767	2105MN5021	2,551
Medicaid Cluster			
Medical Assistance Program	93.778	2105MN5ADM	586,286
Medical Assistance Program (Total Medical Assistance Program 93.778 \$615,758)	93.778	2105MN5MAP	7,104
Total U.S. Department of Health and Human Services			\$ 1,686,273

**HOUSTON COUNTY
CALEDONIA, MINNESOTA**

**EXHIBIT D-2
(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2021**

Federal Grantor Pass-Through Agency Program or Cluster Title	Assistance Listing Number	Pass-Through Grant Numbers	Expenditures
U.S. Department of Homeland Security			
Passed Through Minnesota Department of Natural Resources Boating Safety Financial Assistance	97.012	101221	\$ 5,000
Passed Through Minnesota Department of Public Safety Emergency Management Performance Grants	97.042	A-EMPG-2019-HOUSTONCO-030	18,433
Total U.S. Department of Homeland Security			\$ 23,433
Total Federal Awards			\$ 2,344,806

The County did not pass through any federal awards to subrecipients during the year ended December 31, 2021.

Totals by Cluster

Total expenditures for SNAP Cluster	\$ 179,035
Total expenditures for Highway Planning and Construction Cluster	171,154
Total expenditures for Highway Safety Cluster	6,849
Total expenditures for Medicaid Cluster	615,758
Total expenditures for CCDF Cluster	4,737

**HOUSTON COUNTY
CALEDONIA, MINNESOTA**

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2021

1. Summary of Significant Accounting Policies

A. Reporting Entity

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

B. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Houston County under programs of the federal government for the year ended December 31, 2021. 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 presents only a selected portion of the operations of Houston County, it is not intended to and does not present the financial position, changes in net position, or cash flows of Houston County.

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

2. De Minimis Cost Rate

Houston County has elected not to use the ten percent de minimis indirect cost rate allowed under the Uniform Guidance.

**HOUSTON COUNTY
CALEDONIA, MINNESOTA**

3. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue (Exhibit D-1)	\$ 2,272,433
Unavailable in 2020, recognized as revenues in 2021	
Airport Improvement Program	(25,919)
Temporary Assistance for Needy Families	(46,145)
COVID-19 – Airport Improvement Program	(6,428)
Grants received more than 60 days after year-end, unavailable in 2021	
Special Supplemental Nutrition Program for Women, Infants, and Children	33,588
Temporary Assistance for Needy Families	71,771
COVID-19 – Immunization Cooperative Agreements	10,253
COVID-19 – Epidemiology and Laboratory Capacity for Infectious Diseases	6,556
Promoting Safe and Stable Families	175
Child Abuse and Neglect State Grants	703
Community-Based Child Abuse Prevention Grants	656
Stephanie Tubbs Jones Child Welfare Services Program	159
Children’s Health Insurance Program	531
Airport Improvement Program	22,285
COVID-19 – Airport Improvement Program	<u>4,188</u>
 Expenditures per Schedule of Expenditures of Federal Awards (Exhibit D-2)	 <u>\$ 2,344,806</u>

MANAGEMENT AND COMPLIANCE SECTION



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Independent Auditor's Report

Board of County Commissioners
Houston County
Caledonia, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Houston County, Minnesota, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated October 7, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Houston 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 certain deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs as item 2021-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Houston County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Minnesota Legal Compliance

In connection with our audit, we noted that Houston County failed to comply with the provisions of the miscellaneous provisions section of the *Minnesota Legal Compliance Audit Guide for Counties*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters as described in the Schedule of Findings and Questioned Costs as item 2021-003. Also, in connection with our audit, nothing came to our attention that caused us to believe that Houston County failed to comply with the provisions of the contracting – bid laws, depositories of public funds and public investments, conflicts of interest, public indebtedness, and claims and disbursements sections of the *Minnesota Legal Compliance Audit Guide for Counties*, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the County's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

Houston County's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Houston County's responses to the internal control and legal compliance findings identified in our audit and described in the accompanying Corrective Action Plan. The County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting, 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/Dianne Syverson

DIANNE SYVERSON, CPA
DEPUTY STATE AUDITOR

October 7, 2022



**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
Houston County
Caledonia, Minnesota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Houston County's compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of Houston County's major federal programs for the year ended December 31, 2021. Houston County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, Houston County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2021.

Basis for Opinion on Each Major Federal Program

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

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Houston 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 Houston County's compliance with the requirements of each major federal program as a whole.

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

- exercise professional judgment and maintain professional skepticism throughout the audit;
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Houston 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 Houston 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 Houston 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 2021-002. Our opinion on each major federal program is not modified with respect to this matter.

Government Auditing Standards requires the auditor to perform limited procedures on Houston County's response to the noncompliance finding identified in our audit described in the accompanying Schedule of Findings and Questioned Costs. Houston 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 certain 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 2021-002, 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 Houston County's response to the internal control over compliance finding identified in our audit described in the accompanying Schedule of Findings and Questioned Costs. Houston 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

October 7, 2022

/s/Dianne Syverson

DIANNE SYVERSON, CPA
DEPUTY STATE AUDITOR

**HOUSTON COUNTY
CALEDONIA, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

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 GAAP: **Unmodified**

Internal control over financial reporting:

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

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

Federal Awards

Internal control over major programs:

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

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

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

The major federal programs are:

Assistance Listing Number	Name of Federal Program or Cluster
93.563	Child Support Enforcement
93.778	Medicaid Cluster

The threshold for distinguishing between Types A and B programs was \$750,000.

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

**HOUSTON COUNTY
CALEDONIA, MINNESOTA**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2021

**II. FINDINGS RELATED TO FINANCIAL STATEMENTS AUDITED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

2021-001 Audit Adjustment

Prior Year Finding Number: 2020-002

Repeat Finding Since: 2019

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 in a timely basis. Auditing standards define a material weakness as a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, in a timely basis.

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

Context: The County provides trial balances which convert the cash basis general ledger to the modified accrual basis necessary for preparing fund level and government-wide financial statements. The inability to detect significant misstatements in the financial statements increases the likelihood the financial statements would not be fairly presented. The adjustment was found in the audit; however, independent external auditors cannot be considered part of the County's internal control.

Effect: The following audit adjustment was reviewed and approved by the appropriate County staff and is reflected in the financial statements: in the Capital Projects Fund, contracts payable and capital outlay expenditures were decreased by \$479,200 to correct the amount of the payable.

Cause: The remaining contract commitment was recorded as contracts payable rather than the retainage and any contract payable related to 2021.

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

**HOUSTON COUNTY
CALEDONIA, MINNESOTA**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2021

View of Responsible Official: Concur

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

2021-002 Eligibility Intake Function

Prior Year Finding Number: N/A

Repeat Finding Since: N/A

Type of Finding: Internal Control Over Compliance and Compliance

Severity of Deficiency: Significant Deficiency and Other Matter

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

Program: 93.778 Medical Assistance Program

Award Number and Year: 2105MN5ADM, 2021

Pass-Through Agency: Minnesota Department of Human Services

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

Condition: The Minnesota Department of Human Services (DHS) maintains the computer system, MAXIS, which is used by Houston County to support the eligibility determination process. While periodic supervisory case reviews are performed to monitor compliance with grant requirements for eligibility, not all documentation was available or input correctly into MAXIS. Three case files in the sample of 40 MAXIS case files tested did not have support for asset information or asset information was not properly entered into MAXIS.

Questioned Costs: Not applicable. The County administers the program, but benefits to participants in this program are paid by the State of Minnesota.

Context: The State of Minnesota contracts with the County to perform the “intake function” which includes meeting with the social service participant to determine income and categorical eligibility. The Minnesota DHS maintains the MAXIS system, which supports the eligibility determination process and actually pays the benefits to the participants.

**HOUSTON COUNTY
CALEDONIA, MINNESOTA**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2021

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

Effect: Missing information, or the improper input of information into the MAXIS system, increases the risk that a program participant will receive benefits when they are not eligible.

Cause: Program personnel entering case information into MAXIS did not ensure all required information was input into MAXIS correctly.

Recommendation: We recommend Houston County implement additional procedures to provide reasonable assurance that all necessary documentation to support eligibility determinations is obtained and input into MAXIS. Consideration should be given to providing additional training to program personnel.

View of Responsible Official: Concur

IV. OTHER FINDINGS AND RECOMMENDATIONS

2021-003 **Publication Requirements**
Prior Year Finding Number: 2020-004
Repeat Finding Since: 2018
Type of Finding: Minnesota Legal Compliance

Criteria: Pursuant to Minn. Stat. § 375.12, County Board minutes must be published within 30 days of the meeting and include an individualized, itemized list of County Board-approved payments over \$2,000. For claims \$2,000 or less, the total number of claims and total amount shall be stated. The County can publish summaries of the minutes, meeting the requirement of Minn. Stat. § 331A.01. However, the County must still publish claims as required by Minn. Stat. § 375.12.

Condition: Houston County does not publish an itemized list of County Board-approved payments over \$2,000 with the total number of claims and total amount for payments under \$2,000, as provided by Minn. Stat. § 375.12.

Context: Claims are published in total by fund with the Board minute publication.

Effect: The County is not in compliance with Minn. Stat. § 375.12.

**HOUSTON COUNTY
CALEDONIA, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2021**

Cause: The County Board does not wish to incur the additional cost of publication and continues to make the information physically available at the County Government Center for public inspection.

Recommendation: We recommend the County comply with Minn. Stat. § 375.12 and publish an itemized list of County Board-approved payments over \$2,000 with the total number of claims and total amount for payments under \$2,000.

View of Responsible Official: Concur



HOUSTON COUNTY

Historic Courthouse

304 South Marshall Street
Caledonia, Minnesota 55921

REPRESENTATION OF HOUSTON COUNTY CALEDONIA, MINNESOTA

CORRECTIVE ACTION PLAN FOR THE YEAR ENDED DECEMBER 31, 2021

Finding Number: 2021-001

Finding Title: Audit Adjustment

Name of Contact Person Responsible for Corrective Action:

Carol Lapham, Finance Director

Corrective Action Planned: Documentation supporting the cash basis to modified accrual basis will be reviewed to ensure that entries are appropriate.

Anticipated Completion Date:

12/31/2022

Finding Number: 2021-002

Finding Title: Eligibility Intake Function

Program: Medical Assistance Program (Assistance Listing No. 93.778)

Name of Contact Person Responsible for Corrective Action:

Karen Kohlmeyer, Financial Services Supervisor

Corrective Action Planned:

Complete health care case reviews will be performed monthly in which we look at assets being entered correctly.

Anticipated Completion Date:

12/31/2022

Finding Number: 2021-003
Finding Title: Publication Requirements

Name of Contact Person Responsible for Corrective Action:

Carol Lapham, Finance Director

Corrective Action Planned:

Houston County will meet all publication requirements as per MN Statutes.

Anticipated Completion Date:

12/31/2022



HOUSTON COUNTY

Historic Courthouse

304 South Marshall Street

Caledonia, Minnesota 55921

REPRESENTATION OF HOUSTON COUNTY CALEDONIA, MINNESOTA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED DECEMBER 31, 2021

Finding Number: 2020-001

Repeat Finding Since: 2018

Finding Title: Segregation of Duties/Vendor Setup

Summary of Condition: Personnel responsible for adding a new vendor or changing an existing vendor file to the accounting system are also responsible for processing payments to vendors. Procedures were previously established to have personnel independent of the vendor maintenance process review a listing of new or changes to vendors quarterly. At the time of review, the previously established procedures disclosed this independent review was not performed for 2020.

Summary of Corrective Action Previously Reported: The Auditor-Treasurer will begin the review that in the past was performed by the former auditor.

Status: Fully Corrected. Corrective action was taken.

Was corrective action taken significantly different than the action previously reported?

Yes _____ No X

Finding Number: 2020-002

Repeat Finding Since: 2019

Finding Title: Audit Adjustment

Summary of Condition: A material audit adjustment was identified that resulted in a significant change to the County's financial statements. The adjustment was reviewed and approved by the appropriate County staff and is reflected in the financial statements.

Summary of Corrective Action Previously Reported: Documentation supporting the cash basis to modified accrual basis will be reviewed to ensure that entries are appropriate.

Status: Not Corrected. The calculation of contracts payable dealing with the Highway Building project were not accurate, requiring an adjustment.

Was corrective action taken significantly different than the action previously reported?

Yes _____ No X

Finding Number: 2020-003

Repeat Finding Since: 2020

**Finding Title: Activities Allowed or Unallowed and Allowable Costs/Cost Principles
Program: COVID-19 – Coronavirus Relief Fund (Assistance Listing No. 21.019)**

Summary of Condition: Houston County did not document Coronavirus Relief Fund (CRF) related duties performed for diverted staff salaries, track specific time spent, or document the reasoning for the percentage of time allocated to the grant.

Summary of Corrective Action Previously Reported: The County will implement procedures to follow the guidance related to the CRF program and claim documented actual costs incurred under the grant.

Status: Fully Corrected. Corrective action was taken.

Was corrective action taken significantly different than the action previously reported?

Yes _____ No X

Finding Number: 2020-004

Repeat Finding Since: 2018

Finding Title: Publication Requirements

Summary of Condition: Houston County does not publish an itemized list of County Board-approved payments over \$2,000 with the total number of claims and total amount for payments under \$2,000, as provided by Minn. Stat. § 375.12.

Summary of Corrective Action Previously Reported: Houston County will meet all publication requirements as per MN Statutes.

Status: Not corrected. County staff is working on procedures to ensure proper publication that have not yet been implemented.

Was corrective action taken significantly different than the action previously reported?

Yes _____ No X

Finding Number: 2018-003
Repeat Finding Since: 2018
Finding Title: Procurement
Program: Medical Assistance (ALN No. 93.778)

Summary of Condition: Two of the three procurement transactions over \$3,000 tested for compliance with federal regulations did not have adequate documentation of the history of procurement. These procurements also did not provide documentation for full and open competition as there was no support for solicitation of proposals or noncompetitive proposals, quotes, or bids.

Summary of Corrective Action Previously Reported: The County will review and comply with federal regulations regarding procurement and maintain appropriate documentation. The County's procurement policy will be updated to reflect the new requirements and appropriate procedures and processes to ensure compliance with Federal Regulations.

Status: Not Corrected. Procedures regarding procurement were not completely understood regarding the documentation of purchases.

Was corrective action taken significantly different than the action previously reported?

Yes _____ No X