State of Minnesota

Office of the State Auditor

Julie Blaha
State Auditor

Faribault County
(Including the Faribault County Economic Development Authority)
Blue Earth, Minnesota

Year Ended December 31, 2019

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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Faribault County
(Including the Faribault County Economic Development Authority)
Blue Earth, Minnesota

Year Ended December 31, 2019

Audit Practice Division
Office of the State Auditor
State of Minnesota

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FARIBAULT COUNTY
BLUE EARTH, MINNESOTA

TABLE OF CONTENTS

FARIBAULT COUNTY
BLUE EARTH, MINNESOTA

TABLE OF CONTENTS

FARIBAULT COUNTY
BLUE EARTH, MINNESOTA

TABLE OF CONTENTS
(Continued)

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FARIBAULT COUNTY
BLUE EARTH, MINNESOTA

ORGANIZATION
DECEMBER 31, 2019

			Term Expires
Elected			
Commissioners			
Board Member	John Roper	District 1	January 2021
Board Member	Greg Young	District 2	January 2023
Chair	William Groskreutz, Jr.	District 3	January 2021
Board Member	Tom Loveall	District 4	January 2023
Vice Chair	Tom Warmka	District 5	January 2021
Attorney	Kathryn Karjala		January 2023
Auditor/Treasurer	Darren Esser*		January 2023
Judge	Troy Timmerman		January 2021
County Recorder	Sheryl Asmus		January 2023
Registrar of Titles	Sheryl Asmus		January 2023
County Sheriff	Mike Gormley		January 2023
Appointed			
Assessor	Gertrude Paschke		December 2020
County Engineer	Mark Daly		May 1, 2024
Veterans Service Officer	Jenna Schmidtke		Indefinite
Medical Examiner	Aaron Johnson, M.D.		December 31, 2021
Economic Development Authority Board			
Commissioner	John Roper		January 2020
Commissioner	William Groskreutz, Jr.		January 2020
Chair	John Herman	Wells	December 31, 2020
Vice Chair	Lars Bierly	Blue Earth	December 31, 2019
Secretary/Treasurer	Brad Wolf	Winnebago	December 31, 2021
Board Member	Jack Heinitz	Blue Earth	December 31, 2022
Board Member	Vickie Savick	Kiester	December 31, 2023

*John Thompson retired in July 2019 and was replaced by Darren Esser.

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Financial Section

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STATE OF MINNESOTA
OFFICE OF THE STATE AUDITOR

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INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Faribault County
Blue Earth, Minnesota

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Faribault County Housing and Redevelopment Authority (HRA), which is a discretely presented component unit and represents 1.40 percent, 1.40 percent, and 72.96 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Faribault County HRA component unit, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

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

Emphasis of Matter – Subsequent Event

As discussed in Note 5.E. to the financial statements, subsequent to year-end, the World Health Organization declared the outbreak of a coronavirus (COVID-19) to be a pandemic. A reduction of calendar year 2021 County State Aid from state-collected gasoline tax revenue is expected to occur. In addition, it is expected that the County will experience an increase of expenditures as a result of this pandemic. The County also expects to use funds from the CARES Act. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Required Supplementary Information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not 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 Faribault County's basic financial statements. The Supplementary Information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Supplementary 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our reports dated December 21, 2020, on our consideration of Faribault County's and the Faribault County EDA component unit's internal control over financial reporting and on our tests of their compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of these reports 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 Faribault County's and the Faribault County EDA component unit's internal control over financial reporting or on compliance. The reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Faribault County's and the Faribault County EDA component unit's internal control over financial reporting and compliance. They do not include the Faribault County HRA, which was audited by other auditors.

/s/Julie Blaha	*/s/Dianne Syverson*
JULIE BLAHA STATE AUDITOR	DIANNE SYVERSON, CPA DEPUTY STATE AUDITOR

December 21, 2020

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MANAGEMENT’S DISCUSSION AND ANALYSIS

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FARIBAULT COUNTY
BLUE EARTH, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019
(Unaudited)

Faribault County's Management's Discussion and Analysis (MD&A) provides an overview of the County's financial activities for the fiscal year ended December 31, 2019. Since this information is designed to focus on the current year's activities, resulting changes, and currently known facts, it should be read in conjunction with the County's financial statements.

FINANCIAL HIGHLIGHTS

- Governmental activities' total net position is $70,470,085, of which $59,427,243 is the net investment in capital assets, and $13,856,853 is restricted to specific purposes.

- Business-type activities' total net position is $729,175, of which $649,697 is the net investment in capital assets.

- Faribault County's governmental activities' net position increased by $11,099,547 for the year ended December 31, 2019. The net position of the County's business-type activities decreased by $52,085.

- The net cost of governmental activities was $2,041,798 for the current fiscal year. The net cost was funded by general revenues and other items totaling $13,141,345. The net cost of business-type activities was $52,085.

- Governmental funds' fund balances increased by $5,879,399.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

There are two government-wide financial statements. The Statement of Net Position and the Statement of Activities (Exhibits 1 and 2) provide information about the activities of the County as a whole and present a longer-term view of the County's finances. Fund financial statements start on Exhibit 3. For governmental activities, these statements tell how 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 statement provides financial information about activities for which the County acts solely as a trustee or agent for the benefit of those outside of the government.

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

Our analysis of the County as a whole begins on Exhibit 1. The Statement of Net Position and the Statement of Activities report information about the County as a whole and about its activities in a way that helps the reader determine whether the County's financial condition has improved or declined as a result of the year's activities. These statements include all assets, deferred outflows/inflows of resources, and liabilities 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 it. You can think of the County's net position—the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources—as one way to measure the County's financial health or financial position. Over time, increases or decreases in the County's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the County's property tax base and the condition of County roads, to assess the overall health of the County.

In the Statement of Net Position and the Statement of Activities, we divide the County into three kinds of activities:

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

- Business-type activities—The County charges a fee to customers to help it cover all or most of the cost of the services it provides. The Huntley Sewer District activities are reported here.

- Component units—The County includes two separate legal entities in its report. The Faribault County Housing and Redevelopment Authority and the Faribault County Economic Development Authority are presented in separate columns. Although legally separate, these "component units" are important because the County is financially accountable for them.

Fund Financial Statements

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

- Governmental funds—Most of the County's basic services are reported in governmental funds, which focus on how money flows in and out of those funds and the balances left at year-end 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.

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

Reporting the County's Fiduciary Responsibilities

The County is the trustee, or fiduciary, over assets that can be used only for the trust beneficiaries based on the trust arrangement. 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 is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

THE COUNTY AS A WHOLE

The County's combined net position increased from $60,151,798 to $71,199,260. Our analysis focuses on the net position (Table 1) and changes in net position (Table 2) of the County's governmental activities and business-type activities.

Table 1 – Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Assets						
Current and other assets	$ 31,166,270	$ 23,844,475	$ 93,609	$ 94,580	$ 31,259,879	$ 23,939,055
Capital assets	66,261,324	64,208,765	967,697	1,023,811	67,229,021	65,232,576
Total Assets	$ 97,427,594	$ 88,053,240	$ 1,061,306	$ 1,118,391	$ 98,488,900	$ 89,171,631
Deferred Outflows of Resources	$ 2,222,341	$ 2,266,922	$ -	$ -	$ 2,222,341	$ 2,266,922
Liabilities						
Long-term liabilities	$ 24,569,322	$ 25,411,744	$ 318,000	$ 323,000	$ 24,887,322	$ 25,734,744
Other liabilities	1,661,132	2,428,067	14,131	14,131	1,675,263	2,442,198
Total Liabilities	$ 26,230,454	$ 27,839,811	$ 332,131	$ 337,131	$ 26,562,585	$ 28,176,942
Deferred Inflows of Resources	$ 2,949,396	$ 3,109,813	$ -	$ -	$ 2,949,396	$ 3,109,813
Net Position						
Net investment in capital assets	$ 59,427,243	$ 56,656,961	$ 649,697	$ 700,811	$ 60,076,940	$ 57,357,772
Restricted	13,856,853	5,596,099	-	-	13,856,853	5,596,099
Unrestricted	(2,814,011)	(2,882,522)	79,478	80,449	(2,734,533)	(2,802,073)
Total Net Position	$ 70,470,085	$ 59,370,538	$ 729,175	$ 781,260	$ 71,199,260	$ 60,151,798

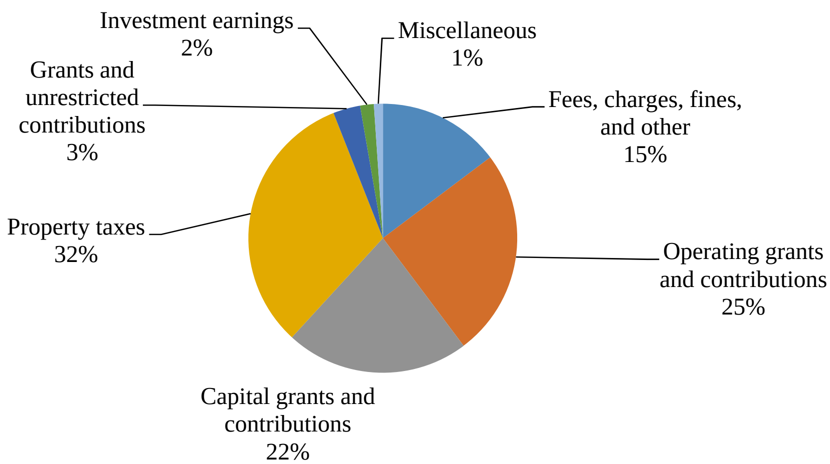
The net position of the County's governmental activities increased by 18.7 percent ($11,099,547). Unrestricted net position—the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements—changed from ($2,882,522) at December 31, 2018, to ($2,814,011) at the end of this year. Net position of the business-type activities decreased by 6.7 percent ($52,085).

Table 2 – Change in Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Revenues						
Program revenues						
Fees, charges, fines, and other	$ 5,070,478	$ 3,409,139	$ 19,730	$ 19,392	$ 5,090,208	$ 3,428,531
Operating grants and contributions	8,609,850	8,031,655	-	-	8,609,850	8,031,655
Capital grants and contributions	7,600,000	-	-	-	7,600,000	-
General revenues						
Property taxes	11,084,626	10,751,879	-	-	11,084,626	10,751,879
Grants and contributions not restricted to specific programs	1,126,665	1,042,329	-	-	1,126,665	1,042,329
Unrestricted investment earnings	558,904	364,425	-	-	558,904	364,425
Miscellaneous and other	371,150	341,320	-	-	371,150	341,320
Total Revenues	$ 34,421,673	$ 23,940,747	$ 19,730	$ 19,392	$ 34,441,403	$ 23,960,139

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Expenses						
General government	$ 4,108,493	$ 3,688,184	$ -	$ -	$ 4,108,493	$ 3,688,184
Public safety	4,172,761	3,741,783	-	-	4,172,761	3,741,783
Highways and streets	7,323,583	8,142,810	-	-	7,323,583	8,142,810
Sanitation	567,046	397,265	71,815	70,245	638,861	467,510
Human services	2,507,261	2,768,985	-	-	2,507,261	2,768,985
Culture and recreation	372,521	340,569	-	-	372,521	340,569
Conservation of natural resources	3,831,438	4,837,097	-	-	3,831,438	4,837,097
Economic development	94,313	55,751	-	-	94,313	55,751
Interest	344,710	470,810	-	-	344,710	470,810
Total Expenses	$ 23,322,126	$ 24,443,254	$ 71,815	$ 70,245	$ 23,393,941	$ 24,513,499
Change in Net Position	$ 11,099,547	$ (502,507)	$ (52,085)	$ (50,853)	$ 11,047,462	$ (553,360)
Net Position, January 1	$ 59,370,538	$ 63,810,965	$ 781,260	$ 832,113	$ 60,151,798	$ 64,643,078
Restatement	-	(3,937,920)	-	-	-	(3,937,920)
Net Position, January 1, as restated	$ 59,370,538	$ 59,873,045	$ 781,260	$ 832,113	$ 60,151,798	$ 60,705,158
Net Position, December 31	$ 70,470,085	$ 59,370,538	$ 729,175	$ 781,260	$ 71,199,260	$ 60,151,798

Total County Revenues - Percent of Total



Governmental Activities

Revenues for the County's governmental activities were $34,421,673, while total expenses were $23,322,126. However, as shown in the Statement of Activities (Exhibit 2), the amount that taxpayers ultimately financed for these activities through County taxes and other general revenues was $2,041,798, because some of the cost was paid by those who directly benefited from the programs ($5,070,478) or by other governments and organizations that subsidized certain programs with grants and contributions ($16,209,850). Overall, the County's governmental program revenues, including intergovernmental aid and fees for services, totaled $21,280,328. The

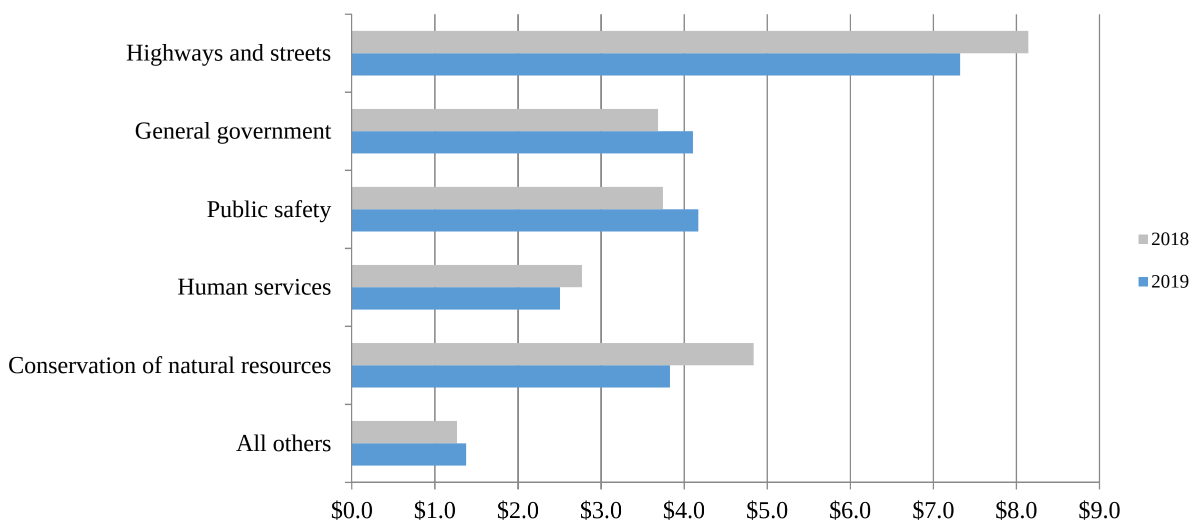
County paid for the remaining "public benefit" portion of governmental activities with $13,141,345 in general revenues, which consisted primarily of taxes (some of which could be used only for certain programs) and other revenues, such as interest and general entitlements.

Table 3 presents the cost of each of the County's five largest program functions, as well as each function's net cost (total cost, less revenues generated by the activities). The net cost shows the financial burden that was placed on the County's taxpayers by each of these functions.

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2019	2018	2019	2018
Highways and streets	$ 7,323,583	$ 8,142,810	$ (8,101,732)	$ 1,058,735
Public safety	4,172,761	3,741,783	3,399,870	2,936,158
General government	4,108,493	3,688,184	3,337,131	2,814,801
Conservation of natural resources	3,831,438	4,837,097	68,138	2,679,630
Human services	2,507,261	2,768,985	2,499,628	2,758,182
All others	1,378,590	1,264,395	838,763	754,954
Total Expenses	$ 23,322,126	$ 24,443,254	$ 2,041,798	$ 13,002,460

Governmental Activities Expenses
(in millions)



THE COUNTY'S FUNDS

As the County completed the year, its governmental funds (as presented in the Balance Sheet on Exhibit 3) reported a combined fund balance of $18,777,039, which is above last year's total of $12,897,640.

The General Fund showed an increase of $824,513. The increase was due to positive variances in special assessments, intergovernmental, charges for services, fines and forfeits, gifts and contributions, investment earnings, and miscellaneous revenue compared to budgeted amounts. General government expenditures also saw significantly fewer expenditures than budgeted.

The Public Works Special Revenue Fund showed an increase of $6,630,769. The majority of the increase was due to turnback funding received by the County to be used for the rehabilitation of roads.

The Human Services Special Revenue Fund increased by $274,284 caused by less than anticipated payments to the Faribault – Martin County Human Services Board.

The Ditch Special Revenue Fund showed a decrease of $1,759,192. The decrease is due to there being expenditures for several major projects in the current year, but the related assessments will not be levied until future years.

The Debt Service Fund decreased by $90,975. The decrease is due to the debt service payments being more than revenues and transfers in, which was anticipated.

The General Fund's fund balance is 61.3 percent of the total governmental funds, compared to 82.8 percent at the end of 2018.

General Fund Budgetary Highlights

At year-end 2019, revenues exceeded budgeted amounts by $670,004. The majority of the positive variance in revenues is the $220,857 positive variance in charges for services revenue, the $272,020 positive variance in investment earnings revenue, and the $113,776 positive variance in miscellaneous revenue. General government expenditures were $512,740 below budget, primarily due to fewer than expected expenditures for retiree health insurance premiums. The Buildings and Plant Department also showed a positive variance of $142,645 due to less than expected capital expenditures. Public safety expenditures exceeded budgeted amounts by $203,534 partly due to more than anticipated payroll expenditures. Transit expenditures were $171,600 below budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2019, the County had $67,229,021 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 $1,996,445, or 3.1 percent, more than last year.

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

	2019	2018
Governmental Activities		
Land	$ 1,965,315	$ 1,965,315
Construction in progress	4,779,411	4,348,235
Buildings and improvements	9,853,811	9,187,240
Other improvements	16,030	21,983
Machinery and equipment	3,697,143	2,711,048
Infrastructure	45,949,614	45,974,944
Total	$ 66,261,324	$ 64,208,765
Business-Type Activities		
Land	$ 27,643	$ 27,643
Machinery and equipment	13,999	18,666
Infrastructure	926,055	977,502
Total	$ 967,697	$ 1,023,811

There is more detailed information on capital assets in the notes to the financial statements.

Debt

At year-end, the County had $12,945,000 in governmental activities bonds outstanding, versus $14,090,000 for last year. Table 5 shows the outstanding debt.

Table 5
Outstanding Debt at Year-End

	2019	2018
Governmental Activities		
Bonds payable	$ 12,945,000	$ 14,090,000

	2019	2018
Business-Type Activities		
Bonds payable	$ 318,000	$ 323,000

The County's general obligation bond rating was set at an Aa3 rating by Moody's Investors Service as rated in 2020. The state limits the amount of net debt that the County can issue to three percent of the market value of all taxable property in the County. The County's outstanding net debt is significantly below this state-imposed limit. More detailed information about the County's long-term liabilities is presented in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The County's elected and appointed officials considered many factors when setting the fiscal year 2020 budget, tax rates, and fees that will be charged.

- The County's General Fund expenditures for 2020 are budgeted to increase 4.69 percent from 2019. Most of this increase is for the addition of three full-time employees along with personnel cost of living and benefit increases.

- Agricultural land prices have stabilized after several years of significant increases. County assessment values were projected to be steady for 2020 payable taxes and will continue that way for taxes payable in 2021. Agricultural land prices are a significant part of the County's tax base and are a reliable source of property tax revenue.

- Property tax levies have increased 3.4 percent for 2020. Significant increases in the Human Services levy and cost of living adjustments affecting the General Fund and the Public Works Special Revenue Fund along with the addition of three full-time employees were the main reasons for the increase.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and 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 County Auditor/Treasurer/Coordinator Darren Esser, Faribault County Courthouse, 415 North Main Street, PO Box 130, Blue Earth, Minnesota 56013.

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

FARIBAULT COUNTY
BLUE EARTH, MINNESOTA

EXHIBIT 1

STATEMENT OF NET POSITION
DECEMBER 31, 2019

	Primary Government			Discretely Presented Component Units	
	Governmental Activities	Business-Type Activities	Total	Housing and Redevelopment Authority	Economic Development Authority
Assets					
Cash and pooled investments	$ 18,655,579	$ 71,569	$ 18,727,148	$ 100	$ 322,402
Petty cash and change funds	2,562	-	2,562	-	-
Cash with fiscal agent	-	-	-	8,270	-
Taxes receivable					
Delinquent	154,179	-	154,179	-	-
Special assessments receivable					
Delinquent	77,918	14,629	92,547	-	-
Noncurrent	7,704,930	3,296	7,708,226	-	-
Accounts receivable	19,706	-	19,706	610	-
Accrued interest receivable	33,930	-	33,930	-	90
Due from other governments	2,821,974	4,115	2,826,089	-	-
Advance to other governments	116,989	-	116,989	-	-
Loans receivable	66,906	-	66,906	-	301,062
Inventories	1,475,889	-	1,475,889	-	-
Prepaid items	35,708	-	35,708	-	-
Restricted assets					
Investments – temporary	-	-	-	-	9,765
Capital assets					
Non-depreciable	6,744,726	27,643	6,772,369	-	-
Depreciable – net of accumulated depreciation	59,516,598	940,054	60,456,652	-	-
Total Assets	**$ 97,427,594**	**$ 1,061,306**	**$ 98,488,900**	**$ 8,980**	**$ 633,319**
Deferred Outflows of Resources					
Deferred pension outflows	$ 1,113,497	$ -	$ 1,113,497	$ -	$ -
Deferred other postemployment benefits outflows	1,108,844	-	1,108,844	-	-
Total Deferred Outflows of Resources	**$ 2,222,341**	**$ -**	**$ 2,222,341**	**$ -**	**$ -**

FARIBAULT COUNTY
BLUE EARTH, MINNESOTA

EXHIBIT 1
(Continued)

STATEMENT OF NET POSITION
DECEMBER 31, 2019

	Primary Government			Discretely Presented Component Units	
	Governmental Activities	Business-Type Activities	Total	Housing and Redevelopment Authority	Economic Development Authority
Liabilities					
Accounts payable	$ 370,964	$ -	$ 370,964	$ -	$ -
Salaries payable	289,455	-	289,455	-	-
Contracts payable	313,112	-	313,112	-	-
Due to other governments	471,965	-	471,965	-	-
Accrued interest payable	152,885	14,131	167,016	-	-
Unearned revenue	62,751	-	62,751	-	-
Long-term liabilities					
Due within one year	1,094,598	5,000	1,099,598	-	-
Due in more than one year	13,292,815	313,000	13,605,815	-	-
Other postemployment benefits liability	6,913,148	-	6,913,148	-	-
Net pension liability	3,268,761	-	3,268,761	-	-
Total Liabilities	**$ 26,230,454**	**$ 332,131**	**$ 26,562,585**	**$ -**	**$ -**
Deferred Inflows of Resources					
Advanced allotments	$ 336,288	$ -	$ 336,288	$ -	$ -
Deferred pension inflows	2,250,139	-	2,250,139	-	-
Deferred other postemployment benefits inflows	362,969	-	362,969	-	-
Total Deferred Inflows of Resources	**$ 2,949,396**	**$ -**	**$ 2,949,396**	**$ -**	**$ -**
Net Position					
Net investment in capital assets	$ 59,427,243	$ 649,697	$ 60,076,940	$ -	$ -
Restricted for					
General government	705,372	-	705,372	-	-
Public safety	257,496	-	257,496	-	-
Highways and streets	9,156,125	-	9,156,125	-	-
Sanitation	1,077,079	-	1,077,079	-	-
Conservation of natural resources	1,365,013	-	1,365,013	-	-
Debt service	1,295,768	-	1,295,768	-	-
Housing assistance payments	-	-	-	8,980	-
Commercial rehabilitation loans	-	-	-	-	33,350
Unrestricted	(2,814,011)	79,478	(2,734,533)	-	599,969
Total Net Position	**$ 70,470,085**	**$ 729,175**	**$ 71,199,260**	**$ 8,980**	**$ 633,319**

FARIBAULT COUNTY
BLUE EARTH, MINNESOTA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

		Program Revenues	
	Expenses	Fees, Charges, Fines, and Other	Operating Grants and Contributions
Functions/Programs			
Primary government			
Governmental activities			
General government	$ 4,108,493	$ 565,448	$ 205,914
Public safety	4,172,761	591,093	181,798
Highways and streets	7,323,583	210,440	7,614,875
Sanitation	567,046	355,904	68,710
Human services	2,507,261	-	7,633
Culture and recreation	372,521	71,938	43,275
Conservation of natural resources	3,831,438	3,275,655	487,645
Economic development	94,313	-	-
Interest	344,710	-	-
Total governmental activities	**$ 23,322,126**	**$ 5,070,478**	**$ 8,609,850**
Business-type activities			
Huntley Sewer District	71,815	19,730	-
Total Primary Government	**$ 23,393,941**	**$ 5,090,208**	**$ 8,609,850**
Component units			
Housing and Redevelopment Authority	$ 296,589	$ 5,031	$ 299,913
Economic Development Authority	1,258	6,635	106,288
Total Component Units	**$ 297,847**	**$ 11,666**	**$ 406,201**

General Revenues
- Property taxes
- Mortgage registry and deed tax
- Payments in lieu of tax
- Wheelage tax
- Grants and contributions not restricted to specific programs
- Unrestricted investment earnings
- Miscellaneous

Total general revenues and transfers

Change in net position

Net Position – Beginning

Net Position – Ending

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

EXHIBIT 2

	Net (Expense) Revenue and Changes in Net Position				
	Primary Government			Discretely Presented Component Units	
Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Housing and Redevelopment Authority	Economic Development Authority
$ -	$ (3,337,131)	$ -	$ (3,337,131)		
-	(3,399,870)	-	(3,399,870)		
7,600,000	8,101,732	-	8,101,732		
-	(142,432)	-	(142,432)		
-	(2,499,628)	-	(2,499,628)		
-	(257,308)	-	(257,308)		
-	(68,138)	-	(68,138)		
-	(94,313)	-	(94,313)		
-	(344,710)	-	(344,710)		
$ 7,600,000	**$ (2,041,798)**	**$ -**	**$ (2,041,798)**		
-	-	(52,085)	(52,085)		
$ 7,600,000	**$ (2,041,798)**	**$ (52,085)**	**$ (2,093,883)**		
$ -				$ 8,355	$ -
-				-	111,665
$ -				**$ 8,355**	**$ 111,665**
	$ 11,084,626	$ -	$ 11,084,626	$ -	$ -
	9,027	-	9,027	-	-
	76,615	-	76,615	-	-
	167,806	-	167,806	-	-
	1,126,665	-	1,126,665	-	-
	558,904	-	558,904	-	93
	117,702	-	117,702	-	-
	$ 13,141,345	**$ -**	**$ 13,141,345**	**$ -**	**$ 93**
	$ 11,099,547	**$ (52,085)**	**$ 11,047,462**	**$ 8,355**	**$ 111,758**
	59,370,538	**781,260**	**60,151,798**	**625**	**521,561**
	$ 70,470,085	**$ 729,175**	**$ 71,199,260**	**$ 8,980**	**$ 633,319**

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FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUNDS

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2019

	General	Public Works
Assets		
Cash and pooled investments	$ 7,985,773	$ 8,521,813
Petty cash and change funds	2,265	297
Taxes receivable		
Delinquent	89,338	18,513
Special assessments receivable		
Delinquent	58,766	-
Noncurrent	464,379	-
Accounts receivable	11,824	-
Accrued interest receivable	33,930	-
Interfund receivable	3,580,865	-
Due from other funds	-	2,593
Due from other governments	123,611	1,723,772
Prepaid items	14,628	21,080
Advance to other governments	116,989	-
Inventories	-	1,475,889
Loans receivable	66,906	-
Total Assets	**$ 12,549,274**	**$ 11,763,957**
Liabilities, Deferred Inflows of Resources, and Fund Balances		
Liabilities		
Accounts payable	$ 110,639	$ 68,812
Salaries payable	225,217	64,238
Contracts payable	-	313,112
Interfund payable	-	-
Due to other funds	1,794	386,556
Due to other governments	60,887	57,753
Unearned revenue	62,751	-
Total Liabilities	**$ 461,288**	**$ 890,471**
Deferred Inflows of Resources		
Unavailable revenue	$ 578,373	$ 1,721,227
Advanced allotments	-	336,288
Total Deferred Inflows of Resources	**$ 578,373**	**$ 2,057,515**

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

EXHIBIT 3

Human Services	Ditch	Debt Service	Total Governmental Funds
$ 1,188,131	$ -	$ 959,862	$ 18,655,579
-	-	-	2,562
35,068	-	11,260	154,179
-	19,152	-	77,918
-	7,240,551	-	7,704,930
-	7,882	-	19,706
-	-	-	33,930
-	-	-	3,580,865
-	386,556	-	389,149
-	974,591	-	2,821,974
-	-	-	35,708
-	-	-	116,989
-	-	-	1,475,889
-	-	-	66,906
$ 1,223,199	**$ 8,628,732**	**$ 971,122**	**$ 35,136,284**
$ -	$ 191,513	$ -	$ 370,964
-	-	-	289,455
-	-	-	313,112
-	3,580,865	-	3,580,865
-	799	-	389,149
133,380	219,945	-	471,965
-	-	-	62,751
$ 133,380	**$ 3,993,122**	**$ -**	**$ 5,478,261**
$ 25,462	$ 8,211,310	$ 8,324	$ 10,544,696
-	-	-	336,288
$ 25,462	**$ 8,211,310**	**$ 8,324**	**$ 10,880,984**

FARIBAULT COUNTY
BLUE EARTH, MINNESOTA

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2019

	General	Public Works
Liabilities, Deferred Inflows of Resources, and Fund Balances (Continued)		
Fund Balances		
Nonspendable		
Inventories	$ -	$ 1,475,889
Prepaid items	14,628	21,080
Advances	116,989	-
Restricted for		
Law library	17,737	-
Recorder's technology equipment	430,640	-
Recorder's compliance	256,995	-
E-911	192,921	-
Drug abuse resistance education (DARE)	64,575	-
Solid waste projects	1,077,079	-
Aquatic invasive species	79,519	-
Riparian aid	274,327	-
Highway projects	-	7,622,844
Ditch maintenance and repairs	-	-
Debt service	-	-
Committed for		
Human services	-	-
Unassigned	8,984,203	(303,842)
Total Fund Balances	**$ 11,509,613**	**$ 8,815,971**
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	**$ 12,549,274**	**$ 11,763,957**

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

EXHIBIT 3
(Continued)

Human Services	Ditch	Debt Service	Total Governmental Funds
$ -	$ -	$ -	$ 1,475,889
-	-	-	35,708
-	-	-	116,989
-	-	-	17,737
-	-	-	430,640
-	-	-	256,995
-	-	-	192,921
-	-	-	64,575
-	-	-	1,077,079
-	-	-	79,519
-	-	-	274,327
-	-	-	7,622,844
-	1,152,484	-	1,152,484
-	-	962,798	962,798
1,064,357	-	-	1,064,357
-	(4,728,184)	-	3,952,177
$ 1,064,357	**$ (3,575,700)**	**$ 962,798**	**$ 18,777,039**
$ 1,223,199	**$ 8,628,732**	**$ 971,122**	**$ 35,136,284**

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FARIBAULT COUNTY
BLUE EARTH, MINNESOTA

EXHIBIT 4

RECONCILIATION OF FUND BALANCES OF GOVERNMENTAL FUNDS TO NET POSITION—GOVERNMENTAL ACTIVITIES DECEMBER 31, 2019

Fund balance – total governmental funds (Exhibit 3)		**$ 18,777,039**
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.		66,261,324
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources – unavailable revenue in the governmental funds.		10,544,696
Governmental funds do not report a liability for accrued interest on long-term liabilities until due and payable.		(152,885)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
General obligation bonds	$ (6,825,000)	
Special assessment bonds	(6,120,000)	
Bond discount	909	
Bond premium	(320,462)	
Other postemployment benefits liability	(6,913,148)	
Net pension liability	(3,268,761)	
Compensated absences payable	(1,122,860)	(24,569,322)
Deferred outflows of resources and deferred inflows of resources resulting from changes in the components of the other postemployment benefits liability are not reported in the governmental funds.		
Deferred other postemployment benefits outflows		1,108,844
Deferred other postemployment benefits inflows		(362,969)
Deferred outflows of resources and deferred inflows of resources resulting from changes in the components of the net pension liability are not reported in the governmental funds.		
Deferred pension outflows		1,113,497
Deferred pension inflows		(2,250,139)
Net Position of Governmental Activities (Exhibit 1)		**$ 70,470,085**

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

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019

	General	Public Works
Revenues		
Taxes	$ 6,491,925	$ 1,465,428
Special assessments	550,449	-
Licenses and permits	1,270	-
Intergovernmental	1,517,348	14,710,383
Charges for services	1,134,342	46,571
Fines and forfeits	39,947	-
Gifts and contributions	11,604	-
Investment earnings	547,020	15,635
Miscellaneous	321,721	235,807
Total Revenues	**$ 10,615,626**	**$ 16,473,824**
Expenditures		
Current		
General government	$ 4,044,898	$ -
Public safety	4,044,720	-
Highways and streets	-	9,086,517
Sanitation	567,046	-
Culture and recreation	186,256	186,265
Conservation of natural resources	690,722	-
Economic development	97,008	-
Intergovernmental		
Highways and streets	-	515,082
Human services	-	-
Debt service		
Principal	-	-
Interest	-	-
Administrative charges	-	-
Total Expenditures	**$ 9,630,650**	**$ 9,787,864**
Excess of Revenues Over (Under) Expenditures	**$ 984,976**	**$ 6,685,960**
Other Financing Sources (Uses)		
Transfers in	$ -	$ -
Transfers out	(160,463)	-
Total Other Financing Sources (Uses)	**$ (160,463)**	**$ -**
Net Change in Fund Balances	**$ 824,513**	**$ 6,685,960**
Fund Balance – January 1	**10,685,100**	**2,185,202**
Increase (decrease) in inventories	**-**	**(55,191)**
Fund Balance – December 31	**$ 11,509,613**	**$ 8,815,971**

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

EXHIBIT 5

Human Services	Ditch	Debt Service	Total Governmental Funds
$ 2,532,489	$ -	$ 771,461	$ 11,261,303
-	1,734,569	-	2,285,018
-	-	-	1,270
249,056	101,489	25,381	16,603,657
-	-	-	1,180,913
-	-	-	39,947
-	-	-	11,604
-	-	-	562,655
-	58,675	-	616,203
$ 2,781,545	**$ 1,894,733**	**$ 796,842**	**$ 32,562,570**
$ -	$ -	$ -	$ 4,044,898
-	-	-	4,044,720
-	-	-	9,086,517
-	-	-	567,046
-	-	-	372,521
-	3,171,552	-	3,862,274
-	-	-	97,008
-	-	-	515,082
2,507,261	-	-	2,507,261
-	295,000	850,000	1,145,000
-	186,581	197,073	383,654
-	792	1,207	1,999
$ 2,507,261	**$ 3,653,925**	**$ 1,048,280**	**$ 26,627,980**
$ 274,284	**$ (1,759,192)**	**$ (251,438)**	**$ 5,934,590**
$ -	$ -	$ 160,463	$ 160,463
-	-	-	(160,463)
$ -	**$ -**	**$ 160,463**	**$ -**
$ 274,284	**$ (1,759,192)**	**$ (90,975)**	**$ 5,934,590**
790,073	**(1,816,508)**	**1,053,773**	**12,897,640**
-	**-**	**-**	**(55,191)**
$ 1,064,357	**$ (3,575,700)**	**$ 962,798**	**$ 18,777,039**

FARIBAULT COUNTY
BLUE EARTH, MINNESOTA

EXHIBIT 6

RECONCILIATION OF THE CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES—GOVERNMENTAL ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2019

Net change in fund balance – total governmental funds (Exhibit 5)		**$ 5,934,590**
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.		
Unavailable revenue – December 31	$ 10,544,696	
Unavailable revenue – January 1	(8,685,593)	1,859,103
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 sales increase financial resources. Therefore, the change in net position differs from the change in fund balance by the net book value of the assets disposed.		
Expenditures for general capital assets and infrastructure	$ 5,942,561	
Current year depreciation	(3,845,076)	
Net book value of assets disposed	(44,926)	2,052,559
The repayment of the principal of long-term debt consumes the current financial resources of governmental funds. These repayments do not have an effect on net position. Also, governmental funds report the net effect of 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 activities.		
Principal repayments		
General obligation bonds	$ 850,000	
Special assessment bonds	295,000	1,145,000
Amortization of discount on bonds		(1,091)
Amortization of premium on bonds		28,094

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

EXHIBIT 6
(Continued)

**RECONCILIATION OF THE CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES—GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019**

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 inventories	$ (55,191)	
Change in deferred other postemployment benefits outflows	771,374	
Change in deferred pension outflows	(815,955)	
Change in accrued interest payable	13,940	
Change in compensated absences	(153,000)	
Change in other postemployment benefits liability	(77,462)	
Change in net pension liability	(99,119)	
Change in deferred other postemployment benefits inflows	(362,969)	
Change in deferred pension inflows	859,674	81,292
Change in Net Position of Governmental Activities (Exhibit 2)		**$ 11,099,547**

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PROPRIETARY FUND

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FARIBAULT COUNTY
BLUE EARTH, MINNESOTA

EXHIBIT 7

STATEMENT OF FUND NET POSITION
HUNTLEY SEWER DISTRICT ENTERPRISE (PROPRIETARY) FUND
DECEMBER 31, 2019

		Business-Type Activities
Assets		
Current assets		
Cash and pooled investments	$	71,569
Special assessments		
Delinquent		14,629
Noncurrent		3,296
Due from other governments		4,115
Total current assets	**$**	**93,609**
Noncurrent assets		
Capital assets		
Nondepreciable	$	27,643
Depreciable – net of accumulated depreciation		940,054
Total noncurrent assets	**$**	**967,697**
Total Assets	**$**	**1,061,306**
Liabilities		
Current liabilities		
Accrued interest payable	$	14,131
General obligation bonds payable – current		5,000
Total current liabilities	**$**	**19,131**
Noncurrent liabilities		
General obligation bonds payable – long-term		313,000
Total Liabilities	**$**	**332,131**
Net Position		
Net investment in capital assets	$	649,697
Unrestricted		79,478
Total Net Position	**$**	**729,175**

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

FARIBAULT COUNTY
BLUE EARTH, MINNESOTA

EXHIBIT 8

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
HUNTLEY SEWER DISTRICT ENTERPRISE (PROPRIETARY) FUND
FOR THE YEAR ENDED DECEMBER 31, 2019

		Business-Type Activities
Operating Revenues		
Charges for services	$	15,161
Special assessments		4,569
Total Operating Revenues	**$**	**19,730**
Operating Expenses		
Administration and fiscal services	$	1,568
Depreciation		56,114
Total Operating Expenses	**$**	**57,682**
Operating Income (Loss)	**$**	**(37,952)**
Nonoperating Revenues (Expenses)		
Interest expense		(14,133)
Change in net position	**$**	**(52,085)**
Net Position – January 1		**781,260**
Net Position – December 31	**$**	**729,175**

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

FARIBAULT COUNTY
BLUE EARTH, MINNESOTA

EXHIBIT 9

STATEMENT OF CASH FLOWS
HUNTLEY SEWER DISTRICT ENTERPRISE (PROPRIETARY) FUND
FOR THE YEAR ENDED DECEMBER 31, 2019
Increase (Decrease) in Cash and Cash Equivalents

		Business-Type Activities
Cash Flows from Operating Activities		
Receipts from customers	$	19,347
Payments to suppliers		(1,568)
Net cash provided by (used in) operating activities	**$**	**17,779**
Cash Flows from Capital and Related Financing Activities		
Principal paid on long-term debt	$	(5,000)
Interest paid on long-term debt		(14,133)
Net cash provided by (used in) capital and related financing activities	**$**	**(19,133)**
Net Increase (Decrease) in Cash and Cash Equivalents	**$**	**(1,354)**
Cash and Cash Equivalents at January 1		**72,923**
Cash and Cash Equivalents at December 31	**$**	**71,569**
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities		
Operating income (loss)	**$**	**(37,952)**
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities		
Depreciation expense	$	56,114
(Increase) decrease in special assessments – delinquent		(398)
(Increase) decrease in special assessments – noncurrent		(1,147)
(Increase) decrease in due from other governments		1,162
Total adjustments	**$**	**55,731**
Net Cash Provided by (Used in) Operating Activities	**$**	**17,779**

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FIDUCIARY FUNDS

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FARIBAULT COUNTY
BLUE EARTH, MINNESOTA

EXHIBIT 10

STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
DECEMBER 31, 2019

Assets	
Cash and pooled investments	**$ 374,286**
Liabilities	
Due to other governments	**$ 374,286**

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

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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, 2019. 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

Faribault County was established February 20, 1855, 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 Faribault County (primary government) and its component units 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.

Discretely Presented Component Units

While part of the reporting entity, discretely presented component units are presented in separate columns in the government-wide financial statements to emphasize that they are legally separate from the County. The following component units of Faribault County are discretely presented:

Component Unit	Included in Reporting Entity Because	Separate Financial Statements
Faribault County Economic Development Authority (EDA) provides services pursuant to Minn. Stat. §§ 469.090-469.1081.	County appoints all members, and there is a financial benefit or burden relationship with the County.	Separate financial statements are not prepared.
Faribault County Housing and Redevelopment Authority (HRA) provides services pursuant to Minn. Stat. §§ 469.001-469.047.	County appoints the Board members, must approve debt, and can impose its will.	Faribault County HRA Minnesota Valley Action Council 706 North Victory Drive Mankato, Minnesota 56001

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 5.B. The County also participates in several jointly-governed organizations described in Note 5.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 units. These statements include the financial activities of the overall County government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external parties for support.

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

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

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. Separate statements for each fund category—governmental, proprietary, and fiduciary—are presented. The emphasis of governmental and proprietary fund financial statements is on major individual governmental and enterprise funds, with each displayed as separate columns in the fund financial statements.

The proprietary fund distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the enterprise fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for sales and services. Operating expenses for the enterprise fund include the costs of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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 Public Works Special Revenue Fund is used to account for restricted revenues from the federal and state government, as well as assigned property tax revenues used for the establishment, location, vacation, construction, reconstruction, improvement, and maintenance of roads, bridges, and other projects affecting County roadways and parks.

- The Human Services Special Revenue Fund is used to account for committed property tax revenues and the transfer of Faribault County's share of the Faribault-Martin County Human Services Board.

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

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

- The Debt Service Fund is used to account for restricted property tax revenues for the payment of principal, interest, and related costs of County debt.

The County considers all governmental funds to be major.

The County reports the following major enterprise fund:

- The Huntley Sewer District Fund is used to account for the operation, maintenance, and development of the Huntley Sewer District. The County established the service district in 2006 to account for the activity of the sewer system built for the unincorporated area in Verona Township known as Huntley.

Additionally, the County reports the following fund type:

- Agency 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.

C. Measurement Focus and Basis of Accounting

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

1. Summary of Significant Accounting Policies

C. Measurement Focus and Basis of Accounting (Continued)

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. Faribault County considers all revenues as available if collected within 60 days after the end of the current period. Property and other taxes, shared revenues, 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 Auditor/Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2019, based on market prices. A market approach is used to value all investments other than external investment pools, which are measured at the net asset value (NAV) or fair value per share. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments are credited to the General Fund.

Faribault County invests in an external investment pool, the Minnesota Association of Governments Investing for Counties (MAGIC) Fund, which is created under a joint powers agreement pursuant to Minn. Stat. § 471.59. The investment in the pool is measured at the NAV per share provided by the pool.

Other funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants. Pooled investment earnings in the General Fund for 2019 were $335,705.

1. Summary of Significant Accounting Policies

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

      2. Cash and Cash Equivalents

         Each fund's equity in the County's investment pool is treated as a cash equivalent because the funds can deposit or effectively withdraw cash at any time without prior notice or penalty.

      3. 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." Any residual balance outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

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

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

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

         Special assessments receivable consist of delinquent special assessments payable in the years 2014 through 2019 and noncurrent special assessments payable in 2020 and after. Unpaid special assessments at December 31 are classified in the financial statements as delinquent special assessments receivable.

1. Summary of Significant Accounting Policies

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

4. 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. Inventories at the government-wide level are reported as expenses when consumed.

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

5. Restricted Assets

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

6. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (for example, roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements and the proprietary fund financial statements. Capital assets have initial useful lives extending beyond two years and a dollar amount for capitalization per asset category as follows: all land and construction in progress are capitalized regardless of cost; machinery and equipment when the cost of individual items exceeds $5,000; other improvements and buildings and improvements when the cost exceeds $25,000; and infrastructure when the cost of projects exceeds $50,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value.

1. Summary of Significant Accounting Policies

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

6. Capital Assets (Continued)

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. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the current period, the County did not have any capitalized interest.

Capital assets of the County are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings and improvements	7 - 40
Other improvements	15 - 25
Machinery and equipment	3 - 20
Infrastructure	25 - 30

7. Compensated Absences

The liability for compensated absences reported in the financial statements consists of unpaid, accumulated annual 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 as 1.3 percent of the total liability. The compensated absences liability is liquidated by the General Fund and the Public Works Special Revenue Fund.

1. Summary of Significant Accounting Policies

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

      8. Long-Term Obligations

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

         In the fund financial statements, governmental 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 other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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

         In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The County has three types of deferred inflows. The County reports advanced allotments for state aid received by the County not yet appropriated by the State of Minnesota. These amounts arise under both the modified accrual and the

1. Summary of Significant Accounting Policies

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

9. Deferred Outflows/Inflows of Resources (Continued)

full accrual basis of accounting and are reported in both the governmental funds balance sheet and the statement of net position. The governmental funds report unavailable revenue from delinquent taxes and special assessments receivable and grant receivables. Unavailable revenue arises only under the modified accrual basis of accounting and, accordingly, is reported only in the governmental funds balance sheet. Unavailable revenue is deferred and recognized as an inflow of resources in the period that the amounts become available. The County also reports deferred inflows of resources associated with pension plans and OPEB. These inflows arise only under the full accrual basis of accounting and, accordingly, are reported only in the statement of net position.

10. Pension Plan

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

11. Unearned Revenue

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

12. Classification of Net Position

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

1. Summary of Significant Accounting Policies

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

12. Classification of Net Position (Continued)

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

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

13. Classification of Fund Balances

The County's fund balance policy established a minimum unassigned fund balance equal to 35 to 50 percent of total General Fund operating expenditures. Should the actual amount of fund balance fall below the desired range, the Board shall create a plan to restore the appropriate levels.

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 are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or are imposed by law through constitutional provisions or enabling legislation.

1. Summary of Significant Accounting Policies

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

13. Classification of Fund Balances (Continued)

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

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

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

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

14. Use of Estimates

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

2. Stewardship, Compliance, and Accountability

Deficit Fund Balance – Ditch Special Revenue Fund

The Ditch Special Revenue Fund has a deficit fund balance of $3,575,700 at December 31, 2019. The deficit will be eliminated with future special assessments against benefited properties. The following is a summary of the individual ditch systems:

73 ditches with positive fund balances	$ 1,152,484
103 ditches with deficit fund balances	(4,728,184)
Total Fund Balance	$ (3,575,700)

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

The County's (and EDA's) total cash and investments are reported as follows:

Primary government	
Governmental activities	
Cash and pooled investments	$ 18,655,579
Petty cash and change funds	2,562
Business-type activities	
Cash and pooled investments	71,569
Component unit – EDA	
Cash and pooled investments	322,402
Restricted temporary investment	9,765
Fiduciary funds	
Cash and pooled investments	374,286
Total Cash and Investments	$ 19,436,163

The HRA component unit's cash is held by its fiscal agent (see Note 7.).

a. Deposits

The County is authorized by Minn. Stat. § 118A.02 to designate a depository for public funds. The County is required by Minn. Stat. § 118A.03 to protect deposits with insurance, surety bond, or collateral. The market value of

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

a. Deposits (Continued)

collateral pledged shall be at least ten percent more than the amount on deposit at the close of the financial institution's banking day, not covered by insurance or bonds.

Authorized collateral includes treasury bills, notes and bonds; issues of U.S. government agencies; general obligations rated "A" or better and revenue obligations rated "AA" or better; irrevocable standby letters of credit issued by the Federal Home Loan Bank; and 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 that is not owned or controlled by the financial institution furnishing the collateral.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits may not be returned to it. The County does not have a deposit policy for custodial credit risk. As of December 31, 2019, the County's deposits were not exposed to custodial credit risk.

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;

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

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

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

(4) time deposits fully insured by the Federal Deposit Insurance Corporation or bankers' acceptances of United States banks;

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

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

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. The County minimizes its exposure to interest rate risk by limiting long-term investments. County policy states that approximately 30 percent of the County's total portfolio balance as of May 31 of the year reporting may be invested in items that mature in more than one year.

	Maturity Dates	
	0 - 1 Year	Over 1 Year
Negotiable certificates of deposit	$ -	$ 652,208

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. It is the County's policy to invest only in securities that meet the ratings requirements set by state statute.

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities in the possession of an outside party. The County's investment policy is to minimize investment custodial credit risk by permitting brokers that obtained investments for the County to hold them only to the extent there is Securities Investor Protection Corporation (SIPC) coverage and excess SIPC coverage available. Securities purchased that exceed available SIPC coverage shall be transferred to the County's custodian. As of December 31, 2019, the County's investments were not subject to custodial credit risk.

Concentration of Credit Risk

The concentration of credit risk is the risk of loss that may be caused by the County's investment in a single issuer. The County's policy is to minimize concentration of credit risk by diversifying the investment so that the impact of potential losses from any one type of security will be minimized.

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments

Concentration of Credit Risk (Continued)

Investments in any one issuer that represent five percent or more of the County's investments are as follows:

Issuer	Moody's Rating	Maturity Date	Market Value
BMW Bank N America	NR	02/16/2021	$ 100,258
Ally Bank	NR	07/19/2021	201,102
Morgan Stanley PVT Bank	NR	09/20/2021	150,386
Wells Fargo Bank NA	NR	08/16/2022	200,462

NR – not rated

Fair Value Measurements

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, 2019, the County had the following recurring fair value measurements:

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments

Fair Value Measurements (Continued)

		Fair Value Measurements Using		
	December 31, 2019	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				
Negotiable certificates of deposit	$ 652,208	$ -	$ 652,208	$ -
Investments measured at the NAV				
MAGIC Portfolio	$ 613			
Wells Fargo 100% Treasury Money Market Mutual Fund	121			
Total Investments Measured at the NAV	$ 734			

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

- Negotiable certificates of deposit: matrix pricing based on the securities' relationship to benchmark quoted prices.

MAGIC is a local government investment pool which is quoted at the NAV. The County invests in this pool for the purpose of the joint investment of the County's money with those of other counties to enhance the investment earnings accruing to each member.

MAGIC Portfolio is valued using amortized cost. Shares of the MAGIC Portfolio are available to be redeemed upon proper notice without restrictions under normal operating conditions. There are no limits to the number of redemptions that can be made as long as the County has a sufficient number of shares to meet their redemption request. The MAGIC Fund's Board of Trustees can suspend the right of withdrawal or postpone the date of payment if the Trustees determine that there is an emergency that makes the sale of a Portfolio's securities or determination of its NAV not reasonably practical.

3. Detailed Notes on All Funds

A. Assets (Continued)

2. Receivables

Receivables as of December 31, 2019, for the County are as follows:

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental Activities		
Taxes – delinquent	$ 154,179	$ -
Special assessments – delinquent	77,918	-
Special assessments – noncurrent	7,704,930	6,389,274
Accounts receivable	19,706	-
Accrued interest receivable	33,930	-
Loans receivable	66,906	62,192
Due from other governments	2,821,974	-
Advance to other governments	116,989	116,989
Total Governmental Activities	$ 10,996,532	$ 6,568,455

In July 2015, the County loaned $100,000 to the City of Walters for street overlay. The loan is to be paid back in semi-annual installments of $6,722 until paid in full on July 1, 2025. The ending loan balance at December 31, 2019, was $66,906.

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Business-Type Activities		
Special assessments – delinquent	$ 14,629	$ -
Special assessments – noncurrent	3,296	-
Due from other governments	4,115	-
Total Business-Type Activities	$ 22,040	$ -

3. Detailed Notes on All Funds

A. Assets (Continued)

3. Capital Assets

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

Governmental Activities

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	$ 1,965,315	$ -	$ -	$ 1,965,315
Construction in progress	4,348,235	4,647,443	4,216,267	4,779,411
Total capital assets not depreciated	$ 6,313,550	$ 4,647,443	$ 4,216,267	$ 6,744,726
Capital assets depreciated				
Buildings and improvements	$ 14,274,793	$ 1,031,342	$ 63,501	$ 15,242,634
Other improvements	161,597	-	-	161,597
Machinery and equipment	10,124,438	1,722,748	908,494	10,938,692
Infrastructure	102,317,915	2,757,295	-	105,075,210
Total capital assets depreciated	$ 126,878,743	$ 5,511,385	$ 971,995	$ 131,418,133
Less: accumulated depreciation for				
Buildings and improvements	$ 5,087,553	$ 331,528	$ 30,258	$ 5,388,823
Other improvements	139,614	5,953	-	145,567
Machinery and equipment	7,413,390	724,970	896,811	7,241,549
Infrastructure	56,342,971	2,782,625	-	59,125,596
Total accumulated depreciation	$ 68,983,528	$ 3,845,076	$ 927,069	$ 71,901,535
Total capital assets depreciated, net	$ 57,895,215	$ 1,666,309	$ 44,926	$ 59,516,598
Capital Assets, Net	$ 64,208,765	$ 6,313,752	$ 4,261,193	$ 66,261,324

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

Business-Type Activities

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	$ 27,643	$ -	$ -	$ 27,643
Capital assets depreciated				
Machinery and equipment	$ 70,000	$ -	$ -	$ 70,000
Infrastructure	1,543,420	-	-	1,543,420
Total capital assets depreciated	$ 1,613,420	$ -	$ -	$ 1,613,420
Less: accumulated depreciation for				
Machinery and equipment	$ 51,334	$ 4,667	$ -	$ 56,001
Infrastructure	565,918	51,447	-	617,365
Total accumulated depreciation	$ 617,252	$ 56,114	$ -	$ 673,366
Total capital assets depreciated, net	$ 996,168	$ (56,114)	$ -	$ 940,054
Capital Assets, Net	$ 1,023,811	$ (56,114)	$ -	$ 967,697

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

Governmental Activities	
General government	$ 472,426
Public safety	227,079
Highways and streets, including depreciation of infrastructure assets	3,131,713
Conservation of natural resources	13,858
Total Depreciation Expense – Governmental Activities	$ 3,845,076
Business-Type Activities	
Huntley Sewer District	$ 56,114

3. Detailed Notes on All Funds (Continued)

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2019, is as follows:

1. Due To/From Other Funds

Receivable Fund	Payable Fund	Amount	Purpose
Public Works Special Revenue	General	$ 1,794	Fuel
Public Works Special Revenue	Ditch	799	Tile outlet
Ditch Special Revenue	Public Works	386,556	Road billings
Total Due To/From Other Funds		$ 389,149	

These interfund receivables and payables are expected to be paid within one year of December 31, 2019.

2. Interfund Receivables/Payables

Receivable Fund	Payable Fund	Amount
General	Ditch	$ 3,580,865

The interfund receivable/payable balance is due to the Ditch Special Revenue Fund overdrawing cash from the pooled cash and investments.

3. Interfund Transfers

Interfund transfers for the year ended December 31, 2019, consisted of a transfer from the General Fund to the Debt Service Fund of $160,463 for debt service payments.

3. Detailed Notes on All Funds (Continued)

C. Liabilities

1. Long-Term Debt

Governmental Activities

Bonds Payable

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2019
General obligation bonds					
2009 G.O. Waste Disposal Bonds	2020	$150,000	4.70	$ 1,500,000	$ 150,000
2014 G.O. Jail Refunding Bonds	2028	$540,000 - $690,000	2.50 - 2.85	7,480,000	5,485,000
2018 G.O. Courthouse Bonds	2032	$ 75,000 - $180,000	3.00	1,370,000	1,190,000
Total General Obligation Bonds				$ 10,350,000	$ 6,825,000
General obligation special assessment bonds					
2013 G.O. Refunding Ditch Bonds	2024	$ 45,000 - $ 50,000	1.45 - 2.00	$ 485,000	$ 230,000
2018 G.O. Ditch Bonds – County Ditch 21	2038	$155,000 - $260,000	3.00 - 3.30	4,015,000	3,870,000
2018 G.O. Ditch Bonds – County Ditch 41	2033	$ 35,000 - $ 50,000	3.00	600,000	570,000
2018 G.O. Ditch Bonds – Judicial County Ditches 202, 314, 414, and 514	2033	$ 80,000 - $130,000	3.00	1,530,000	1,450,000
Total General Obligation Special Assessment Bonds				$ 6,630,000	$ 6,120,000

3. Detailed Notes on All Funds

C. Liabilities

1. Long-Term Debt (Continued)

Business-Type Activities

Bonds Payable

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2019
2009 G.O. Revenue Bonds	2049	$ 5,000 - $18,000	4.38	$ 360,000	$ 318,000

2. Debt Service Requirements

Debt service requirements at December 31, 2019, were as follows:

Governmental Activities

Year Ending December 31	General Obligation Bonds Principal	General Obligation Bonds Interest	Special Assessment Bonds Principal	Special Assessment Bonds Interest
2020	$ 765,000	$ 173,193	$ 315,000	$ 177,956
2021	635,000	153,655	325,000	169,054
2022	655,000	137,130	335,000	159,727
2023	675,000	120,092	350,000	149,928
2024	690,000	102,605	360,000	139,752
2025 - 2029	3,090,000	230,569	1,680,000	549,588
2030 - 2034	315,000	14,475	1,755,000	282,362
2035 - 2038	-	-	1,000,000	65,164
Total	$ 6,825,000	$ 931,719	$ 6,120,000	$ 1,693,531

Debt service payments on General Obligation Bonds are made from the Debt Service Fund, and debt service payments on Special Assessment Bonds are made from the Ditch Special Revenue Fund.

3. Detailed Notes on All Funds

C. Liabilities

2. Debt Service Requirements (Continued)

Business-Type Activities

Year Ending December 31	General Obligation Bonds Principal	Interest
2020	$ 5,000	$ 13,913
2021	6,000	13,694
2022	6,000	13,431
2023	6,000	13,169
2024	6,000	12,906
2025 - 2029	36,000	60,156
2030 - 2034	45,000	51,581
2035 - 2039	55,000	40,862
2040 - 2044	69,000	27,650
2045 - 2049	84,000	11,375
Total	$ 318,000	$ 258,737

3. Changes in Long-Term Liabilities

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

Governmental Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Long-term liabilities					
Bonds payable					
General obligation bonds	$ 7,675,000	$ -	$ 850,000	$ 6,825,000	$ 765,000
General obligation special assessment bonds	6,415,000	-	295,000	6,120,000	315,000
Plus: unamortized premium	348,556	-	28,094	320,462	-
Less: unamortized discount	(2,000)	-	(1,091)	(909)	-
Total bonds payable	$ 14,436,556	$ -	$ 1,172,003	$ 13,264,553	$ 1,080,000
Compensated absences	969,860	475,493	322,493	1,122,860	14,598
Long-Term Liabilities	$ 15,406,416	$ 475,493	$ 1,494,496	$ 14,387,413	$ 1,094,598

3. Detailed Notes on All Funds

C. Liabilities

3. Changes in Long-Term Liabilities (Continued)

Business-Type Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Long-term liabilities					
Bonds payable					
General obligation bonds	$ 323,000	$ -	$ 5,000	$ 318,000	$ 5,000

4. Construction Commitments

The County has active construction projects as of December 31, 2019. The projects include the following:

	Spent-to-Date	Remaining Commitment
Governmental Activities		
Ditch Projects	$ 3,812,083	$ 246,854

D. Deferred Inflows of Resources – Unavailable Revenue

Unavailable revenue as of December 31, 2019, for the County's governmental funds are as follows:

	Unavailable Revenue
Delinquent property taxes	$ 112,756
Special assessments delinquent, noncurrent, and due from other governments	7,781,840
Highway allotments that do not provide current financial resources	1,707,649
Grants	131,739
Interest	791
Miscellaneous	809,921
Total Governmental Funds	$ 10,544,696

3. Detailed Notes on All Funds (Continued)

E. Other Postemployment Benefits (OPEB)

1. Plan Description and Funding Policy

The County provides postretirement health care benefits for certain retirees and their dependents. For employees and officers employed before January 1, 2002, the County pays 100 percent of the single premium and 50 percent of the family premium for life. The County's contribution depends on which bargaining unit the employee was a member of and the plan chosen at retirement. As of year-end, the County has 48 eligible participants. The County finances the plan on a pay-as-you-go basis. During 2019, the County expended $294,648 for these benefits.

The County also provides health insurance benefits for eligible retired employees and their spouses under a single-employer, self-insured plan. The County provides benefits for retirees as required by Minn. Stat. § 471.61, subd. 2b. Retirees are required to pay 100 percent of the total premium cost. Since the premium is determined on the entire active and retiree population, the retirees are receiving an implicit rate subsidy. This postemployment benefit is funded on a pay-as-you-go basis. For 2019, there were approximately 50 retirees receiving health benefits from the County's health plan. The implicit rate subsidy amount was determined by an actuarial study to be $83,703 for 2019.

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

As of the December 31, 2018, actuarial valuation, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	50
Active plan participants	86
Total	136

3. Detailed Notes on All Funds

E. Other Postemployment Benefits (OPEB) (Continued)

2. Total OPEB Liability

The County's total OPEB liability of $6,913,148 was measured as of December 31, 2018, and was determined by an actuarial valuation as of December 31, 2018, and was rolled forward from the valuation date for the fiscal year ended December 31, 2019. The OPEB liability is liquidated through the General Fund and the Public Works Special Revenue Fund.

The total OPEB liability in the fiscal year-end December 31, 2019, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Actuarial cost method	Entry Age Normal, level percent of pay
Inflation	2.50 percent
Salary increases	Based on most recently disclosed assumption for the pension plan in which the employee participates.
Health care cost trend	6.40 percent, gradually decreasing over several decades to an ultimate rate of 4.00 percent in fiscal year 2075 and later years.

The current year discount rate is 3.71 percent. The discount rate is equal to the 20-year municipal bond yield using the Fidelity 20-Year Municipal GO AA Index.

PERA General Employees Plan mortality rates are based on RP-2014 mortality tables with projected mortality improvements based on Scale MP-2017 and other adjustments. PERA Police and Fire Plan and PERA Correctional Plan mortality rates were based on the RP-2014 mortality tables with projected mortality improvements based on Scale MP-2017 and other adjustments.

The actuarial assumptions are currently based on a combination of historical information and the actuarial valuation for PERA as of July 1, 2018.

3. Detailed Notes on All Funds

E. Other Postemployment Benefits (OPEB) (Continued)

3. Changes in the Total OPEB Liability

		Total OPEB Liability
Balance at January 1, 2019	$	6,835,686
Changes for the year		
Service cost	$	89,735
Interest		224,033
Differences between expected and actual experience		518,478
Changes in assumptions or other inputs		(440,692)
Benefit payments		(314,092)
Net change	$	77,462
Balance at December 31, 2019	$	6,913,148

4. 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 1.00 percentage point lower or 1.00 percentage point higher than the current discount rate:

	1% Decrease (2.71%)	Discount Rate (3.71%)	1% Increase (4.71%)
Total OPEB liability	$ 7,921,172	$ 6,913,148	$ 6,095,259

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 1.00 percentage point lower or 1.00 percentage point higher than the current health care cost trend rate:

3. Detailed Notes on All Funds

E. Other Postemployment Benefits (OPEB)

4. OPEB Liability Sensitivity (Continued)

	1% Decrease (5.40% Decreasing to 3.00%)	Health Care Cost Trend Rate (6.40% Decreasing to 4.00%)	1% Increase (7.40% Decreasing to 5.00%)
Total OPEB liability	$ 6,112,035	$ 6,913,148	$ 7,907,128

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

For the year ended December 31, 2019, the County recognized OPEB expense of ($330,943). The County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in actuarial assumptions	$ 303,457	$ 362,969
Difference between actual and expected results	427,036	-
Contributions made subsequent to the measurement date	378,351	-
Total	$ 1,108,844	$ 362,969

The $378,351 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, 2020. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

3. Detailed Notes on All Funds

E. Other Postemployment Benefits (OPEB)

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

Year Ended December 31	OPEB Expense Amount
2020	$ 93,367
2021	93,367
2022	93,367
2023	78,232
2024	9,191

6. Changes in Actuarial Methods and Assumptions

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

- The discount rate used changed from 3.31 percent to 3.71 percent based on updated 20-year municipal bond rates.
- Healthcare trend rates were reset to reflect updated cost increase expectations.
- Medical per capita claims costs were updated to reflect recent experience.
- Withdrawal, retirement, and mortality rates were updated from the rates used in the 7/1/2016 PERA General Employees Retirement Plan to the rates used in the 7/1/2018 valuation.
- The percent of future non Medicare, non-IUOE eligible retirees electing each medical plan changed to reflect recent plan experience. The following table provides the changes for the assumed percent electing each plan:

Medical Plan	Fiscal 2019 Valuation	Fiscal 2018 Valuation
PEIP Advantage	0%	30%
PEIP Value	10%	10%
PEIP HSA/VEBA	90%	60%

3. Detailed Notes on All Funds (Continued)

F. Pension Plans

1. Defined Benefit Pension Plans

a. Plan Description

All full-time and certain part-time employees of Faribault 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 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 Plan, for which benefits vest after five years of credited service. No Faribault 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.

3. Detailed Notes on All Funds

F. Pension Plans

1. Defined Benefit Pension Plans

a. Plan Description (Continued)

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.

Beginning January 1, 2019, 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 date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under the Rule of 90 are exempt from the delay to normal retirement.

Beginning January 1, 2019, 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

3. Detailed Notes on All Funds

F. Pension Plans

1. Defined Benefit Pension Plans

b. Benefits Provided (Continued)

date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least 25 months but less than 36 months as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

Beginning January 1, 2019, 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. For recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

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

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

3. Detailed Notes on All Funds

F. Pension Plans

1. Defined Benefit Pension Plans

b. Benefits Provided (Continued)

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. General Employees Plan members were required to contribute 6.50 percent of their annual covered salary in 2019. Police and Fire Plan members were required to contribute 11.30 percent of their annual covered salary in 2019. Correctional Plan members were required to contribute 5.83 percent of their annual covered salary in 2019.

In 2019, the County was required to contribute the following percentages of annual covered salary:

General Employees Plan – Coordinated Plan members	7.50%
Police and Fire Plan	16.95
Correctional Plan	8.75

3. Detailed Notes on All Funds

F. Pension Plans

1. Defined Benefit Pension Plans

c. Contributions (Continued)

The Police and Fire Plan member and employer contribution rates increased 0.50 percent and 0.75 percent, respectively, from 2018.

The County's contributions for the year ended December 31, 2019, to the pension plans were:

General Employees Plan	$	218,741
Police and Fire Plan		167,434
Correctional Plan		75,103

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

d. Pension Costs

General Employees Plan

At December 31, 2019, the County reported a liability of $2,311,028 for its proportionate share of the General Employees Plan's net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2018, through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the County's proportion was 0.0418 percent. It was 0.0418 percent measured as of June 30, 2018. The County recognized pension expense of $267,479 for its proportionate share of the General Employees Plan's pension expense.

3. Detailed Notes on All Funds

F. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs

General Employees Plan (Continued)

The County also recognized $5,379 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's 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.

The County's proportionate share of the net pension liability	$ 2,311,028
State of Minnesota's proportionate share of the net pension liability associated with the County	71,830
Total	$ 2,382,858

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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 64,468	$ -
Changes in actuarial assumptions	-	182,929
Difference between projected and actual investment earnings	-	225,182
Changes in proportion	-	92,228
Contributions paid to PERA subsequent to the measurement date	107,566	-
Total	$ 172,034	$ 500,339

3. Detailed Notes on All Funds

F. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs

General Employees Plan (Continued)

The $107,566 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, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2020	$ (196,104)
2021	(197,226)
2022	(46,265)
2023	3,724

Police and Fire Plan

At December 31, 2019, the County reported a liability of $902,782 for its proportionate share of the Police and Fire Plan's net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2018, through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the County's proportion was 0.0848 percent. It was 0.0736 percent measured as of June 30, 2018. The County recognized pension expense of $163,447 for its proportionate share of the Police and Fire Plan's pension expense.

3. Detailed Notes on All Funds

F. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs

Police and Fire Plan (Continued)

The County also recognized $11,448 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. Legislation 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. In addition, the state will pay direct state aid of $4.5 million on October 1, 2018, and October 1, 2019, and $9 million by October 1 of each subsequent year until full funding is reached or July 1, 2048, whichever is earlier.

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	$ 34,321	$ 115,419
Changes in actuarial assumptions	627,250	863,138
Difference between projected and actual investment earnings	-	161,208
Changes in proportion	142,951	3,788
Contributions paid to PERA subsequent to the measurement date	88,646	-
Total	$ 893,168	$ 1,143,553

3. <u>Detailed Notes on All Funds</u>

F. <u>Pension Plans</u>

1. <u>Defined Benefit Pension Plans</u>

d. <u>Pension Costs</u>

<u>Police and Fire Plan</u> (Continued)

The $88,646 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, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2020	$ (20,495)
2021	(85,310)
2022	(275,484)
2023	23,125
2024	19,133

<u>Correctional Plan</u>

At December 31, 2019, the County reported a liability of $54,951 for its proportionate share of the Correctional Plan's net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2018, through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the County's proportion was 0.3969 percent. It was 0.4028 percent measured as of June 30, 2018. The County recognized pension expense of $103,936 for its proportionate share of the Correctional Plan's pension expense.

3. Detailed Notes on All Funds

F. 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	$ 2,048	$ 9,185
Changes in actuarial assumptions	-	497,867
Difference between projected and actual investment earnings	-	73,957
Changes in proportion	9,133	25,238
Contributions paid to PERA subsequent to the measurement date	37,114	-
Total	$ 48,295	$ 606,247

The $37,114 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, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2020	$ (304,925)
2021	(273,075)
2022	(17,599)
2023	533

3. Detailed Notes on All Funds

F. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs (Continued)

Total Pension Expense

The total pension expense for all plans recognized by the County for the year ended December 31, 2019, was $534,862.

e. Actuarial Assumptions

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

Inflation	2.50 percent per year
Active member payroll growth	3.25 percent per year
Investment rate of return	7.50 percent

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants for all plans were based on RP-2014 tables for males or females, as appropriate, with slight adjustments. 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, 2019, valuation were based on the results of actuarial experience studies. The experience study for the General Employees Plan was dated June 30, 2015. The experience study for the Police and Fire Plan was dated August 30, 2016. The experience study for the Correctional Plan was dated February 2012. The mortality assumption for the Correctional Plan is based on the Police and Fire Plan experience study. Inflation and investment assumptions for all plans were reviewed in the experience study report for the General Employees Plan dated June 27, 2019.

3. Detailed Notes on All Funds

F. Pension Plans

1. Defined Benefit Pension Plans

e. Actuarial Assumptions (Continued)

The long-term expected rate of return on pension plan investments is 7.50 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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	35.50%	5.10%
International equity	17.50	5.30
Fixed income	20.00	0.75
Private markets	25.00	5.90
Cash equivalents	2.00	0.00

f. Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent in 2019, which remained consistent with 2018. 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.

3. Detailed Notes on All Funds

F. Pension Plans

1. Defined Benefit Pension Plans (Continued)

g. Changes in Actuarial Assumptions and Plan Provisions

The following changes in actuarial assumptions occurred in 2019:

General Employees Plan

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

Police and Fire Plan

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

Correctional Plan

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

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
1% Decrease	6.50%	$ 3,799,206	6.50%	$ 1,973,313	6.50%	$ 585,662
Current	7.50	2,311,028	7.50	902,782	7.50	54,951
1% Increase	8.50	1,082,242	8.50	17,470	8.50	(369,704)

3. Detailed Notes on All Funds

F. 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; by writing to PERA at 60 Empire Drive, Suite 200, St. Paul, Minnesota 55103-2088; or by calling 651-296-7460 or 1-800-652-9026.

2. Defined Contribution Plan

Five employees of Faribault 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 Faribault County during the year ended December 31, 2019, were:

	Employee	Employer
Contribution amount	$ 10,424	$ 10,424
Percentage of covered payroll	5.00%	5.00%

4. Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. The County has entered into a joint powers agreement with other Minnesota counties to form the Minnesota Counties Intergovernmental Trust (MCIT). The County is a member of both the MCIT Workers' Compensation and Property and Casualty Divisions.

The 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 2019 and 2020. 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 participates in the health insurance program through the Minnesota Public Employees Insurance Program (PEIP). PEIP was created by special legislation under Minn. Stat. § 43A.316. PEIP provides financial risk management services that embody the concept of pooling risk for the purpose of stabilizing and/or reducing costs. Group employee benefits shall include, but not be limited to, health benefits coverage and other services as directed by the County. Members do not pay for deficiencies that arise in the current year.

5. Summary of Significant Contingencies and Other Items

A. Contingent Liabilities

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

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

B. Joint Ventures

Faribault – Martin County Human Services Board

Martin County entered into a joint powers agreement with Faribault County (Minnesota Statutes §471.59) to provide welfare and health services to county residents (Minnesota Statutes §§ 402.01-.10). The Faribault – Martin – Watonwan Human Services Board was established on June 30, 1975. As of January 1, 1991, Watonwan County withdrew from the Human Services Board. Martin and Faribault Counties are continuing with the joint powers agreement. The Board has 12 members, five County Commissioners and one citizen member from each of the two counties. Each county collects its share of local tax revenues and transfers these funds to the Board to fulfill its ongoing financial responsibility.

Complete financial statements can be obtained from Human Services of Faribault and Martin Counties, 115 West First Street, Fairmont, Minnesota 56031.

Faribault/Martin County Transit Board

In January 2015, Faribault and Martin Counties entered into a joint powers agreement, pursuant to Minn. Stat. § 471.59, to provide a coordinated service delivery and funding source for public transportation. The Transit Board has ten members, five from each county. The Transit Board receives funding primarily from grants and revenues generated from passengers and contracts.

During the year, Faribault County contributed $30,000 to the Transit Board. Financial information can be obtained by contacting Faribault/Martin Transit Director at 201 Lake Avenue, Fairmont, Minnesota 56031.

Prairieland Solid Waste Board (Prairieland)

Faribault County entered into a joint powers agreement with Martin County in 1990 to build and operate a solid waste composting plant, the Prairieland Solid Waste Board. Prairieland continues to place a special assessment on homeowners to offset net losses, equipment, depreciation, and future plans. Fees not sent to Prairieland will be kept in the Solid Waste Fund of the County and are restricted for solid waste programs approved by the County Board.

5. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Prairieland Solid Waste Board (Prairieland) (Continued)

Prairieland Solid Waste Board reported a change in net position of $1,238,399 in 2019. The full faith and credit and taxing power of Faribault and Martin Counties is pledged to the payment of each county's proportional share of the principal and interest when due.

Complete financial statements for the Prairieland Solid Waste Board can be obtained at 801 East Fifth Street North, PO Box 100, Truman, Minnesota 56088.

Rural Minnesota Energy Board

The Rural Minnesota Energy Board was formed under the authority of Minn. Stat. § 471.59. The Board includes Blue Earth, Brown, Cottonwood, Faribault, Freeborn, Jackson, Lincoln, Lyon, Martin, Mower, Murray, Nobles, Pipestone, Redwood, Renville, Rock, Watonwan, and Yellow Medicine Counties. The Board was established in 2005 to provide policy guidance on issues surrounding energy development in rural Minnesota and to foster the diversification of the economic climate in rural Minnesota. The focus of the Board includes, but is not limited to, renewable energy, wind energy, energy transmission lines, hydrogen energy technology, and bio-diesel and ethanol use.

The governing body is comprised of one voting member and one alternate member from each participating county's Board of Commissioners. The Board shall remain in existence as long as two or more counties remain parties to the agreement. Should the Board cease to exist, assets shall be liquidated, after payment of liabilities, based upon the ratios set out under the equal and proportionate share articles of the agreement.

During the year, Faribault County contributed $2,500 to the Board. Complete financial information can be obtained from the Rural Minnesota Energy Board, Slayton, Minnesota 56172.

South Central Drug Investigation Unit (Drug Task Force)

The South Central Drug Investigation Unit (Drug Task Force) was established to coordinate efforts among participating local governments to apprehend and prosecute drug offenders. During the year, Faribault County paid $6,500 to the Task Force.

5. Summary of Significant Contingencies and Other Items

B. Joint Ventures (Continued)

South Central Minnesota Emergency Communications Board

The South Central Minnesota Emergency Communications Board (formerly known as the South Central Minnesota Regional Radio Board) was established pursuant to Minn. Stat. §§ 471.59 and 403.39 and a joint powers agreement effective May 27, 2008. It is comprised of Blue Earth, Brown, Faribault, Le Sueur, Martin, McLeod, Nicollet, Sibley, Waseca, and Watonwan Counties, and the Cities of Hutchinson and Mankato. The primary function of the joint venture is to provide regional administration of enhancements to the Statewide Public Safety Radio and Communication System for the Allied Radio Matrix for Emergency Response (ARMER) owned and operated by the State of Minnesota and to enhance and improve interoperable public safety communications.

The Board consists of one County Commissioner from each county included in the agreement, one City Council member from each city included in the agreement, a member of the South Central Minnesota Regional Advisory Committee, a member of the South Central Minnesota Regional Radio System User Committee, and a member of the Owners and Operators Committee.

Blue Earth County acts as the fiscal agent for the Board. During the year, Faribault County did not contribute to the Board. Financial information can be obtained at the Blue Earth County Justice Center, 401 Carver Road, Mankato, Minnesota 56002.

South Central Workforce Service Area Joint Powers Board

In June 2012, the County entered into a joint powers agreement with Blue Earth, Brown, Le Sueur, Martin, Nicollet, Sibley, Waseca, and Watonwan Counties, creating the South Central Workforce Service Area Joint Powers Board. The agreement is authorized by Minn. Stat. § 471.59. The Board is comprised of one voting member and one alternate member from each participating county. The goal of the Board is to develop and maintain a quality workforce for South Central Minnesota.

Faribault County made no payments to this organization in 2019. Separate financial information can be obtained from the South Central Workforce Council, 706 North Victory Drive, Mankato, Minnesota 56001.

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

C. Jointly-Governed Organizations

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

The Greater Blue Earth River Basin Alliance (GBERBA) establishes goals, policies, and objectives to protect and enhance land and water resources in the Greater Blue Earth River Basin. The Board consists of County Commissioners and members of the Soil and Water Conservation Districts. During the year, Faribault County expended two payments of $7,838 to the GBERBA for 2019 and 2020 annual dues.

The Minnesota Counties Computer Cooperative (MCCC) was created under Minnesota Joint Powers Law, Minn. Stat. § 471.59, to jointly provide for the establishment, operation, and maintenance of data processing systems, facilities, and management information systems. During the year, Faribault County expended $38,576 to the MCCC for support, supplies, and subscriptions.

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, Faribault County made payments of $4,285 to the joint powers.

The South Central Emergency Medical Service (SCEMS) Joint Powers Board consists of Blue Earth, Brown, Faribault, Le Sueur, Martin, Nicollet, Sibley, Waseca, and Watonwan Counties. The purpose of the SCEMS is to ensure quality patient care is available throughout the nine-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 county appoints one member to the Joint Powers Board. During the year, Faribault County contributed $5,000 to the SCEMS.

The South Central Community-Based Initiative was established pursuant to Minn. Stat. §§ 471.59 and 245.4661 and a joint powers agreement effective June 20, 2008. The purpose of this joint powers agreement is to provide services to persons with mental illness in the most clinically-appropriate, person-centered, least restrictive, and cost-effective ways. The focus is on improved access and outcomes for persons with mental illness as a result of the collaboration between state-operated services programs

5. Summary of Significant Contingencies and Other Items

C. Jointly-Governed Organizations

South Central Community-Based Initiative (Continued)

and community-based treatment. The membership of the Board is comprised of one representative appointed by Blue Earth, Brown, Faribault, Freeborn, Le Sueur, Martin, Nicollet, Rice, Sibley, and Watonwan Counties. During the year, Faribault County did not contribute to the Joint Powers Board.

The Region One – Southeast Minnesota Homeland Security Emergency Management Joint Powers Board 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. During the year, Faribault County contributed $1,000 to the Joint Powers Board.

The Southwest Minnesota Immunization Information Connection (SW-MIIC) 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, Faribault County did not contribute to the SW-MIIC.

Three Rivers Resource Conservation & Development (RC&D) is a locally initiated, sponsored, and directed organization that works to enhance the quality of life by improving the economic, social, and environmental conditions within the area. The RC&D is lead locally by Soil and Water Conservation District Supervisors and County Commissioners from the nine-county area that is served by the RC&D. During the year, Faribault County did not contribute to the RC&D.

D. Agricultural Best Management Loan Program

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

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

   E. Subsequent Events

   On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) to be a pandemic. Economic activity decreased in 2020, including gasoline sales taxes collected by the State of Minnesota used for funding County State Aid Highways (CSAH) revenue recorded in the County's Public Works Special Revenue Fund. As a result, a decrease of approximately ten percent of CSAH revenue is expected to be received for calendar year 2021. The County did have additional expenses spent on COVID-19 related costs such as cleaning, sanitizing, personal protective equipment supplies, modifications to its building, IT equipment and services to allow for social distancing and remote working. The County does anticipate to use and distribute the funds from the CARES Act.

   On September 8, 2020, the County issued $339,000 of General Obligation Revenue Refunding Bonds, Series 2020A. The proceeds will be used to refund the outstanding maturities of the County's General Obligation Revenue Bonds, Series 2009A.

   On November 12, 2020, the County issued $4,200,000 of General Obligation Jail Refunding Bonds, Series 2020B. The proceeds will be used to refund the outstanding maturities of the County's $7,480,000 General Obligation Jail Refunding Bonds, Series 2014A.

6. Faribault County Economic Development Authority (EDA)

   A. Summary of Significant Accounting Policies

   Reporting Entity

   In addition to those identified in Note 1., the County's discretely presented EDA component unit has the following significant accounting policies.

   The EDA was created in 2002 and began operations in 2003 to take over the operations of the Local Redevelopment Agency. The EDA is governed by a seven-member Board. A minimum of two of the members are members of the Faribault County Board of Commissioners. All members are appointed by the Chair of the County Board of Commissioners, with approval of the Board.

6. Faribault County Economic Development Authority (EDA)

A. Summary of Significant Accounting Policies (Continued)

Basis of Presentation

The EDA does not prepare separate financial statements. The EDA presents its one fund as a governmental fund.

Basis of Accounting

The EDA General Fund is accounted for on the modified accrual basis of accounting.

Cash and Pooled Investments

Operating cash of the EDA is on deposit with the Faribault County Auditor/Treasurer and included within its pooled cash and investments.

B. Detailed Notes

Assets

Receivables as of December 31, 2019, consist of $90 accrued interest receivable and $301,062 in loans made to individuals and businesses for development.

C. Summary of Significant Contingencies

Nonexchange Financial Guarantees

The EDA has entered into nonexchange financial guarantees with lenders to guarantee payments if the guarantee does not make loan payments. The guarantee is located in the jurisdiction of the guarantor, the EDA. Upon default of the loan, the lender will request payment for the guarantee's portion from the guarantor.

6. Faribault County Economic Development Authority (EDA)

C. Summary of Significant Contingencies

Nonexchange Financial Guarantees (Continued)

Nonexchange financial guarantees at December 31, 2019, were as follows:

Guarantee	Lender	Year of Guarantee	Outstanding Balance at December 31, 2019
Hardware Store	First Financial Bank	2008	$ 9,765
Everwood Log to Home, LLC	Peoples State Bank	2011	1,161
Kiester Market	First State Bank of Kiester	2013	7,424
Scotty Biggs BBQ Company, LLC	First Financial Bank	2017	10,802

7. Housing and Redevelopment Authority (HRA)

Summary of Significant Accounting Policies

In addition to those identified in Note 1., the County's discretely presented HRA component unit has the following significant accounting policies.

Reporting Entity

The HRA is governed by a five-member Board of Directors who are appointed by the County Board. All programs of the HRA are administered by the Minnesota Valley Action Council, Inc. (MVAC). The purpose of the HRA is to promote economic development and to administer the public housing programs authorized by the U.S. Housing Act of 1937, as amended. These programs are subsidized by the federal government through the U.S. Department of Housing and Urban Development.

Basis of Presentation

The HRA prepares separate financial statements. The HRA presents its one fund as an enterprise fund.

Basis of Accounting

The HRA fund is accounted for on the accrual basis of accounting.

7. Housing and Redevelopment Authority (HRA)

Summary of Significant Accounting Policies (Continued)

Cash and Pooled Investments

All cash of the HRA is on deposit with MVAC and included within its pooled cash and investments.

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REQUIRED SUPPLEMENTARY INFORMATION

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FARIBAULT COUNTY
BLUE EARTH, MINNESOTA

EXHIBIT A-1

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2019

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 6,528,429	$ 6,528,429	$ 6,491,925	$ (36,504)
Special assessments	507,699	507,699	550,449	42,750
Licenses and permits	2,200	2,200	1,270	(930)
Intergovernmental	1,492,364	1,492,364	1,517,348	24,984
Charges for services	913,485	913,485	1,134,342	220,857
Fines and forfeits	18,500	18,500	39,947	21,447
Gifts and contributions	-	-	11,604	11,604
Investment earnings	275,000	275,000	547,020	272,020
Miscellaneous	207,945	207,945	321,721	113,776
Total Revenues	**$ 9,945,622**	**$ 9,945,622**	**$ 10,615,626**	**$ 670,004**
Expenditures				
Current				
General government				
Commissioners	$ 312,068	$ 317,068	$ 349,871	$ (32,803)
Courts	69,500	69,500	84,272	(14,772)
County Auditor/Treasurer	541,896	541,896	545,544	(3,648)
Motor vehicle/license bureau	172,654	172,654	172,198	456
County assessor	418,847	418,847	397,092	21,755
Elections	10,000	10,000	11,819	(1,819)
Data processing	257,000	257,000	263,628	(6,628)
Central administration	185,820	185,820	182,320	3,500
Machine room	10,500	10,500	10,916	(416)
Attorney	386,612	428,612	417,835	10,777
Law library	15,000	15,000	26,523	(11,523)
Recorder	294,189	294,189	236,275	57,914
Vital statistics	22,085	22,085	8,748	13,337
Planning and zoning	158,361	158,361	154,404	3,957
Buildings and plant	644,589	644,589	501,944	142,645
Veterans services officer	257,918	257,918	198,101	59,817
Other general government	753,599	753,599	483,408	270,191
Total general government	**$ 4,510,638**	**$ 4,557,638**	**$ 4,044,898**	**$ 512,740**

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

FARIBAULT COUNTY
BLUE EARTH, MINNESOTA

EXHIBIT A-1
(Continued)

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2019

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Expenditures				
Current (Continued)				
Public safety				
Sheriff	$ 1,732,338	$ 1,734,623	$ 1,797,189	$ (62,566)
Public safety grants	-	-	6,177	(6,177)
Task force	6,500	6,500	6,500	-
Special weapons and tactics	-	-	4,140	(4,140)
Aquatic invasive species	-	-	3,138	(3,138)
Boat and water safety	-	-	2,494	(2,494)
County jail	1,692,028	1,692,028	1,680,856	11,172
Sentence to serve	45,000	45,000	68,899	(23,899)
Fraud investigator	94,331	94,331	85,743	8,588
Animal control	10,000	10,000	4,417	5,583
Probation and parole	195,004	195,004	239,599	(44,595)
Sheriff's contingency	1,000	1,000	-	1,000
Emergency management	42,700	42,700	42,858	(158)
Enhanced 911	-	-	71,179	(71,179)
Radio project	-	-	4,411	(4,411)
Medical examiner	20,000	20,000	27,120	(7,120)
Total public safety	**$ 3,838,901**	**$ 3,841,186**	**$ 4,044,720**	**$ (203,534)**
Transit				
Transit	**$ 171,600**	**$ 171,600**	**$ -**	**$ 171,600**
Sanitation				
Recycling/education	$ 403,444	$ 403,444	$ 541,037	$ (137,593)
SCORE funds	67,730	67,730	26,009	41,721
Total sanitation	**$ 471,174**	**$ 471,174**	**$ 567,046**	**$ (95,872)**
Culture and recreation				
Historical society	$ 10,000	$ 10,000	$ 10,000	$ -
County library	181,649	181,649	176,256	5,393
Total culture and recreation	**$ 191,649**	**$ 191,649**	**$ 186,256**	**$ 5,393**

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

FARIBAULT COUNTY
BLUE EARTH, MINNESOTA

EXHIBIT A-1
(Continued)

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2019

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget
Expenditures				
Current (Continued)				
Conservation of natural resources				
Cooperative extension	$ 132,656	$ 132,656	$ 134,088	$ (1,432)
Soil conservation	64,500	64,500	64,500	-
County agricultural society	15,000	15,000	15,000	-
Predator control	500	500	-	500
Water planning	49,186	49,186	69,445	(20,259)
Drainage/septic inspection	67,958	67,958	67,908	50
Drainage administration	219,273	219,273	163,669	55,604
Septic loan program	25,000	25,000	51,891	(26,891)
Riparian aid	136,860	136,860	124,221	12,639
Total conservation of natural resources	**$ 710,933**	**$ 710,933**	**$ 690,722**	**$ 20,211**
Economic development				
Community development	$ 16,000	$ 16,000	$ 15,624	$ 376
Economic development	91,000	91,000	81,384	9,616
Total economic development	**$ 107,000**	**$ 107,000**	**$ 97,008**	**$ 9,992**
Total Expenditures	**$ 10,001,895**	**$ 10,051,180**	**$ 9,630,650**	**$ 420,530**
Excess of Revenues Over (Under) Expenditures	**$ (56,273)**	**$ (105,558)**	**$ 984,976**	**$ 1,090,534**
Other Financing Sources (Uses)				
Transfers in	$ 190,273	$ 190,273	$ -	$ (190,273)
Transfers out	(161,965)	(161,965)	(160,463)	1,502
Total Other Financing Sources (Uses)	**$ 28,308**	**$ 28,308**	**$ (160,463)**	**$ (188,771)**
Net Change in Fund Balance	**$ (27,965)**	**$ (77,250)**	**$ 824,513**	**$ 901,763**
Fund Balance – January 1	**10,685,100**	**10,685,100**	**10,685,100**	**-**
Fund Balance – December 31	**$ 10,657,135**	**$ 10,607,850**	**$ 11,509,613**	**$ 901,763**

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

FARIBAULT COUNTY
BLUE EARTH, MINNESOTA

EXHIBIT A-2

BUDGETARY COMPARISON SCHEDULE
PUBLIC WORKS SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2019

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 1,476,899	$ 1,476,899	$ 1,465,428	$ (11,471)
Intergovernmental	7,369,701	7,369,701	14,710,383	7,340,682
Charges for services	34,000	34,000	46,571	12,571
Investment earnings	-	-	15,635	15,635
Miscellaneous	400,000	400,000	235,807	(164,193)
Total Revenues	**$ 9,280,600**	**$ 9,280,600**	**$ 16,473,824**	**$ 7,193,224**
Expenditures				
Current				
Highways and streets				
Administration	$ 204,410	$ 204,410	$ 414,550	$ (210,140)
Maintenance	1,769,242	1,769,242	1,574,775	194,467
Construction	4,489,174	4,489,174	5,153,223	(664,049)
Equipment maintenance and shop	1,431,944	1,431,944	1,640,861	(208,917)
Material and services for resale	72,310	72,310	5,338	66,972
Other – highways and streets	564,975	564,975	297,770	267,205
Total highways and streets	**$ 8,532,055**	**$ 8,532,055**	**$ 9,086,517**	**$ (554,462)**
Culture and recreation				
Parks	186,335	186,335	186,265	70
Intergovernmental				
Highways and streets	520,000	520,000	515,082	4,918
Total Expenditures	**$ 9,238,390**	**$ 9,238,390**	**$ 9,787,864**	**$ (549,474)**
Net Change in Fund Balance	**$ 42,210**	**$ 42,210**	**$ 6,685,960**	**$ 6,643,750**
Fund Balance – January 1	**2,185,202**	**2,185,202**	**2,185,202**	**-**
Increase (decrease) in inventories	**-**	**-**	**(55,191)**	**(55,191)**
Fund Balance – December 31	**$ 2,227,412**	**$ 2,227,412**	**$ 8,815,971**	**$ 6,588,559**

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

FARIBAULT COUNTY
BLUE EARTH, MINNESOTA

EXHIBIT A-3

BUDGETARY COMPARISON SCHEDULE
HUMAN SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2019

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 2,540,816	$ 2,540,816	$ 2,532,489	$ (8,327)
Intergovernmental	241,424	241,424	249,056	7,632
Total Revenues	**$ 2,782,240**	**$ 2,782,240**	**$ 2,781,545**	**$ (695)**
Expenditures				
Current				
Human services	2,782,240	2,782,240	2,507,261	274,979
Net Change in Fund Balance	**$ -**	**$ -**	**$ 274,284**	**$ 274,284**
Fund Balance – January 1	**790,073**	**790,073**	**790,073**	**-**
Fund Balance – December 31	**$ 790,073**	**$ 790,073**	**$ 1,064,357**	**$ 274,284**

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

FARIBAULT COUNTY
BLUE EARTH, MINNESOTA

EXHIBIT A-4

BUDGETARY COMPARISON SCHEDULE
DITCH SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2019

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Special assessments	$ 1,050,000	$ 1,050,000	$ 1,734,569	$ 684,569
Intergovernmental	-	-	101,489	101,489
Miscellaneous	-	-	58,675	58,675
Total Revenues	**$ 1,050,000**	**$ 1,050,000**	**$ 1,894,733**	**$ 844,733**
Expenditures				
Current				
Conservation of natural resources				
Ditch maintenance	$ 453,000	$ 453,000	$ 3,171,552	$ (2,718,552)
Debt service				
Principal	375,000	375,000	295,000	80,000
Interest	222,000	222,000	186,581	35,419
Administrative charges	-	-	792	(792)
Total Expenditures	**$ 1,050,000**	**$ 1,050,000**	**$ 3,653,925**	**$ (2,603,925)**
Net Change in Fund Balance	**$ -**	**$ -**	**$ (1,759,192)**	**$ (1,759,192)**
Fund Balance – January 1	**(1,816,508)**	**(1,816,508)**	**(1,816,508)**	**-**
Fund Balance – December 31	**$ (1,816,508)**	**$ (1,816,508)**	**$ (3,575,700)**	**$ (1,759,192)**

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

FARIBAULT COUNTY
BLUE EARTH, MINNESOTA

EXHIBIT A-5

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
OTHER POSTEMPLOYMENT BENEFITS
DECEMBER 31, 2019

	2019	2018
Total OPEB Liability		
Service cost	$ 89,735	$ 73,436
Interest	224,033	239,843
Differences between expected and actual experience	518,478	-
Changes of assumption or other inputs	(440,692)	462,753
Benefit payments	(314,092)	(324,015)
Net change in total OPEB liability	**$ 77,462**	**$ 452,017**
Total OPEB Liability – Beginning	**6,835,686**	**6,383,669**
Total OPEB Liability – Ending	**$ 6,913,148**	**$ 6,835,686**
Covered-employee payroll	$ 4,710,000	$ 4,500,000
Total OPEB liability (asset) as a percentage of covered-employee payroll	146.78%	151.90%

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

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

EXHIBIT A-6

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA GENERAL EMPLOYEES RETIREMENT PLAN
DECEMBER 31, 2019

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 Faribault 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
2019	0.0418 %	$ 2,311,028	$ 71,830	$ 2,382,858	$ 2,960,946	78.05 %	80.23 %
2018	0.0418	2,318,893	76,115	2,395,008	2,810,441	82.51	79.53
2017	0.0424	2,706,788	34,048	2,740,836	2,727,947	99.22	75.90
2016	0.0460	3,734,972	48,779	3,783,751	2,821,172	132.39	68.91
2015	0.0434	2,249,213	N/A	2,249,213	2,550,829	88.18	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

FARIBAULT COUNTY
BLUE EARTH, MINNESOTA

EXHIBIT A-7

SCHEDULE OF CONTRIBUTIONS
PERA GENERAL EMPLOYEES RETIREMENT PLAN
DECEMBER 31, 2019

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)
2019	$ 218,741	$ 218,741	$ -	$ 2,916,542	7.50 %
2018	217,867	217,867	-	2,904,893	7.50
2017	208,199	208,199	-	2,775,987	7.50
2016	198,024	198,024	-	2,640,314	7.50
2015	199,411	199,411	-	2,658,652	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.

FARIBAULT COUNTY
BLUE EARTH, MINNESOTA

EXHIBIT A-8

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA PUBLIC EMPLOYEES POLICE AND FIRE PLAN
DECEMBER 31, 2019

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
2019	0.0848 %	$ 902,782	$ 893,640	101.02 %	89.26 %
2018	0.0736	784,500	775,778	101.12	88.84
2017	0.0720	972,086	739,972	131.37	85.43
2016	0.0710	2,849,354	687,150	414.66	63.88
2015	0.0720	818,088	658,795	124.18	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.

FARIBAULT COUNTY
BLUE EARTH, MINNESOTA

EXHIBIT A-9

SCHEDULE OF CONTRIBUTIONS
PERA PUBLIC EMPLOYEES POLICE AND FIRE PLAN
DECEMBER 31, 2019

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)
2019	$ 167,434	$ 167,434	$ -	$ 987,813	16.95 %
2018	132,647	132,647	-	818,809	16.20
2017	124,564	124,564	-	768,911	16.20
2016	114,227	114,227	-	705,105	16.20
2015	108,984	108,984	-	672,736	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.

FARIBAULT COUNTY
BLUE EARTH, MINNESOTA

EXHIBIT A-10

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA PUBLIC EMPLOYEES LOCAL GOVERNMENT CORRECTIONAL SERVICE RETIREMENT PLAN
DECEMBER 31, 2019

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
2019	0.3969 %	$ 54,951	$ 846,634	6.49 %	98.17 %
2018	0.4028	66,249	822,594	8.05	97.64
2017	0.4200	1,197,004	833,757	143.57	67.89
2016	0.4100	1,497,787	781,088	191.76	58.16
2015	0.4100	63,386	741,402	8.55	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.

FARIBAULT COUNTY
BLUE EARTH, MINNESOTA

EXHIBIT A-11

SCHEDULE OF CONTRIBUTIONS
PERA PUBLIC EMPLOYEES LOCAL GOVERNMENT CORRECTIONAL SERVICE RETIREMENT PLAN
DECEMBER 31, 2019

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)
2019	$ 75,103	$ 75,103	$ -	$ 858,325	8.75 %
2018	72,652	72,652	-	830,309	8.75
2017	71,947	71,947	-	822,244	8.75
2016	70,257	70,257	-	802,935	8.75
2015	67,177	67,177	-	767,720	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.

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1. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at year-end.

On or before mid-June of each year, all departments and agencies submit requests for appropriations to the County Auditor/Treasurer so that a budget can be prepared. Before October 31, the proposed budget is presented to the County Board 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 budgets may be amended or modified at any time by the County Board. The County's department heads may make transfers of appropriations within a department. The legal level of budgetary control (the level at which expenditures may not legally exceed appropriations) is the fund level.

2. Budget Amendments

The revenue and expenditure budgets were amended during the year.

3. Excess of Expenditures Over Appropriations

For the year ended December 31, 2019, the Public Works Special Revenue Fund's expenditures expenditures exceeded appropriations by $549,474. The expenditures in excess of budget were funded by fund balance.

The Ditch Special Revenue Fund's expenditures exceeded appropriations by $2,603,925. The expenditures in excess of budget were funded by revenues in excess of budget and an interfund loan from the General Fund. Future special assessments will be made to pay for ditch repairs and improvements.

4. Other Postemployment Benefits Funded Status

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

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

The following changes in actuarial assumptions occurred:

2019

- The discount rate used changed from 3.31 percent to 3.71 percent based on updated 20-year municipal bond rates.

- Healthcare trend rates were reset to reflect updated cost increase expectations.

- Medical per capita claims costs were updated to reflect recent experience.

- Withdrawal, retirement, and mortality rates were updated from the rates used in the July 1, 2016 PERA General Employees Retirement Plan to the rates used in the July 1, 2018 valuation.

- The percent of future non Medicare, non-IUOE eligible retirees electing each medical plan changed to reflect recent plan experience. The following table provides the changes for the assumed percent electing each plan:

Medical Plan	Fiscal 2019 Valuation	Fiscal 2018 Valuation
PEIP Advantage	0%	30%
PEIP Value	10%	10%
PEIP HSA/VEBA	90%	60%

2018

- The discount rate used changed from 3.50 percent to 3.31 percent.

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

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

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

General Employees Retirement Plan

2019

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

2018

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

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

General Employees Retirement Plan

2018 (Continued)

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

2017

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

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

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

2016

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

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

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

General Employees Retirement Plan

2016 (Continued)

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

Public Employees Police and Fire Plan

2019

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

2018

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

6. 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.

- 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.

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

Public Employees Police and Fire Plan

2017 (Continued)

- 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

2019

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

2018

- The single discount rate was changed from 5.96 percent per annum to 7.50 percent per annum.

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

- The assumed post-retirement benefit increase was changed from 2.50 percent per year to 2.00 percent per year.

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

Public Employees Local Government Correctional Service Retirement Plan

2018 (Continued)

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

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

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

- Post-retirement benefit increases were changed from 2.50 percent per year with a provision to reduce to 1.00 percent if the funding status declines to a certain level, to 100 percent of the Social Security cost of living adjustment, not less than 1.00 percent and not more than 2.50 percent, beginning January 1, 2019. If the funding status declines to 85 percent for two consecutive years, or 80 percent for one year, the maximum increase will be lowered to 1.50 percent.

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

2017

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

- The CSA load was 30 percent for vested and non-vested, deferred members. The CSA load has been changed to 35 percent for vested members and 1.00 percent for non-vested members.

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

Public Employees Local Government Correctional Service Retirement Plan

2017 (Continued)

- 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.

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SUPPLEMENTARY INFORMATION

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FARIBAULT COUNTY
BLUE EARTH, MINNESOTA

EXHIBIT B-1

BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2019

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 773,509	$ 773,509	$ 771,461	$ (2,048)
Intergovernmental	25,381	25,381	25,381	-
Total Revenues	**$ 798,890**	**$ 798,890**	**$ 796,842**	**$ (2,048)**
Expenditures				
Debt service				
Principal	$ 850,000	$ 850,000	$ 850,000	$ -
Interest	197,208	197,208	197,073	135
Administrative charges	3,000	3,000	1,207	1,793
Total Expenditures	**$ 1,050,208**	**$ 1,050,208**	**$ 1,048,280**	**$ 1,928**
Excess of Revenues Over (Under) Expenditures	**$ (251,318)**	**$ (251,318)**	**$ (251,438)**	**$ (120)**
Other Financing Sources (Uses)				
Transfers in	161,965	161,965	160,463	(1,502)
Net Change in Fund Balance	**$ (89,353)**	**$ (89,353)**	**$ (90,975)**	**$ (1,622)**
Fund Balance – January 1	**1,053,773**	**1,053,773**	**1,053,773**	**-**
Fund Balance – December 31	**$ 964,420**	**$ 964,420**	**$ 962,798**	**$ (1,622)**

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FIDUCIARY FUNDS

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AGENCY FUNDS

Agency funds are used to account for assets held as an agent by the County for others.

The Mortgage Registration Fund accounts for the taxes paid for registering a mortgage within the County.

The Deed Tax Fund accounts for money received from the sale of deed stamps.

The Tax and Penalty Fund accounts for the collection and distribution of property taxes, assessments, and forfeited taxes.

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FARIBAULT COUNTY
BLUE EARTH, MINNESOTA

EXHIBIT C-1

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019

	Balance January 1	Additions	Deductions	Balance December 31
MORTGAGE REGISTRATION				
Assets				
Cash and pooled investments	$ 4,542	$ 121,285	$ 116,944	$ 8,883
Liabilities				
Due to other governments	$ 4,542	$ 121,285	$ 116,944	$ 8,883
DEED TAX				
Assets				
Cash and pooled investments	$ 36,951	$ 185,397	$ 183,967	$ 38,381
Liabilities				
Due to other governments	$ 36,951	$ 185,397	$ 183,967	$ 38,381
TAX AND PENALTY				
Assets				
Cash and pooled investments	$ 292,025	$ 25,961,956	$ 25,926,959	$ 327,022
Liabilities				
Due to other governments	$ 292,025	$ 25,961,956	$ 25,926,959	$ 327,022
TOTAL ALL AGENCY FUNDS				
Assets				
Cash and pooled investments	$ 333,518	$ 26,268,638	$ 26,227,870	$ 374,286
Liabilities				
Due to other governments	$ 333,518	$ 26,268,638	$ 26,227,870	$ 374,286

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COMPONENT UNIT

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FARIBAULT COUNTY
BLUE EARTH, MINNESOTA

EXHIBIT D-1

GOVERNMENTAL FUND BALANCE SHEET AND
GOVERNMENTAL ACTIVITIES – STATEMENT OF NET POSITION
WITH ADJUSTMENTS TO CONVERT MODIFIED TO FULL ACCRUAL
COMPONENT UNIT – ECONOMIC DEVELOPMENT AUTHORITY
DECEMBER 31, 2019

	General Fund	Adjustments	Statement of Net Position
Assets			
Current assets			
Cash and pooled investments	$ 322,402	$ -	$ 322,402
Accrued interest receivable	90	-	90
Loans receivable	301,062	-	301,062
Restricted assets			
Investments – temporary	9,765	-	9,765
Total Assets	**$ 633,319**	**$ -**	**$ 633,319**
Fund Balance/Net Position			
Fund Balance			
Nonspendable – loan guarantee security	$ 9,765	$ (9,765)	
Restricted for commercial rehabilitation loans	23,585	(23,585)	
Assigned for loan guarantees	19,387	(19,387)	
Unassigned	580,582	(580,582)	
Total Fund Balance	**$ 633,319**	**$ (633,319)**	
Net Position			
Restricted for commercial rehabilitation loans		$ 33,350	$ 33,350
Unrestricted		599,969	599,969
Total Net Position		**$ 633,319**	**$ 633,319**

FARIBAULT COUNTY
BLUE EARTH, MINNESOTA

EXHIBIT D-2

GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE AND GOVERNMENTAL ACTIVITIES – STATEMENT OF ACTIVITIES WITH ADJUSTMENTS TO CONVERT MODIFIED TO FULL ACCRUAL COMPONENT UNIT – ECONOMIC DEVELOPMENT AUTHORITY FOR THE YEAR ENDED DECEMBER 31, 2019

	General Fund	Adjustments	Statement of Activities
Revenues			
Intergovernmental	$ 106,288	$ -	$ 106,288
Charges for services	6,575	-	6,575
Investment earnings	93	-	93
Miscellaneous	60	-	60
Total Revenues	**$ 113,016**	**$ -**	**$ 113,016**
Expenditures/Expenses			
Current			
Economic development	1,258	-	1,258
Net Change in Fund Balance/Net Position	**$ 111,758**	**$ -**	**$ 111,758**
Fund Balance/Net Position – January 1	**521,561**	**-**	**521,561**
Fund Balance/Net Position – December 31	**$ 633,319**	**$ -**	**$ 633,319**

SCHEDULE

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FARIBAULT COUNTY
BLUE EARTH, MINNESOTA

EXHIBIT E-1

SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2019

	Total Primary Government
Appropriations and Shared Revenue	
State	
Highway users tax	$ 14,532,408
PERA rate reimbursement	30,275
Disparity reduction aid	71,726
Police aid	104,571
County program aid	632,718
Market value credit	287,375
Out of home placement aid	7,633
Enhanced 911	79,810
SCORE	68,710
Aquatic invasive species prevention aid	30,097
Riparian protection aid	139,815
Total appropriations and shared revenue	**$ 15,985,138**
Reimbursement for Services	
State	
Minnesota Department of Human Services	**$ 33,763**
Payments	
Local	
Other contributions	$ 81,764
Payments in lieu of taxes	76,615
Total payments	**$ 158,379**
Grants	
State	
Minnesota Department/Board of	
Public Safety	$ 49,848
Natural Resources	53,249
Veterans Affairs	10,000
Corrections	49,199
Water and Soil Resources	153,605
Peace Officer Standards and Training Board	17,895
Total state	**$ 333,796**

FARIBAULT COUNTY
BLUE EARTH, MINNESOTA

EXHIBIT E-1
(Continued)

SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2019

	Total Primary Government
Grants (Continued)	
Federal	
Department of	
Justice	$ 34,928
Homeland Security	57,653
Total federal	**$ 92,581**
Total state and federal grants	**$ 426,377**
Total Intergovernmental Revenue	**$ 16,603,657**

Management and Compliance Section

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FARIBAULT COUNTY

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STATE OF MINNESOTA
OFFICE OF THE STATE AUDITOR

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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
Faribault County
Blue Earth, 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, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Faribault County, Minnesota, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated December 21, 2020. Our report includes a reference to other auditors who audited the financial statements of the Faribault County Housing and Redevelopment Authority component unit as described in our report on the County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. This report does not include the results of our audit testing of the Faribault County Economic Development Authority component unit's internal control over financial reporting or compliance and other matters that are reported on separately within the Management and Compliance Section.

Internal Control Over Financial Reporting

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

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. However, as described in the accompanying Schedule of Findings and Recommendations, we did identify a deficiency in internal control over financial reporting that we consider to be a material weakness and deficiencies that we consider to be significant deficiencies.

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 combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or 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. We consider the deficiency described in the accompanying Schedule of Findings and Recommendations as item 2019-003 to be a material weakness and items 2019-001 and 2019-002 to be significant deficiencies.

Compliance and Other Matters

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

Minnesota Legal Compliance

In connection with our audit, nothing came to our attention that caused us to believe that Faribault County failed to comply with the provisions of the contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, and miscellaneous provisions sections 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, except as described in the Schedule of Findings and Recommendations as items 2019-004 and 2019-005. 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.

Other Matters

Included in the Schedule of Findings and Recommendations is a management practices comment. We believe this recommendation to be of benefit to the County, and it is reported for that purpose.

Faribault County's Response to Findings

Faribault County's responses to the internal control, legal compliance, and management practices findings identified in our audit are described in the 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	*/s/Dianne Syverson*
JULIE BLAHA STATE AUDITOR	DIANNE SYVERSON, CPA DEPUTY STATE AUDITOR

December 21, 2020

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SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2019

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

INTERNAL CONTROL

Finding Number: 2019-001

Prior Year Finding Number: 1996-005

Repeat Finding Since: 1996

Capital Assets Records

Criteria: The County is required by generally accepted accounting principles to account for and depreciate its capital assets over their estimated useful lives. The costs of capital assets are expensed annually as depreciation expense while the asset is in service. Written policies and procedures outline the specific authority and responsibility of County personnel, providing for accountability. Written policies serve as a reference and training tool for new personnel and ensure that procedures remain in place despite personnel turnover. To be effective, an accounting policies and procedures manual must be complete, up to date, and readily available to all personnel who need it.

Condition: The County Board has a capital assets policy that discusses capitalization thresholds and use of straight-line depreciation. The policy does not discuss estimated useful lives or use of salvage values.

Context: Estimated useful lives are not consistently used in calculating depreciation of the County's capital assets. General government buildings are depreciated over 30 years, while highway buildings are depreciated over 39 and 40 years. Salvage value amounts are not consistently considered in the calculation of depreciation amounts.

Effect: There is no clear guidance or consistency in the accounting for depreciation of capital assets.

Cause: The County stated that it has not been able to amend its capital assets policy due to time constraints and limited personnel.

Recommendation: To improve controls over capital assets, we recommend the County Board approve policies and procedures that establish consistent useful lives and set guidance on when to use salvage values in computing depreciation. If exceptions to the capitalization threshold policy are allowed, those exceptions should be spelled out in the policy.

View of Responsible Official: Acknowledged

Finding Number: 2019-002

Prior Year Finding Number: 2006-002

Repeat Finding Since: 2006

Budgeting

Criteria: The budget is a key internal control for the County. Budget modifications should be made throughout the year to maintain the value of the budget as an internal control tool. The ability to modify the budget during the year for new circumstances makes the budget more valuable because budgetary differences are not distorted by the new circumstances. In general, local governments should have an adopted budget policy that includes elements such as:

- procedures for adopting the budget,
- which funds require budgets,
- the legal level of control,
- when budgets can be modified by management and when budget modifications require Board approval,
- the budgetary basis on which the budget is adopted,
- identification of key personnel involved in the budgeting process, and
- the procedures for monitoring the budget.

Condition: The County does not have a formal written budget policy.

Context: Written policies and procedures help in providing consistency over time and guidance to new officials and staff.

Effect: The budgeting procedure may not be followed as intended by County management or the County Board.

Cause: The County stated that it has had time constraints and limited personnel which have delayed the completion of a formal written budget policy.

Recommendation: We recommend the County Board amend and formalize its budget policy to include the elements recommended above and modify the budget as necessary for significant changes in expected activity.

View of Responsible Official: Acknowledged

Finding Number: 2019-003

Prior Year Finding Number: 2017-001

Repeat Finding Since: 2017

<u>Audit Adjustment</u>

Criteria: A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements of the financial statements on a timely basis. Auditing standards define a material weakness as a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

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

Context: The inability to detect significant misstatements in the financial statements increases the likelihood that the financial statements would not be fairly presented. The adjustments were found in the audit; however, independent external auditors cannot be considered part of the County's internal control.

Effect: The Ditch Special Revenue Fund required an adjustment increasing special assessment receivables, unavailable revenue, and special assessment revenue by $378,970, $18,617, and $360,353, respectively.

Cause: The tax system report used to support the receivable balance was generated late in 2020 and reflected prepaid special assessments collected after year-end 2019. As a result, the special assessment receivable balance was understated. The County's review of the balance was not sufficient to identify the understatement and the adjustment necessary from the report amount to arrive at the year-end 2019 balance.

Recommendation: We recommend the County continue to review procedures over financial reporting to ensure financial statements are materially stated.

View of Responsible Official: Acknowledged

II. OTHER FINDINGS AND RECOMMENDATIONS

A. MINNESOTA LEGAL COMPLIANCE

Finding Number: 2019-004

Prior Year Finding Number: 2017-003

Repeat Finding Since: 2017

Publication of Financial Statements

Criteria: The County is required by Minn. Stat. § 375.17 to annually publish its financial statements.

Condition: Faribault County did not publish the 2017 or 2018 financial statements in a duly qualified legal newspaper in the County.

Context: The publication of the financial statements should include a statement of assets and liabilities and a summary of receipts, disbursements, and balances of all County funds together with a detailed statement of each fund account, and should be in the form and style prescribed by and on file with the Office of the State Auditor.

Effect: The County is not in compliance with Minn. Stat. § 375.17.

Cause: The County noted that publication of the financial statements was overlooked.

Recommendation: We recommend the County publish the County's financial statements annually as required by Minn. Stat. § 375.17.

View of Responsible Official: Acknowledged

Finding Number: 2019-005

Prior Year Finding Number: 2018-002

Repeat Finding Since: 2018

<u>Publication of Board Minutes</u>

Criteria: Pursuant to Minn. Stat. § 375.12, within 30 days of each meeting, the County Board must have the official proceedings of its sessions or a summary published in a qualified newspaper of general circulation in the County. The publication should include an individualized, itemized list of County Board-approved payments over $2,000.

Condition: The affidavits of publication related to the publishing of a summary of County Board minutes were reviewed for 2019. Not all of the summaries were published in the County's official newspaper within the 30-day requirement. In addition, the County did not publish an itemized list of payments.

Context: Of the 23 published summaries reviewed, 12 were not published within the 30-day requirement.

Effect: Noncompliance with Minn. Stat. § 375.12.

Cause: The County indicated the summaries are published on the County website within the 30-day requirement, but publication in the newspaper within the required timeframe has not been made a priority.

Recommendation: We recommend the County publish its summaries of the County Board minutes and itemized claims in compliance with Minn. Stat. § 375.12.

View of Responsible Official: Acknowledged

B. MANAGEMENT PRACTICES

Finding Number: 2019-006

Prior Year Finding Number: 2014-001

Repeat Finding Since: 2014

County Ditch Fund Deficits

Criteria: Each individual ditch system within the Ditch Special Revenue Fund should be maintained with a positive fund balance to meet its financial obligations.

Condition: At December 31, 2019, the County had individual ditch systems where liabilities and deferred inflows of resources exceeded assets, resulting in deficit fund balances.

Context: At December 31, 2019, 103 of 176 ditch systems had deficit fund balances totaling $4,728,184. Taking into consideration long-term items that do not contribute to reported ditch system fund balances, including assessments that have been levied for collection in future years, deficit balances are reduced to 71 ditch systems with a total deficit of $2,495,557.

Effect: Ditch systems with deficit fund balances indicate that measures may need to be taken to ensure that it can meet financial obligations.

Cause: The County indicated that a large portion of the deficits are a result of ongoing projects which are planned to be levied for once completed. In other cases, however, further research is needed to identify the cause of the deficits, after which additional assessments can be approved to address the deficit, if necessary.

Recommendation: We recommend the County continue to monitor the balances of the ditch systems and eliminate deficit fund balances by approving necessary special assessments as soon as practical for each system given the identified cause of the deficit for each individual system.

View of Responsible Official: Acknowledged

III. PREVIOUSLY REPORTED ITEMS RESOLVED

2018-001 Unsupported Payroll Disbursement
2018-003 Contract Compliance

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County of Faribault

BLUE EARTH, MINNESOTA

REPRESENTATION OF FARIBAULT COUNTY
BLUE EARTH, MINNESOTA

CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED DECEMBER 31, 2019

Finding Number: 2019-001
Finding Title: Capital Assets Records

Name of Contact Person Responsible for Corrective Action:

Darren Esser, County Auditor/Treasurer/Coordinator

Corrective Action Planned:

An accounting policy will be adopted that will establish consistent useful lives, set guidance on when to use salvage values in computing depreciation, and define capitalization thresholds.

Anticipated Completion Date:

December 31, 2021

Finding Number: 2019-002
Finding Title: Budgeting

Name of Contact Person Responsible for Corrective Action:

Darren Esser, County Auditor/Treasurer/Coordinator

Corrective Action Planned:

An accounting policy will be adopted that will address procedures for adopting the budget, the legal level of control, when budgets can be modified, and procedures for monitoring budgets.

Anticipated Completion Date:

December 31, 2021

Finding Number: 2019-003
Finding Title: Audit Adjustment

Name of Contact Person Responsible for Corrective Action:

Darren Esser, County Auditor/Treasurer/Coordinator

Corrective Action Planned:

The County will monitor the levy and the accounts that are used in settlements.

Anticipated Completion Date:

December 31, 2021

Finding Number: 2019-004
Finding Title: Publication of Financial Statements

Name of Contact Person Responsible for Corrective Action:

Darren Esser, County Auditor/Treasurer/Coordinator

Corrective Action Planned:

The County will publish the financial statements at the appropriate times.

Anticipated Completion Date:

March 3, 2021

Finding Number: 2019-005
Finding Title: Publication of Board Minutes

Name of Contact Person Responsible for Corrective Action:

Darren Esser, County Auditor/Treasurer/Coordinator

Corrective Action Planned:

The County will publish the minutes at the appropriate times.

Anticipated Completion Date:

Ongoing

Finding Number: 2019-006
Finding Title: County Ditch Fund Deficits

Name of Contact Person Responsible for Corrective Action:

Darren Esser, County Auditor/Treasurer/Coordinator

Corrective Action Planned:

The County continues to monitor the deficit fund balance in the Ditch Special Revenue Fund. A drainage database program is being used to track approved repairs and improvements that will assist in reducing the delay between project expenditures and approvals and the assessments for the cost, which will improve the Ditch Special Revenue Fund deficit.

Anticipated Completion Date:

Ongoing

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County of Faribault

BLUE EARTH, MINNESOTA

REPRESENTATION OF FARIBAULT COUNTY
BLUE EARTH, MINNESOTA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2019

Finding Number: 1996-005
Finding Title: Capital Assets Records

Summary of Condition: The County Board has a capital assets policy that discusses capitalization thresholds and use of straight-line depreciation. The policy does not discuss estimated useful lives or use of salvage values.

Summary of Corrective Action Previously Reported: An accounting policy will be adopted that will establish consistent useful lives, set guidance on when to use salvage values in computing depreciation, and define capitalization thresholds.

Status: Not Corrected. Due to time constraints, the accounting policies were not completed in the audit year. County staff will continue to work towards completing this task before the end of 2021.

Was corrective action taken significantly different than the action previously reported?
Yes _______ No ___X___

Finding Number: 2006-002
Finding Title: Budgeting

Summary of Condition: The County does not have a formal written budget policy.

Summary of Corrective Action Previously Reported: An accounting policy will be adopted that will address procedures for adopting the budget, the legal level of control, when budgets can be modified, and procedures for monitoring budgets.

Status: Not Corrected. Due to time constraints the accounting policies were not completed in the audit year. County staff will continue to work towards completing this task before the end of 2021.

Was corrective action taken significantly different than the action previously reported?
Yes _______ No ___X___

Finding Number: 2017-001
Finding Title: Audit Adjustments

Summary of Condition: Material audit adjustments were identified that resulted in significant changes to the County's financial statements.

Summary of Corrective Action Previously Reported: The County will monitor the levy and the accounts that are used in settlements.

Status: Not Corrected. The County will continue to monitor the levy and the accounts that are used in settlements. If settlement funds are unneeded in the fund for which they are levied, they are now moved to an appropriate fund after Board authorization.

Was corrective action taken significantly different than the action previously reported?
Yes _______ No ___X___

Finding Number: 2017-003
Finding Title: Publication of Financial Statements

Summary of Condition: Faribault County did not publish the financial statements in a duly qualified legal newspaper in the County.

Summary of Corrective Action Previously Reported: The County will publish the financial statements at the appropriate times.

Status: Not Corrected. Due to time constraints, this was not completed. County staff will continue to work towards this requirement in 2021.

Was corrective action taken significantly different than the action previously reported?
Yes _______ No ___X___

Finding Number: 2018-002
Finding Title: Publication of Board Minutes

Summary of Condition: The affidavits of publication related to the publishing of a summary of County Board minutes were reviewed for 2018. Not all of the summaries were published in the County's official newspaper within the 30-day requirement. In addition, the County did not publish an itemized list of payments.

Summary of Corrective Action Previously Reported: The County will publish the minutes at the appropriate times.

Status: Not Corrected. The County Auditor will remind responsible staff of the requirements and of the importance that the requirements are met.

Was corrective action taken significantly different than the action previously reported?
Yes _______ No ___X___

Finding Number: 2014-001
Finding Title: County Ditch Fund Deficits

Summary of Condition: At December 31, 2018, the County had individual ditch systems where liabilities and deferred inflows of resources exceeded assets, resulting in deficit fund balances.

Summary of Corrective Action Previously Reported: The County continues to monitor the deficit fund balance in the Ditch Special Revenue Fund. A drainage database program is being used to track approved repairs and improvements that will assist in reducing the delay between project expenditures and approvals and the assessments for the cost, which will improve the Ditch Special Revenue Fund deficit.

Status: Not Corrected. Faribault County monitored the fund balance of the Ditch Special Revenue Fund, but was not able to eliminate the deficit in the current year. The County has taken a more aggressive stance on issuing ditch assessments but special circumstances with many of the ditch systems need to be researched before corrective actions can be taken. Time constraints have kept that from happening.

Was corrective action taken significantly different than the action previously reported?
Yes _______ No ___X___

Finding Number: 2016-001
Finding Title: Uniform Guidance Written Procurement Policies and Procedures
Program: Highway Planning and Construction (CFDA No. 20.205)

Summary of Condition: The County adopted a procurement policy in December 2017; however, the policy did not include all the required components in accordance with Title 2 U.S. *Code of Federal Regulations* § 200.318.

Summary of Corrective Action Previously Reported: The County will approve written policies and procedures that include the specific components of the Uniform Guidance requirements over procurement.

Status: Not Corrected. The County thought the updated policy included the specific elements that were identified. The County will review the policy and implement suggested changes. Time constraints have made it difficult to review.

Was corrective action taken significantly different than the action previously reported?
Yes _______ No ___X___

Finding Number: 2018-001
Finding Title: Unsupported Payroll Disbursement

Summary of Condition: In 2018, an individual was paid approximately $3,200 in addition to their salary, but this additional amount was not supported by appropriate authorization and documentation.

Summary of Corrective Action Previously Reported: A policy will be created, approved, and followed.

Status: Fully Corrected. Corrective action was taken.
Was corrective action taken significantly different than the action previously reported?
Yes _______ No ___X____

Finding Number: 2018-003
Finding Title: Contract Compliance

Summary of Condition: The County was not in compliance with the following Minnesota contracting and bidding laws:

- Obtaining quotes: Pursuant to Minn. Stat. § 471.345, subd. 4, for contracts estimated to exceed $25,000 but not exceed $175,000, the contract may be made either upon sealed bids or by direct negotiation, by obtaining two or more quotations for the purchase when possible. Testing performed identified an instance where a vehicle had been purchased based on a single quote of approximately $35,000.

- Cooperative purchasing: Pursuant to Minn. Stat. § 471.345, subd. 15(a), for contracts estimated to exceed $25,000, municipalities must consider the availability, price and quality of supplies, materials, or equipment available through the state's cooperative purchasing venture (CPV) before purchasing through another source. Testing performed identified two instances of vehicles purchased for amounts exceeding $25,000. In both instances, the Board minutes indicate that the County was considering quotes from and awarding the contract to state contractor vendors. However, neither the quotes identified in the minutes nor the vendors awarded the contract were in fact state contract vendors.

Summary of Corrective Action Previously Reported: The County will obtain quotes and quotes from the cooperative purchases venture when required.

Status: Fully Corrected. Corrective action was taken.
Was corrective action taken significantly different than the action previously reported?
Yes ________ No ___X___

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FARIBAULT COUNTY ECONOMIC DEVELOPMENT AUTHORITY

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JULIE BLAHA
STATE AUDITOR

STATE OF MINNESOTA
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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

Economic Development Authority Board
Faribault County Economic Development Authority
Blue Earth, 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 Faribault County, Minnesota, which include as supplementary information, the financial statements of the Faribault County Economic Development Authority (EDA), a discretely presented component unit, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated December 21, 2020.

Internal Control Over Financial Reporting

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

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.

However, as described in the accompanying Schedule of Findings and Recommendations, we did identify a deficiency in internal control over financial reporting that we consider to be a material weakness.

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 combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the Faribault County EDA's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or 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. We consider the deficiency described in the accompanying Schedule of Findings and Recommendations as item 2019-001 to be a material weakness.

Compliance and Other Matters

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

Minnesota Legal Compliance

In connection with our audit, nothing came to our attention that caused us to believe that the Faribault County EDA failed to comply with the provisions of the deposits and investments, conflicts of interest, claims and disbursements, and miscellaneous provisions sections of the *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, 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 Faribault County EDA's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

Faribault County EDA's Response to Finding

Faribault County EDA's response to the internal control finding identified in our audit is described in the Corrective Action Plan. The Faribault County EDA's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting, compliance, and the provisions of the *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions* and the results of that testing, and not to provide an opinion on the effectiveness of the Faribault County EDA'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 Faribault County EDA's internal control over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.

/s/Julie Blaha	*/s/Dianne Syverson*
JULIE BLAHA STATE AUDITOR	DIANNE SYVERSON, CPA DEPUTY STATE AUDITOR

December 21, 2020

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FARIBAULT COUNTY ECONOMIC DEVELOPMENT AUTHORITY
BLUE EARTH, MINNESOTA

SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2019

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

INTERNAL CONTROL

Finding Number: 2019-001

Prior Year Finding Number: N/A

Repeat Finding Since: N/A

Audit Adjustment

Criteria: A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements of the financial statements on a timely basis. Auditing standards define a material weakness as a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

Condition: A material audit adjustment was identified that resulted in significant changes to the entity's financial statements.

Context: The Faribault County Economic Development Authority (EDA) is a component unit of Faribault County, and its financial information is included in Faribault County's financial statements, which are prepared by County staff. The inability to detect material misstatements in the financial statements increases the likelihood that 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 entity's internal control.

Effect: An adjustment of $30,000 was made to decrease loans receivable and fund balance/net position for a loan that was recorded in 2019. The loan was approved by the board in 2019, but was not issued until 2020.

SCHEDULE OF FINDINGS AND RECOMMENDATIONS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2019

Cause: The client informed us that this adjustment was the result of an oversight during the preparation of the loan receivable supporting documentation.

Recommendation: We recommend the County continue to review procedures over financial reporting to ensure financial statements are materially stated.

View of Responsible Official: Acknowledged

County of Faribault

BLUE EARTH, MINNESOTA

**REPRESENTATION OF FARIBAULT COUNTY
ECONOMIC DEVELOPMENT AUTHORITY
BLUE EARTH, MINNESOTA**

CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED DECEMBER 31, 2019

Finding Number: 2019-001
Finding Title: Audit Adjustment

Name of Contact Person Responsible for Corrective Action:

Darren Esser, County Auditor/Treasurer/Coordinator

Corrective Action Planned:

An accounting policy will be adopted that will address when to record a loan as a receivable in the loan receivable supporting documentation.

Anticipated Completion Date:

December 31, 2021