State of Minnesota

Office of the State Auditor

Julie Blaha
State Auditor

Houston County
Caledonia, Minnesota

Year Ended December 31, 2022

Description of the Office of the State Auditor

The Office of the State Auditor (OSA) helps ensure financial integrity and accountability in local government financial activities. The OSA is the constitutional office that oversees more than $40 billion in annual financial activity by local governments and approximately $20 billion of federal funding financial activity.

The OSA performs around 90 financial and compliance audits per year and has oversight responsibilities for over 3,300 local units of government throughout the state. The office maintains the following seven divisions:

- **Audit Practice**: Helps ensure fiscal integrity by conducting financial and compliance audits of local governments and the federal compliance audit of the State of Minnesota.

- **Constitution:** Connects with the public via external communication, media relations, legislative coordination, and public engagements for the State Auditor.

  This division also supports the State Auditor's service on the State Executive Council, State Board of Investment, Land Exchange Board, Public Employees Retirement Association Board, Minnesota Housing Finance Agency, the Minnesota Historical Society, and the Rural Finance Authority Board.

- **Government Information**: Collects, analyzes, and shares local government financial data to assist in policy and spending decisions; administers and supports financial tools including the Small Cities and Towns Accounting System (CTAS) software and infrastructure comparison tools.

- **Legal/Special Investigations**: Provides legal analysis and counsel to the OSA and responds to outside inquiries about Minnesota local law relevant to local government finances; investigates local government financial records in response to specific allegations of theft, embezzlement, or unlawful use of public funds or property.

- **Operations:** Ensures the office runs efficiently by providing fiscal management and technology support to the office.

- **Pension:** Analyzes investment, financial, and actuarial reporting for Minnesota's local public pension plans and monitors pension plan operations.

- **Tax Increment Financing (TIF)**: Promotes compliance and accountability in local governments' use of tax increment financing through education, reporting, and compliance reviews.

Houston County
Caledonia, Minnesota

Year Ended December 31, 2022

Office of the State Auditor

Audit Practice Division
Office of the State Auditor
State of Minnesota

Houston County
Caledonia, Minnesota

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Houston County
Caledonia, Minnesota

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Introductory Section

Houston County
Caledonia, Minnesota

Organization
December 31, 2022

			Term Expires
Elected			
Commissioners			
Vice Chair	DeWayne Severson [1]	District 1	January 2025
Board Member	Eric Johnson [2]	District 2	January 2026
Chair	Robert Burns	District 3	January 2025
Board Member	Teresa Walter	District 4	January 2023
Chair	Greg Myhre	District 5	January 2025
Attorney	Samuel Jandt		January 2023
Auditor/Treasurer	Donna Trehus		January 2023
Sheriff	Mark Inglett		January 2023
Appointed			
Assessor	Luke Onstad		December 2024
Engineer	Brian Pogodzinski		April 2025
Coroner	Mayo Medical Examiner		Indefinite
Court Administrator	Darlene Larson		Indefinite
Recorder – Interim	Mary Betz		January 2023
Finance Director	Carol Lapham		Indefinite
Public Health/Human Services Director	John Pugleasa		Indefinite
Veterans Service Officer	Robert Thoen		January 2024

[1] Chair 2023
[2] Vice Chair 2023

Financial Section

STATE OF MINNESOTA

Office of the State Auditor

Julie Blaha
State Auditor

Suite 500
525 Park Street
Saint Paul, MN 55103

Independent Auditor's Report

Board of County Commissioners
Houston County
Caledonia, Minnesota

Report on the Audit of the Financial Statements

Opinions
We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Houston County, Minnesota, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Houston County as of December 31, 2022, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

Emphasis of Matter – Change in Accounting Principle
As discussed in Note 1 to the financial statements, in 2022, the County adopted new accounting guidance by implementing the provisions of Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, which represents a change in accounting principles. Our opinion is not modified with respect to this matter.

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the County's ability to continue as a going

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concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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

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

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

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

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

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

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

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

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

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 3, 2024, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

/s/Julie Blaha

Julie Blaha
State Auditor

/s/Chad Struss

Chad Struss, CPA
Deputy State Auditor

April 3, 2024

Management’s Discussion and Analysis

Houston County
Caledonia, Minnesota

Management's Discussion and Analysis
December 31, 2022
(Unaudited)

The Management's Discussion and Analysis (MD&A) provides an overview of the County's financial activities for the fiscal year ended December 31, 2022. Since this information is designed to focus on current year activities, resulting changes, and currently known facts, it should be read in conjunction with the County's financial statements.

Financial Highlights

- Governmental activities' total net position is $88,532,975, of which $78,947,108 is the net investment in capital assets and $2,541,893 is restricted to specific purposes.

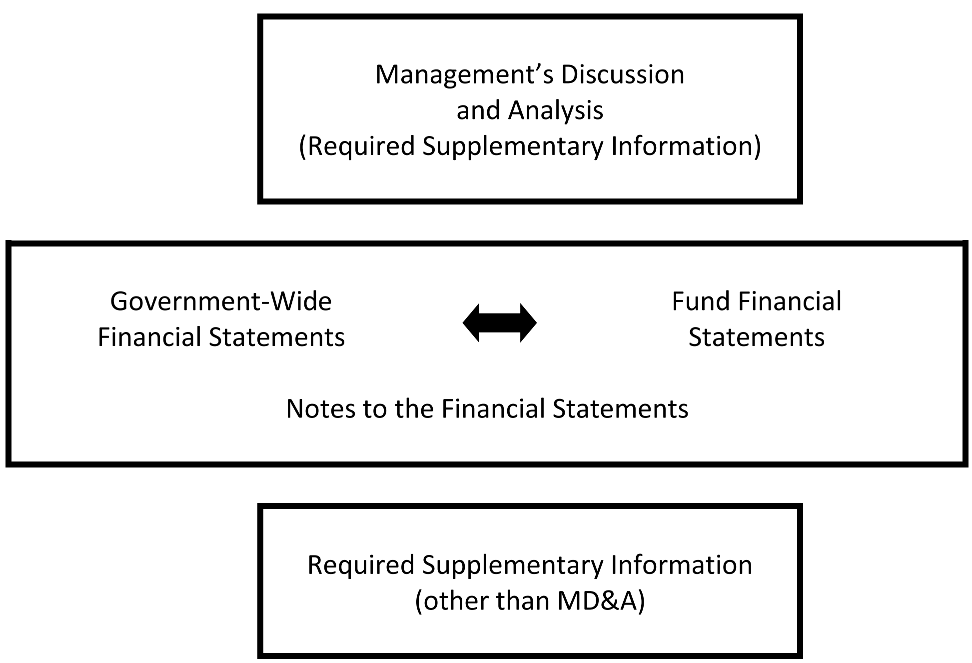
- Houston County's net position increased by $584,442 for the year ended December 31, 2022.

- The net cost of governmental activities for the current fiscal year was $15,722,300. The net cost was funded by general revenues, including taxes and grants.

- Governmental funds' fund balances increased by $1,093,076.

Overview of the Financial Statements

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



There are two government-wide financial statements. The Statement of Net Position and the Statement of Activities (Exhibits 1 and 2) provide information about the activities of the County as a whole and present a longer-term view of the County's finances. Government-wide financial statements start on page 12. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the County's operations in more detail than the government-wide statements by providing information about the County's most significant funds. The remaining statements provide financial information about activities for which the County acts solely as an agent for the benefit of those outside of the government.

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

Our analysis of the County as a whole is shown on Exhibits 1 and 2. The Statement of Net Position and the Statement of Activities report information about the County as a whole and about its activities in a way that helps the reader determine whether the County's financial condition has improved or declined as a result of the year's activities. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the full accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

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

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

Fund Financial Statements

Our analysis of the County's major funds begins on page 15. The fund financial statements provide detailed information about the significant funds—not the County as a whole. Some funds are required to be established by state law. However, the County Board establishes some funds to help it control and manage money for a particular purpose or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money.

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

Reporting the County's Fiduciary Responsibilities

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

The County as a Whole

The County's net position increased $584,442 from $87,948,533 to $88,532,975.

Table 1
Net Position
(in Millions)

	2022	2021
Assets		
Current and other assets	$ 21.0	$ 21.1
Capital assets	92.7	92.5
Total Assets	$ 113.7	$ 113.6
Deferred outflows of resources		
Deferred pension/OPEB outflows	$ 6.2	$ 4.7
Deferred charge on refunding	0.5	0.5
Total Deferred Outflows of Resources	$ 6.7	$ 5.2
Liabilities		
Long-term liabilities	$ 29.0	$ 21.6
Other liabilities	2.5	3.0
Total Liabilities	$ 31.5	$ 24.6
Deferred inflows of resources		
Deferred pension/OPEB inflows	$ 0.4	$ 6.3
Net Position		
Net investment in capital assets	$ 78.9	$ 77.7
Restricted	2.5	4.0
Unrestricted	7.1	6.2
Total Net Position	$ 88.5	$ 87.9

Net position of the County's governmental activities increased by 0.1 percent ($88,532,975 compared to $87,948,533).

Table 2
Changes in Net Position
(in Millions)

	2022	2021
Revenues		
Program revenues		
Fees, charges, fines, and other	$ 2.7	$ 3.2
Operating grants and contributions	11.4	10.0
Capital grants and contributions	1.6	1.7
General revenues		
Property taxes	12.6	12.1
Other taxes and payments in lieu of taxes	0.6	0.6
Grants and contributions	2.9	1.6
Other general revenues	0.2	0.3
Total Revenues	$ 32.0	$ 29.5
Expenses		
General government	$ 6.3	$ 4.6
Public safety	5.6	4.3
Transportation	9.7	7.9
Human services	6.6	5.5
Health	0.7	0.8
Sanitation	1.1	0.9
Culture and recreation	0.4	0.4
Conservation of natural resources	0.4	0.3
Economic development	0.2	0.6
Interest	0.4	0.5
Total Expenses	$ 31.4	$ 25.8
Increase (Decrease) in Net Position	$ 0.6	$ 3.7
Net Position – January 1	87.9	84.2
Net Position – December 31	$ 88.5	$ 87.9

Governmental Activities

The cost of all governmental activities this year was $31,412,690. However, as shown in the Statement of Activities, the amount that the taxpayers ultimately financed for these activities through County property taxes was only $12,548,619, because some of the cost was paid by those who directly benefited from the programs ($2,648,509) or by other governments and organizations that subsidized certain programs with grants and contributions ($13,041,881). The County paid for the remaining “public benefit” portion of governmental activities with $16,306,742 in general revenues, primarily property taxes and other revenues, such as interest and general entitlements, resulting in an increase to net position of $584,442.

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

Table 3
Governmental Activities
(in Millions)

	Total Cost of Services		Net Cost (Revenue) of Services	
	2022	2021	2022	2021
Transportation	$ 9.7	$ 7.9	$ 1.6	$ 0.8
Human services	6.6	5.5	2.5	1.6
General government	6.3	4.6	5.6	3.9
Public safety	5.6	4.3	4.5	3.5

Financial Analysis of the County's Funds

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

At December 31, 2022, Houston County's governmental funds reported combined ending fund balances of $17,172,610, an increase of $1,093,076 in comparison with 2021. The County is reporting an unassigned fund balance of $6,805,813 in 2022. The remainder of fund balance is nonspendable, restricted, committed, or assigned to indicate that it is not available for new spending because it has already been restricted, committed, assigned, or is nonspendable.

The General Fund is the chief operating fund of Houston County. At December 31, 2022, unassigned fund balance was $6,805,813, while total fund balance was $8,236,140. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 53.1 percent of total General Fund expenditures, while total fund balance represents 64.3 percent of the same amount. While the 2022 General Fund final budget reflected a $168,564 deficit, the General Fund ended the year with an increase of $412,813 to fund balance. The General Fund December 31, 2022, fund balance of $8,236,140 increased from the 2021 balance of $7,823,327.

The Road and Bridge Special Revenue Fund's fund balance decreased by $201,580 to $5,280,099, of which all but $621,807 is assigned. In 2022, the highway department building project was concluded. The Road and Bridge Fund made a transfer to the Capital Projects Fund of $719,270 to pay for the construction. This was offset by an increase in State Aid funds received but not spent and additional funding.

The Health and Human Services Special Revenue Fund's fund balance increased by $535,537 to $1,871,890, of which $1,737,326 is assigned and $134,564 is restricted. The increase in fund balance is the result of a net source of funds from Health and Human Services including: restricted funds for Opioid Settlement of $134,564 and assigned funds for Estate Recovery fees of $212,995 and ARPA funding of $233,008 received but not in the budget.

The Debt Service Fund's fund balance of $1,784,481 is an increase of $89,877 over the 2021 fund balance of $1,694,604. Debt service is levied one year in advance at 105 percent of debt service requirements for the upcoming year's principal and interest payments, resulting in the increase of fund balance.

The Capital Projects Fund's fund balance increased by $256,429 from a negative fund balance of $256,429 in 2021, resulting in a fund balance of $0.

General Fund Budgetary Highlights

Houston County revised its General Fund budget during 2022, increasing expected revenues by 0.3 percent and increasing appropriations by 0.01 percent, respectively. For the year ended December 31, 2022, expenditures were more than the final budget by $1,001,629.

Capital Assets and Debt Administration

Capital Assets

At the end of 2022, the County had $92,653,756 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 $83,739, or 0.1 percent, over last year. More detailed information about the County's capital assets can be found in Note 3 of the financial statements.

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

	2022	2021
Land	$ 4.2	$ 3.0
Construction in progress	0.1	6.2
Buildings and improvements	21.3	16.3
Machinery, furniture, and equipment	3.4	3.9
Infrastructure	63.2	63.2
Lease assets	0.5	-
Totals	$ 92.7	$ 92.6

Long-Term Debt

At the end of the current fiscal year, the County had total general obligation bonds outstanding in the amount of $13,754,210 as shown in Table 5. More detailed information about the County's long-term liabilities is presented in Note 3 to the financial statements.

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

	2022	2021
G.O. bonds	$ 13.8	$ 14.8

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

Economic Factors and Next Year's Budgets and Rates

The County's elected and appointed officials considered many factors when setting the fiscal year 2023 budget, tax rates, and fees that will be charged for the government-type activities.

- The unemployment rate in Houston County decreased, moving from 2.87 percent in 2021 to 2.28 percent in 2022 for the annual average. This is lower than the U.S. average of 3.65 percent and lower than the Minnesota rate of 2.7 percent.

- County General Fund expenditures for 2023 are budgeted to increase 0.7 percent from the 2022 level.

- Houston County's population increased by 2.2 percent from 2021 (18,839) to 2022 (19,253), compared to an increase of 8.1 percent in Minnesota as a whole. Citizens aged 65+ comprise 23.3 percent of the County's population.

- The property tax levy was increased by two percent for 2023.

- During 2023, Houston County will review a space utilization study funded with ARPA to possibly renovate spaces to increase efficiency. The study encompassed the Historic Courthouse, the Community Services Building, and the County Justice Center. The County Board of Commissioners will also be considering the repurposing or demolition of the Historic Jail and the use of the insurance settlement following the 2014 damage to the unoccupied building that occurred when the sprinkler system malfunctioned. This review will also include analyzing the organizational structure following the elimination of the County Administrator position, aiming to streamline operations and increase efficiencies. The County Jail operations will continue status quo for 2023 despite the elimination of the Winona County contract for housing prisoners. A committee will meet regularly to analyze possible changes to the operations. This includes researching the possibility of creating a juvenile holding facility. County operations and funding were affected by the declaration of the COVID-19 pandemic and will continue into 2023 with the award of ARPA funding.

Contacting Houston County's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about this report, or need additional financial information, contact the County Finance Director, Carol Lapham, Houston County Courthouse, 304 South Marshall Street, Caledonia, Minnesota 55921.

Basic Financial Statements

Government-Wide Financial Statements

Houston County
Caledonia, Minnesota

Exhibit 1

Statement of Net Position
Governmental Activities
December 31, 2022

Assets		
Cash and pooled investments	$	13,715,217
Petty cash and change funds		17,160
Cash and investments		4,003,409
Taxes receivable		
Delinquent		141,155
Accounts receivable – net		90,571
Accrued interest receivable		37,683
Loans receivable		261,564
Due from other governments		2,164,395
Inventories		603,066
Prepaid items		12,213
Capital assets		
Non-depreciated or amortized		4,253,393
Assets net of accumulated depreciation and amortization		88,400,363
Total Assets	**$**	**113,700,189**
Deferred Outflows of Resources		
Deferred charge on refunding	$	451,562
Deferred other postemployment benefits outflows		69,637
Deferred pension outflows		6,185,837
Total Deferred Outflows of Resources	**$**	**6,707,036**
Liabilities		
Accounts payable	$	280,362
Salaries payable		411,747
Contracts payable		12,113
Due to other governments		82,856
Accrued interest payable		146,994
Unearned revenue		1,464,338
Customer deposits		50,806
Long-term liabilities		
Due within one year		1,431,051
Due in more than one year		14,085,356
Net pension liability		12,961,257
Other postemployment benefits liability		555,587
Total Liabilities	**$**	**31,482,467**
Deferred Inflows of Resources		
Deferred other postemployment benefits inflows	$	60,652
Deferred pension inflows		331,131
Total Deferred Inflows of Resources	**$**	**391,783**

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

Houston County
Caledonia, Minnesota

Exhibit 1
(Continued)

Statement of Net Position
Governmental Activities
December 31, 2022

<u>Net Position</u>

Net investment in capital assets	$	78,947,108
Restricted for		
General government		314,798
Public safety		679,656
Health		134,564
Highways and streets		989,215
Economic development		423,660
Unrestricted		7,043,974
Total Net Position	**$**	**88,532,975**

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

Houston County
Caledonia, Minnesota

Exhibit 2

Statement of Activities
For the Year Ended December 31, 2022

		Program Revenues			
	Expenses	Fees, Charges, Fines, and Other	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenues and Change in Net Position
Functions/Programs					
Primary government					
Governmental activities					
General government	$ 6,277,410	$ 487,522	$ 236,544	$ -	$ (5,553,344)
Public safety	5,561,786	521,334	526,724	-	(4,513,728)
Transportation	9,754,640	225,440	6,307,659	1,624,893	(1,596,648)
Sanitation	1,108,446	695,161	76,337	-	(336,948)
Human services	6,639,842	594,427	3,531,881	-	(2,513,534)
Health	733,573	41,628	485,798	-	(206,147)
Culture and recreation	365,436	69,170	1,511	-	(294,755)
Conservation of natural resources	361,207	750	159,206	-	(201,251)
Economic development	252,711	13,077	91,328	-	(148,306)
Interest	357,639	-	-	-	(357,639)
Total Governmental Activities	**$ 31,412,690**	**$ 2,648,509**	**$ 11,416,988**	**$ 1,624,893**	**$ (15,722,300)**

General Revenues	
Property taxes	$ 12,548,619
Mortgage registry and deed tax	19,594
Wheelage tax	198,344
Payments in lieu of tax	385,371
Grants and contributions not restricted to specific programs	2,923,767
Unrestricted investment earnings	(80,073)
Miscellaneous	286,803
Gain on sale of capital assets	24,317
Total general revenues	**$ 16,306,742**
Change in net position	**$ 584,442**
Net Position – Beginning	**87,948,533**
Net Position – Ending	**$ 88,532,975**

Fund Financial Statements

Governmental Funds

Houston County
Caledonia, Minnesota

Balance Sheet
Governmental Funds
December 31, 2022

	General	Road and Bridge
Assets		
Cash and pooled investments	$ 7,516,256	$ 3,103,644
Petty cash and change funds	17,060	100
Cash and investments	2,312,036	1,491,373
Taxes receivable		
Delinquent	82,794	21,790
Accounts receivable – net	11,011	1,126
Loans receivable	261,564	-
Accrued interest receivable	33,328	3,971
Due from other funds	981	-
Due from other governments	224,574	1,373,333
Prepaid expense	12,213	-
Inventories	-	603,066
Total Assets	**$ 10,471,817**	**$ 6,598,403**
Liabilities, Deferred Inflows of Resources, and Fund Balances		
Liabilities		
Accounts payable	$ 112,239	$ 55,312
Salaries payable	209,260	67,285
Contracts payable	-	12,113
Due to other funds	-	-
Due to other governments	14,926	49,160
Unearned revenue	1,464,338	-
Customer deposits	50,806	-
Total Liabilities	**$ 1,851,569**	**$ 183,870**
Deferred Inflows of Resources		
Unavailable revenue	**$ 384,108**	**$ 1,134,434**

Exhibit 3

Health and Human Services	Debt Service	Capital Projects	Total
$ 1,317,095	$ 1,778,222	$ -	$ 13,715,217
-	-	-	17,160
200,000	-	-	4,003,409
21,307	15,264	-	141,155
78,434	-	-	90,571
-	-	-	261,564
384	-	-	37,683
-	-	-	981
566,488	-	-	2,164,395
-	-	-	12,213
-	-	-	603,066
$ 2,183,708	**$ 1,793,486**	**$ -**	**$ 21,047,414**
$ 112,811	$ -	$ -	$ 280,362
135,202	-	-	411,747
-	-	-	12,113
981	-	-	981
18,770	-	-	82,856
-	-	-	1,464,338
-	-	-	50,806
$ 267,764	**$ -**	**$ -**	**$ 2,303,203**
$ 44,054	**$ 9,005**	**$ -**	**$ 1,571,601**

Houston County
Caledonia, Minnesota

Balance Sheet
Governmental Funds
December 31, 2022

		General		Road and Bridge
Liabilities, Deferred Inflows of Resources, and Fund Balances (Continued)				
Fund Balances				
Nonspendable				
Prepaid items	$	12,213	$	-
Inventories		-		603,066
Restricted for				
Debt service		-		-
Recorder's technology equipment		182,151		-
Recorder's compliance		120,468		-
E-911		452,603		-
Economic development loans		423,660		-
Conceal and carry		213,365		-
Sheriff's DUI forfeiture		13,688		-
Attorney forfeited property		12,179		-
Opioid settlement		-		-
Road and bridge projects		-		18,741
Assigned				
Road and bridge		-		4,658,292
Human services		-		-
Unassigned		6,805,813		-
Total Fund Balances	$	**8,236,140**	$	**5,280,099**
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	**$**	**10,471,817**	**$**	**6,598,403**

Health and Human Services	Debt Service	Capital Projects	Total
$ -	$ -	$ -	$ 12,213
-	-	-	603,066
-	1,784,481	-	1,784,481
-	-	-	182,151
-	-	-	120,468
-	-	-	452,603
-	-	-	423,660
-	-	-	213,365
-	-	-	13,688
-	-	-	12,179
134,564	-	-	134,564
-	-	-	18,741
-	-	-	4,658,292
1,737,326	-	-	1,737,326
-	-	-	6,805,813
$ 1,871,890	**$ 1,784,481**	**$ -**	**$ 17,172,610**
$ 2,183,708	**$ 1,793,486**	**$ -**	**$ 21,047,414**

Houston County
Caledonia, Minnesota

Exhibit 4

Reconciliation of Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position—Governmental Activities For the Year Ended December 31, 2022

Fund balances – total governmental funds (Exhibit 3)		**$ 17,172,610**
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets, net of accumulated depreciation and amortization, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		92,653,756
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.		1,571,601
Deferred outflows of resources resulting from pension and other postemployment benefits liabilities are not available resources and, therefore, are not reported in the governmental funds.		6,255,474
Deferred outflows of resources resulting from debt refundings are not reported in the governmental funds.		451,562
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Loans payable	$ (49,719)	
Leases payable	(403,998)	
Bonds payable	(13,170,000)	
Bond premium	(584,210)	
Accrued interest payable	(146,994)	
Net pension liability	(12,961,257)	
Other postemployment benefits liability	(555,587)	
Compensated absences	(1,308,480)	(29,180,245)
Deferred inflows of resources resulting from pension and other postemployment benefits liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		(391,783)
Net Position of Governmental Activities (Exhibit 1)		**$ 88,532,975**

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

Houston County
Caledonia, Minnesota

Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended December 31, 2022

	General	Road and Bridge
Revenues		
Taxes	$ 7,421,236	$ 2,095,334
Licenses and permits	102,520	5,330
Intergovernmental	3,660,844	7,811,421
Charges for services	1,565,630	228,787
Fines and forfeits	13,022	-
Gifts and contributions	19,425	-
Investment earnings	(93,645)	11,262
Miscellaneous	455,981	3,577
Total Revenues	**$ 13,145,013**	**$ 10,155,711**
Expenditures		
Current		
General government	$ 6,129,957	$ -
Public safety	4,543,648	-
Transportation	-	9,235,497
Sanitation	1,051,067	-
Human services	-	-
Health	22,000	-
Culture and recreation	170,675	-
Conservation of natural resources	358,866	-
Economic development	283,890	-
Intergovernmental		
Transportation	-	414,485
Culture and recreation	185,977	-
Capital outlay	-	-
Debt service		
Principal	64,685	72,675
Interest	4,867	5,123
Administrative (fiscal) charges	-	-
Total Expenditures	**$ 12,815,632**	**$ 9,727,780**
Excess of Revenues Over (Under) Expenditures	**$ 329,381**	**$ 427,931**

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

Health and Human Services	Debt Service	Capital Projects	Total
$ 1,937,404	$ 1,321,104	$ -	$ 12,775,078
-	-	-	107,850
4,399,846	97,101	-	15,969,212
775,308	-	-	2,569,725
-	-	-	13,022
-	-	-	19,425
2,310	-	-	(80,073)
557,721	-	-	1,017,279
$ 7,672,589	**$ 1,418,205**	**$ -**	**$ 32,391,518**
$ -	$ -	$ -	$ 6,129,957
-	-	-	4,543,648
-	-	-	9,235,497
-	-	-	1,051,067
6,426,687	-	-	6,426,687
705,999	-	-	727,999
-	-	-	170,675
-	-	-	358,866
-	-	-	283,890
-	-	-	414,485
-	-	-	185,977
-	-	462,841	462,841
4,187	930,000	-	1,071,547
179	394,103	-	404,272
-	4,225	-	4,225
$ 7,137,052	**$ 1,328,328**	**$ 462,841**	**$ 31,471,633**
$ 535,537	**$ 89,877**	**$ (462,841)**	**$ 919,885**

Houston County
Caledonia, Minnesota

Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended December 31, 2022

	General	Road and Bridge
Other Financing Sources (Uses)		
Lease issuances	$ 83,432	$ 50,217
Transfer in	-	-
Transfer out	-	(719,270)
Proceeds from sale of capital assets	-	10,679
Total Other Financing Sources (Uses)	**$ 83,432**	**$ (658,374)**
Net Change in Fund Balance	**$ 412,813**	**$ (230,443)**
Fund Balance – January 1	**7,823,327**	**5,481,679**
Increase (decrease) in inventories	**-**	**28,863**
Fund Balance – December 31	**$ 8,236,140**	**$ 5,280,099**

Health and Human Services	Debt Service	Capital Projects	Total
$ -	$ -	$ -	$ 133,649
-	-	719,270	719,270
-	-	-	(719,270)
-	-	-	10,679
$ -	**$ -**	**$ 719,270**	**$ 144,328**
$ 535,537	**$ 89,877**	**$ 256,429**	**$ 1,064,213**
1,336,353	**1,694,604**	**(256,429)**	**16,079,534**
-	-	-	**28,863**
$ 1,871,890	**$ 1,784,481**	**$ -**	**$ 17,172,610**

Exhibit 6

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Government-Wide Statement of Activities—Governmental Activities For the Year Ended December 31, 2022

Net change in fund balances – total governmental funds (Exhibit 5)		**$**	**1,064,213**
Amounts reported for governmental activities in the statement of activities are different because:			
In the funds, under the modified accrual basis, receivables not available for expenditure are deferred. In the statement of activities, those revenues are recognized when earned. The adjustment to revenue between the fund statements and the statement of activities is the increase or decrease in revenue deferred as unavailable.			
Deferred inflows of resources – December 31	$ 1,571,601		
Deferred inflows of resources – January 1	(2,032,147)		(460,546)
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 or amortization expense. Also, in the statement of activities, only the gain or loss on the disposal of assets is reported; whereas, in the governmental funds, the proceeds from the sale increase financial resources. Therefore, the change in net position differs from the change in fund balance by the net book value of the assets sold.			
Expenditures for general capital assets and infrastructure	$ 3,683,810		
Net book value of assets disposed	(88,129)		
Current year depreciation and amortization	(3,511,942)		83,739
Issuing long-term debt provides current financial resources to governmental funds, while the repayment of debt consumes current financial resources. Neither transaction, however, has any effect on net position. Also, governmental funds report the net effect of issuance costs, premiums, discounts, and similar items when debt is first issued; whereas, those amounts are deferred and amortized over the life of the debt in the statement of net position.			
Proceeds of new debt			
Leases issued	$ (133,649)		
Principal repayments			
General obligation bonds	930,000		
Loans	11,618		
Leases	129,929		
Current year amortization of premiums	90,123		1,028,021

Houston County
Caledonia, Minnesota

Exhibit 6
(Continued)

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Government-Wide Statement of Activities—Governmental Activities
For the Year Ended December 31, 2022

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Change in compensated absences	$ (122,098)	
Change in accrued interest payable	17,180	
Change in net pension asset	(81,877)	
Change in net pension liability	(8,327,145)	
Change in other postemployment benefits liability	(37,196)	
Change in deferred outflows of resources	1,496,801	
Change in deferred inflows of resources	5,894,487	
Change in inventories	28,863	(1,130,985)
Change in Net Position of Governmental Activities (Exhibit 2)		**$ 584,442**

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

Fiduciary Funds

Houston County
Caledonia, Minnesota

Exhibit 7

Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2022

		Custodial Funds
Assets		
Cash and pooled investments	$	2,032,719
Cash and investments		196,312
Taxes receivable for other governments		263,482
Total Assets	**$**	**2,492,513**
Liabilities		
Due to other governments	**$**	**665,382**
Deferred Inflows of Resources		
Prepaid taxes	**$**	**88,850**
Net Position		
Restricted for individuals, organizations, and other governments	**$**	**1,738,281**

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

Houston County
Caledonia, Minnesota

Exhibit 8

Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended December 31, 2022

		Custodial Funds
Additions		
Appropriations from counties	$	152,008
Contributions from individuals		232,192
Interest earnings		1,391
Property tax collections for other governments		17,214,442
Fees collected for the state		4,536,203
Refunds collected for tax abatements		12,916
Payments from the state		879,205
Payments from other entities		249
Miscellaneous		20,868
Total Additions	**$**	**23,049,474**
Deductions		
Payments of property tax to other governments	$	17,068,349
Payments to the state		4,539,745
Administrative expense		461,802
Payments to other individuals/entities		562,402
Payments to other governments		250,295
Total Deductions	**$**	**22,882,593**
Change in net position	**$**	**166,881**
Net Position – January 1		**1,571,400**
Net Position – December 31	**$**	**1,738,281**

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

Note 1 – Summary of Significant Accounting Policies

The County's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as of and for the year ended December 31, 2022. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the County are discussed below.

Financial Reporting Entity

Houston County was established February 23, 1854, and is an organized county having the powers, duties, and privileges granted counties by Minn. Stat. ch. 373. As required by accounting principles generally accepted in the United States of America, these financial statements present Houston County (primary government) and its component unit for which the County is financially accountable. The County is governed by a five-member Board of Commissioners elected from districts within the County. The Board is organized with a chair and vice chair elected at the annual meeting in January of each year.

Blended Component Unit

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

Component Units of the County

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

Joint Ventures and Jointly-Governed Organizations

The County participates in joint ventures and jointly-governed organizations described in Note 3.

Basic Financial Statements

Government-Wide Statements

The government-wide financial statements (the statement of net position and the statement of activities) display information about the primary government and its component unit. These statements include the financial activities of the overall County government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities are normally supported by taxes and intergovernmental revenues.

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

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

Fund Financial Statements

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

The County reports the following major governmental funds:

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

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

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

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

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

Additionally, the County reports the following fund type:

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

Measurement Focus and Basis of Accounting

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

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

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

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

Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2022, based on market prices. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments are credited to the General Fund. Other funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants. Pooled investment earnings for 2022 were ($93,645) at the fund level due to a decrease in the market value of investments.

Receivables and Payables

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

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

All receivables are shown net of an allowance for uncollectibles.

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

Inventories and Prepaid Items

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

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

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (for example, roads, bridges, and similar items), and right-to-use assets acquired under leasing arrangements, are reported in the government-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost of more than $10,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value.

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

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

Estimated Useful Lives of Capital Assets

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

Compensated Absences

The liability for compensated absences reported in the financial statements consists of unpaid, accumulated annual vacation, compensatory, and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. Compensated absences are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The current portion is calculated using a trend analysis based on prior year payments. Compensated absences liabilities are generally liquidated by the General Fund and the Road and Bridge and Health and Human Services Special Revenue Funds.

Unearned Revenue

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

Pension Plan

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

Long-Term Obligations

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

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and will not be recognized as an outflow of resources (expenditure/ expense) until that time. The County reports three types of deferred outflows of resources that qualify in this category: deferred charge on refunding, deferred pension, and deferred other postemployment benefits (OPEB) outflows Deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt and only arises under the full accrual basis of accounting. The County also reports deferred outflows of resources only under the full accrual basis of accounting associated with pension plans and OPEB and, accordingly, are reported only in the statement of net position.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) or reduction of expense until that time. The County reports three types of deferred inflows of resources that qualify for reporting in this category: unavailable revenue, deferred pension, and deferred OPEB inflows Unavailable revenue arises only under the modified accrual basis of accounting and, accordingly, is reported only in the governmental funds balance sheet. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available. The County also reports deferred inflows of resources associated with pension and OPEB benefits. These inflows arise only under the full accrual basis of accounting and, accordingly, are reported only in the statement of net position.

Classification of Net Position

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

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

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

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

Classification of Fund Balances

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

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

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

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

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

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

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

Minimum Fund Balance

Houston County has adopted a minimum fund balance policy to address cash flow or working capital needs for the General Fund and other special revenue funds, which are heavily reliant on property tax revenues to fund current operations. However, property tax revenues are not available for distribution until June. Therefore, the County Board has determined the need to maintain a minimum unassigned fund balance in the General Fund and an unrestricted (committed and assigned) fund balance in the remaining special revenue funds until the tax revenues are distributed. The County Board has determined this amount to be not less than 40 percent and not more than 65 percent of the sum of the most recent budget year's property tax levy.

Use of Estimates

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

Change in Accounting Principles

During the year ended December 31, 2022, Houston County adopted new accounting guidance by implementing the provisions of Governmental Accounting Standards Board (GASB) No. 87, *Leases*, which establishes criteria for accounting and financial reporting for leases. The implementation of this statement resulted in changing the presentation of the notes to the financial statements by reclassifying the beginning balances of capital assets by $613,055 and accumulated depreciation by $185,165 to right-to-use capital assets of $427,890.

Note 2 – Detailed Notes

Assets

Deposits and Investments

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

Reconciliation of the County's Total Cash and Investments to the Basic Financial Statements as of December 31, 2022

Government-wide statement of net position		
Governmental activities		
Cash and pooled investments	$	13,715,217
Petty cash and change funds		17,160
Cash and investments		4,003,409
Statement of fiduciary net position		
Cash and pooled investments		2,032,719
Cash and investments		196,312
Total Cash and Investments	$	19,964,817
Deposits	$	16,373,186
Petty cash and change funds	$	17,160
Investments		
Negotiable securities	$	2,876,407
Municipal bonds		698,064
Total investments	$	3,574,471
Total Deposits, Petty Cash and Change Funds, and Investments	$	19,964,817

Deposits

The County is authorized by Minn. Stat. §§ 118A.02 and 118A.04 to designate a depository for public funds and to invest in certificates of deposit. The County is required by Minn. Stat. § 118A.03 to protect all County deposits with insurance, surety bond, or collateral. The market value of collateral pledged shall be at least ten percent more than the amount on deposit plus accrued interest at the close of the financial institution's banking day, not covered by insurance or bonds.

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

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits may not be returned to it. The County has adopted a policy for custodial credit risk of obtaining collateral or bond for all uninsured amounts on deposit and obtaining necessary documentation to show compliance with state law and perfected security interest under federal law. As of December 31, 2022, the County's deposits were not exposed to custodial credit risk.

Investments

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

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

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

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

(4) 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. It is the County's policy to minimize interest rate risk by: (1) structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market prior to maturity; and (2) investing operating funds, when most prudent, in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the County's cash requirements.

Cash and Investments and Information Relating to Potential Investment Risk as of December 31, 2022

Investment Type	Fair Value	Less Than 1 Year	1-3 Years	3-13 Years
Municipal bonds	$ 698,064	$ -	$ 90,661	$ 607,403
Negotiable certificates of deposit	2,876,407	292,604	1,458,810	1,124,993
Total Investments	$ 3,574,471	$ 292,604	$ 1,549,471	$ 1,732,396

Credit Risk

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

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

Credit Risk of Investments

	Credit Rating	Rating Agency	Fair Value
Municipal bonds	AAA/AA	Standard & Poor's	$ 698,064
Negotiable certificates of deposit	Not rated		2,876,407

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The County's policy is to minimize custodial credit risk by limiting investments with any one broker to no more than ten percent of its Securities Investor Protection Corporation coverage plus any excess coverage, if provided. At December 31, 2022, none of Houston County's investments were subject to custodial credit risk.

Concentration of Credit Risk

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

As of December 31, 2022, the County did have investments that represented five percent or more of the County's total investments in the following issuers:

Concentration of Credit Risk

Issuer	Reported Amounts
Cobb-Marietta GA Coliseum and Exhibit Hall	$ 192,174
Toyota Financial Savings Bank Hend Nevada	192,555
Synchrony Bank Retail CTF	193,314
Morgan Stanley Private Bank National Association	193,192
Popular Bank New York	201,178

Fair Value Measurement

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

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

Recurring Fair Value Measurements as of December 31, 2022

		Fair Value Measurements Using		
	December 31, 2022	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Debt securities				
Municipal bonds	$ 698,064	$ -	$ 698,064	$ -
Negotiable certificates of deposit	2,876,407	-	2,876,407	-
Total Investments Included in the Fair Value Hierarchy	$ 3,574,471	$ -	$ 3,574,471	$ -

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

- Municipal Bonds: a market approach using quoted prices for similar securities in active markets; and
- Negotiable Certificates of Deposit: matrix pricing based on the securities' relationship to benchmark quoted prices.

Receivables

Receivables as of December 31, 2022, for the County's governmental activities, including the applicable allowances for uncollectible accounts, are as follows:

Governmental Activities' Receivables as of December 31, 2022

	Receivables (Gross)	Less: Allowance for Uncollectible Accounts	Receivables (Net)	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental Activities				
Taxes	$ 141,155	$ -	$ 141,155	$ -
Accounts	147,787	(57,216)	90,571	-
Accrued interest	37,683	-	37,683	-
Loans	261,564	-	261,564	199,163
Due from other governments	2,164,395	-	2,164,395	-
Total Governmental Activities	$ 2,752,584	$ (57,216)	$ 2,695,368	$ 199,163

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

Capital Assets

Capital asset activity for the year ended December 31, 2022, was as follows:

Changes in Capital Assets for the Year Ended December 31, 2022

	Beginning Balance, Restated*	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	$ 941,752	$ 80,036	$ -	$ 1,021,788
Land – infrastructure right-of-way	1,779,146	-	-	1,779,146
Land improvements	251,088	1,099,474	-	1,350,562
Construction in progress	6,152,205	2,246,740	8,297,048	101,897
Total capital assets not depreciated	$ 9,124,191	$ 3,426,250	$ 8,297,048	$ 4,253,393
Capital assets depreciated				
Buildings	$ 19,087,790	$ 4,850,988	$ 35,105	$ 23,903,673
Building improvements	1,897,353	61,500	-	1,958,853
Other improvements	881,483	694,989	-	1,576,472
Machinery, furniture, and equipment	8,308,802	561,733	363,924	8,506,611
Infrastructure	119,378,308	2,236,384	108,650	121,506,042
Total capital assets depreciated	$ 149,553,736	$ 8,405,594	$ 507,679	$ 157,451,651
Less: accumulated depreciation for				
Buildings	$ 4,451,881	$ 451,502	$ 35,105	$ 4,868,278
Building improvements	957,085	38,254	-	995,339
Other improvements	208,597	28,167	-	236,764
Machinery, furniture, and equipment	4,786,737	569,068	275,794	5,080,011
Infrastructure	56,131,500	2,295,695	108,651	58,318,544
Total accumulated depreciation	$ 66,535,800	$ 3,382,686	$ 419,550	$ 69,498,936
Total capital assets depreciated, net	$ 83,017,936	$ 5,022,908	$ 88,129	$ 87,952,715
Capital assets amortized				
Leased machinery, furniture, and equipment	$ 427,890	$ 149,014	$ -	$ 576,904
Less: accumulated amortization for				
Leased machinery, furniture, and equipment	-	129,256	-	129,256
Total capital assets amortized, net	$ 427,890	$ 19,758	$ -	$ 447,648
Governmental Activities Capital Assets, Net	$ 92,570,017	$ 8,468,916	$ 8,385,177	$ 92,653,756

*See Change in Accounting Principles in Note 1.

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

Depreciation and Amortization Expense Charged to Functions/Programs

Governmental Activities	
General government	$ 135,398
Public safety	431,499
Highways and streets, including depreciation of infrastructure assets	2,847,811
Human services	9,073
Sanitation	30,520
Culture and recreation	8,784
Economic development	48,857
Total Depreciation and Amortization Expense – Governmental Activities	$ 3,511,942

Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2022, is as follows:

Due To/From Other Funds

Interfund Balances as of December 31, 2022

Receivable Fund	Payable Fund	Amount
General	Health and Human Services	$ 981

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

Interfund Transfers

Interfund transfers for the year ended December 31, 2022, consisted of the following:

Interfund Transfers as of December 31, 2022

Fund From	Fund To	Amount	
Road and Bridge	Capital Projects	$ 719,270	Transfer for highway building

Liabilities

Commitments

Houston County has active commitments as of December 31, 2022, for the following:

	Spent-to-Date	Remaining Commitment
Governmental Activities		
Road and Bridge Equipment	$ -	$ 352,169

Leases

The County has entered into a lease agreement as lessee for financing the acquisition of vehicles. Leases are for five years and have been recorded at the present value of their future minimum lease payments as of the inception dates. The lease payments are payable from the General Fund, Road and Bridge Fund, and the Health and Human Services Fund.

Leases Payable as of December 31, 2022

Lease	Final Maturity	Installment Amount	Payment Amount	Original Issue Amount	Outstanding Balance December 31, 2022
2019 Dodge Durango	2024	Yearly	$ 6,247	$ 31,236	$ 9,372
2019 Dodge Durango	2024	Yearly	6,818	34,091	10,228
2019 Jeep Compass	2024	Yearly	4,299	21,494	6,448
2019 Jeep Compass	2024	Yearly	4,299	21,494	6,448
2019 Jeep Compass	2024	Yearly	4,315	21,575	6,832
2020 Dodge Ram	2025	Yearly	9,294	46,470	18,588
2020 Dodge Ram	2025	Yearly	9,635	48,177	19,271
2020 Dodge Ram	2025	Yearly	9,294	46,470	18,588
2020 Dodge Durango	2025	Yearly	5,924	29,620	12,835
2020 Dodge Durango	2025	Yearly	5,924	29,620	12,835
2020 Dodge Durango	2025	Yearly	5,924	29,620	12,835
2020 Chevrolet Silverado	2025	Yearly	7,009	35,044	16,354
2020 Jeep Compass	2025	Yearly	4,365	21,827	9,822
2020 Chevrolet Silverado	2025	Yearly	6,027	30,133	15,066
2020 Dodge Durango	2025	Yearly	6,285	31,423	16,235
2020 Chevrolet Silverado	2026	Yearly	6,090	30,452	16,241
2021 Chevrolet Silverado	2026	Yearly	8,876	44,379	29,586
2021 Chevrolet Silverado	2026	Yearly	7,087	35,436	25,396
2021 Chevrolet Silverado	2026	Yearly	7,087	35,436	25,396
2022 Dodge Ram	2027	Yearly	5,967	44,754	38,787
2022 GMC Sierra	2027	Yearly	7,399	55,489	48,090
2022 Chrysler Voyager	2027	Yearly	830	49,797	48,967
Total of Leases			$ 138,995	$ 774,037	$ 424,220

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2022, were as follows:

Future Minimum Lease Obligations and Net Present Value of Minimum Lease Payments as of December 31, 2022

Year Ending December 31	Principal	Interest
2023	$ 145,438	$ 9,370
2024	136,356	5,818
2025	67,027	3,154
2026	39,677	1,557
2027	15,500	323
Total	$ 403,998	$ 20,222

Long-Term Debt

Loans Payable

In December 2016, Houston County received a grant of $192,000 from the Minnesota Department of Employment and Economic Development. The County used the grant to make an installment loan to fund an economic development project in the County. The County is entitled to 40 percent of the principal repaid, plus interest at two percent. The remaining $115,200, plus interest, is to be repaid to the state. Payments on the state loan began in January 2017 with monthly payments of $1,060 and will be made until December 2026. Total payments due from 2023 to 2026, including interest of $2,130 at December 31, 2022, are $51,849. The loan payments will be made from the General Fund.

Bonds

Bonds Payable as of December 31, 2022

Type of Indebtedness	Final Maturity	Installment Amount	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2022
2017A G.O. Jail Bonds	2031	$65,000-$1,315,000	2.00-3.00	$ 9,380,000	$ 8,960,000
2020A G.O. Jail Refunding Bonds	2022	$160,000-$880,000	5.00	2,870,000	1,265,000
2021A G.O. State Aid Bonds	2037	$175,000-$215,000	2.00-3.00	2,945,000	2,945,000
Total General Obligation Bonds				$ 15,195,000	$ 13,170,000

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

Debt Service Requirements

Debt service requirements at December 31, 2022, were as follows:

Debt Service Requirements as of December 31, 2022

Year Ending December 31	General Obligation Bonds Principal	General Obligation Bonds Interest	Loans Payable Principal	Loans Payable Interest
2023	$ 1,155,000	$ 354,353	$ 11,853	$ 867
2024	1,190,000	312,103	12,092	628
2025	1,235,000	270,202	12,336	384
2026	1,290,000	232,552	13,438	251
2027	1,325,000	195,177	-	-
2028-2032	5,920,000	399,713	-	-
2033-2037	1,055,000	33,634	-	-
Total	$ 13,170,000	$ 1,797,734	$ 49,719	$ 2,130

Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2022, was as follows:

Changes in Long-Term Liabilities for the Year Ended December 31, 2022

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
2017A G.O. Jail Bonds	$ 9,165,000	$ -	$ 205,000	$ 8,960,000	$ 445,000
2020A G.O. Jail Refunding Bonds	1,990,000	-	725,000	1,265,000	535,000
2021A G.O. State Aid Bonds	2,945,000	-	-	2,945,000	175,000
Premium on bonds	674,333	-	90,123	584,210	-
Total bonds payable	$ 14,774,333	$ -	$ 1,020,123	$ 13,754,210	$ 1,155,000
Loans payable	61,337	-	11,618	49,719	11,853
Lease payable	400,278	133,649	129,929	403,998	145,438
Compensated absences	1,186,382	1,110,971	988,873	1,308,480	118,760
Total Long-Term Liabilities	$ 16,422,330	$ 1,244,620	$ 2,150,543	$ 15,516,407	$ 1,431,051

Deferred Outflows/Inflows of Resources

Deferred Outflows of Resources

There were no deferred outflows of resources reported in the governmental funds for the year ended December 31, 2022.

Deferred Inflows of Resources

As of December 31, 2022, there were various components of unavailable revenue for the governmental funds as follows:

Deferred Inflows of Resources
As of December 31, 2022

	Unavailable Revenue
Delinquent property taxes	$ 82,341
Intergovernmental	1,223,764
Loans receivable	251,197
Other	14,299
Total Governmental Funds	$ 1,571,601

Pension Plans

Defined Benefit Pension Plans

Plan Description

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

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

Police officers, firefighters, and peace officers who qualify for membership by statute are covered by the Police and Fire Plan (accounted for in the Police and Fire Fund). For members first hired after June 30, 2010, but before July 1, 2014, benefits vest on a prorated basis starting with 50 percent after five years and increasing ten percent for each year of service until fully vested after ten years. Benefits for members first hired after June 30, 2014, vest on a prorated basis from 50 percent after ten years and increasing five percent for each year of service until fully vested after 20 years.

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

Benefits Provided

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

General Employees Plan benefit recipients will receive a post-retirement increase equal to 50 percent of the cost-of-living adjustment announced by the Social Security Administration, with a minimum increase of at least 1.00 percent and 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. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under the Rule of 90 are exempt from the delay to normal retirement.

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

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

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

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

For General Employees Plan members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90, and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66. For Police and Fire Plan and Correctional Plan members, normal retirement age is 55, and for members who were hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90. Disability benefits are available for vested members and are based on years of service and average high-five salary.

Contributions

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the state legislature. Rates did not change from 2021.

Member and Employer Required Contribution Rates

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

Employer Contributions for the Year Ended December 31, 2022

General Employees Plan	$	551,573
Police and Fire Plan		208,507
Correctional Plan		99,410

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

Pension Costs

General Employees Plan

At December 31, 2022, the County reported a liability of $7,230,990 for its proportionate share of the General Employees Plan's net pension liability. The net pension liability was measured as of June 30, 2022, 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, 2021, through June 30, 2022, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2022, the County's proportion was 0.0940 percent. It was 0.0956 percent measured as of June 30, 2021. The County recognized pension expense of $1,044,093 for its proportionate share of the General Employees Plan's pension expense.

Legislation requires the State of Minnesota to contribute $16 million to the General Employees Plan annually until September 15, 2031. The County recognized an additional $31,684 as grant revenue and pension expense for its proportionate share of the State of Minnesota's pension expense related to the special funding situation.

General Employees Plan
Employer's Share of the Net Pension Liability and the State's Related Liability
As of December 31, 2022

The County's proportionate share of the net pension liability	$	7,230,990
State of Minnesota's proportionate share of the net pension liability associated with the County		212,044
Total	$	7,443,034

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

General Employees Plan
Deferred Outflows of Resources and Deferred Inflows of Resources
As of December 31, 2022

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 60,399	$ 78,301
Changes in actuarial assumptions	1,660,840	29,313
Difference between projected and actual investment earnings	82,135	-
Changes in proportion	55,109	44,840
Contributions paid to PERA subsequent to the measurement date	278,148	-
Total	$ 2,136,631	$ 152,454

The $278,148 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, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

General Employees Plan
Schedule of Amortization of
Deferred Outflows and Inflows of Resources
As of December 31, 2022

Year Ended December 31	Pension Expense Amount
2023	$ 643,818
2024	667,782
2025	(259,506)
2026	653,935

Police and Fire Plan

At December 31, 2022, the County reported a liability of $4,046,993 for its proportionate share of the Police and Fire Plan's net pension liability. The net pension liability was measured as of June 30, 2022, 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, 2021, through June 30, 2022, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2022, the County's proportion was 0.0971 percent. It was 0.0915 percent measured as of June 30, 2021. The County recognized pension expense of $272,613 for its proportionate share of the Police and Fire Plan's pension expense.

The State of Minnesota also contributed $18 million to the Police and Fire Plan in the plan fiscal year ended June 30, 2022. The contribution consisted of $9 million in direct state aid that meets the definition of a special funding situation and $9 million in supplemental state aid that does not meet the definition of a special funding situation.

Legislation requires the State of Minnesota to pay direct state aid of $9 million on October 1 each year until full funding is reached, or July 1, 2048, whichever is earlier. The County recognized an additional $34,307 as grant revenue and pension expense for its proportionate share of the State of Minnesota's pension expense related to the special funding situation.

Police and Fire Plan
Employer's Share of the Net Pension Liability and the State's Related Liability
As of December 31, 2022

The County's proportionate share of the net pension liability	$	4,046,993
State of Minnesota's proportionate share of the net pension liability associated with the County		176,863
Total	$	4,223,856

Legislation also requires the State of Minnesota to contribute $9 million to the Police and Fire Plan each year, starting in fiscal year 2014, until the plan is 90 percent funded, or until the State Patrol Plan is 90 percent funded, whichever occurs later. The County also recognized $8,370 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's on-behalf contribution to the Police and Fire Plan.

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

Police and Fire Plan
Deferred Outflows of Resources and Deferred Inflows of Resources
As of December 31, 2022

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 243,424	$ -
Changes in actuarial assumptions	2,332,360	25,375
Difference between projected and actual investment earnings	125,196	-
Changes in proportion	46,392	95,344
Contributions paid to PERA subsequent to the measurement date	110,728	-
Total	$ 2,858,100	$ 120,719

The $110,728 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, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Police and Fire Plan
Schedule of Amortization of
Deferred Outflows and Inflows of Resources
As of December 31, 2022

Year Ended December 31	Pension Expense Amount
2023	$ 509,917
2024	512,966
2025	453,039
2026	806,936
2027	343,795

Correctional Plan

At December 31, 2022, the County reported a liability of $1,683,274 for its proportionate share of the Correctional Plan's net pension liability. The net pension liability was measured as of June 30, 2022, 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, 2021, through June 30, 2022, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2022, the County's proportion was 0.5064 percent. It was 0.4984 percent measured as of June 30, 2021. The County recognized pension expense of $584,162 for its proportionate share of the Correctional Plan's pension expense.

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

Correctional Plan
Deferred Outflows of Resources and Deferred Inflows of Resources
As of December 31, 2022

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ -	$ 54,686
Changes in actuarial assumptions	1,084,651	2,396
Difference between projected and actual investment earnings	52,932	-
Changes in proportion	2,758	876
Contributions paid to PERA subsequent to the measurement date	50,765	-
Total	$ 1,191,106	$ 57,958

The $50,765 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, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Correctional Plan
Schedule of Amortization of
Deferred Outflows and Inflows of Resources
As of December 31, 2022

Year Ended December 31	Pension Expense Amount
2023	$ 487,536
2024	503,070
2025	(43,451)
2026	135,228

Total Pension Expense

The total pension expense for all plans recognized by the County for the year ended December 31, 2022, was $1,900,868.

Actuarial Assumptions

The total pension liability in the June 30, 2022, actuarial valuation was determined using the individual entry-age normal actuarial cost method and the following additional actuarial assumptions:

Actuarial Assumptions for the Year Ended June 30, 2022

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

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants were based on the Pub-2010 General Employee Mortality table for the General Employees Plan and the Pub-2010 Public Safety Employee Mortality tables for the Police and Fire and the Correctional Plans, with slight adjustments. Cost-of-living benefit increases for retirees are assumed to be 1.25 percent for the General Employees Plan and 2.00 percent for the Correctional Plan per year through December 31, 2054, and 1.50 percent per year thereafter. 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, 2022, valuations were based on the results of actuarial experience studies. The experience study for the General Employees Plan was dated June 27, 2019. The experience study for the Police and Fire Plan was dated July 14, 2020. The experience study for the Correctional Plan was dated July 10, 2020. For all plans, a review of inflation and investment assumptions dated July 12, 2022, was utilized.

The long-term expected rate of return on pension plan investments is 6.50 percent. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages.

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

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

Discount Rate

The discount rate used to measure the total pension liability was 6.50 percent for the General Employees Plan in 2022, which remained consistent with 2021. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, the fiduciary net position of the General Employees Plan was 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.

In the Police and Fire Plan and Correctional Plan, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members through June 30, 2060, and June 30, 2061, respectively. Beginning in fiscal year ended June 30, 2061, for the Police and Fire Plan and June 30, 2062, for the Correctional Plan, projected benefit payments exceed the funds' projected fiduciary net position. Benefit payments projected after were discounted at the municipal bond rate of 3.69 percent, based on the weekly rate closest to but not later than the measurement date of the Fidelity 20-Year Municipal GO AA Index. An equivalent single discount rate of 5.40 percent for the Police and Fire Plan and 5.42 percent for the Correctional Plan was determined that produced approximately the same present value of projected benefits when applied to all years of projected benefits as the present value of projected benefits using 6.50 percent applied to all years of projected benefits to the point of asset depletion and 3.69 percent thereafter.

Changes in Actuarial Assumptions and Plan Provisions

The following changes in actuarial assumptions occurred in 2022:

General Employees Plan

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

Police and Fire Plan

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

Correctional Plan

- The single discount rate changed from 6.50 percent to 5.42 percent.
- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.
- The benefit increase assumption was changed from 2.00 percent per annum to 2.00 percent per annum through December 31, 2054, and 1.50 percent per annum thereafter.

Pension Liability Sensitivity

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

Sensitivity of the Employer's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate As of December 31, 2022

	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	5.50%	$ 11,421,728	4.40%	$ 6,124,604	4.42%	$ 2,965,002
Current	6.50%	7,230,990	5.40%	4,046,993	5.42%	1,683,274
1% Increase	7.50%	3,793,939	6.40%	2,367,368	6.42%	675,548

Pension Plan Fiduciary Net Position

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

Defined Contribution Plan

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

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

Total Contributions by Dollar Amount and
Percentage of Covered Payroll Made by the Employer
For the Year Ended December 31, 2022

	Employee	Employer
Contribution amount	$ 3,079	$ 3,079
Percentage of covered payroll	5.00%	5.00%

Other Postemployment Benefits (OPEB)

Plan Description

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

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

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

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

Employees Covered by the OPEB Benefit Terms

Inactive employees or beneficiaries currently receiving benefit payments	2
Active plan participants	143
Total	145

Total OPEB Liability

The County's total OPEB liability of $555,587 was measured as of January 1, 2022, and was determined by an actuarial valuation as of January 1, 2021.

The total OPEB liability in the fiscal year-end December 31, 2022, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

OPEB Actuarial Assumptions and Other Inputs

Inflation	2.00 percent
Salary increases	Service graded table, 2.50 percent used to roll forward to the valuation date
Health care cost trend	6.25 percent, decreasing to 5 percent over 6 years and then to 4.00% over the next 48 years

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

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

Changes in the Total OPEB Liability

Changes in the Total OPEB Liability
For the Year Ended December 31, 2022

Balance at December 31, 2021	$	518,391
Changes for the year		
Service cost	$	54,132
Interest		11,171
Benefit payments		(28,107)
Net change	$	37,196
Balance at December 31, 2022	$	555,587

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

OPEB Liability Sensitivity

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

Sensitivity of the Total OPEB Liability to Changes
In the Discount Rate as of December 31, 2022

	Discount Rate		Total OPEB Liability
1% Decrease	1.00%	$	596,412
Current	2.00%		555,587
1% Increase	3.00%		517,010

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

Sensitivity of the Total OPEB Liability to Changes
In the Health Care Trend Rates as of December 31, 2022

	Health Care Trend Rate	Total OPEB Liability
1% Decrease	5.25% Decreasing to 4.00%	$ 491,417
Current	6.25% Decreasing to 5.00%	555,587
1% Increase	7.25% Decreasing to 6.00%	631,732

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

For the year ended December 31, 2022, the County recognized OPEB expense of $31,468. The County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Deferred Outflows of Resources and Deferred Inflows of
Resources Related to OPEB as of December 31, 2022

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 2,069	$ 56,548
Changes in actuarial assumptions	39,109	4,104
Contributions made subsequent to the measurement date	28,459	-
Total	$ 69,637	$ 60,652

The $28,459 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, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Schedule of Amortization of Deferred Outflows
And Inflows of Resources Related to OPEB
As of December 31, 2022

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

Changes in Actuarial Assumptions

There were no changes in actuarial assumptions during 2022.

Note 3 – Summary of Significant Contingencies and Other Items

Risk Management

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

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 2022 and 2023. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

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

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

Contingent Liabilities

The County has entered into an agreement with the Minnesota Department of Agriculture and a local lending institution to jointly administer the Agricultural Best Management Loan Program to individuals to implement projects that prevent or mitigate nonpoint source water pollution. While the County is not liable for the repayment of the loans in any manner, it does have certain responsibilities under the agreement. The County has met those responsibilities for 2022.

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

Jointly-Governed Organizations

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

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

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

The Minnesota Criminal Justice Data Communications Network Joint Powers Agreement exists to create access for the County Sheriff and County Attorney to systems and tools available from the State of Minnesota, Department of Public Safety, and the Bureau of Criminal Apprehension to carry out criminal justice. During the year, the County made no payments to the joint powers.

Houston County, in conjunction with other local governments, participates in the State of Minnesota's Sentencing to Service (STS) program. STS is a project of the State Department of Administration's Strive Toward Excellence in Performance (STEP) program. STEP's goal is a statewide effort to make positive improvements in public services. It gives the courts an alternative to jail or fines for the nonviolent offenders who can work on a variety of community or state projects. Private funding, funds from various foundations and initiative funds, as well as the Minnesota Departments of Corrections and Natural Resources, provide the funds needed to operate the STS program. Although Houston County has no operational or financial control over the STS program, Houston County paid $76,351 to the program during the year.

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

The Southeast Service Cooperative delivers numerous services to support administrative and instructional functions to its members and to improve learning opportunities. During the year, Houston County made payments of $300 to the Cooperative.

The Workforce Development provides various job training services to several counties. During the year, Houston County paid $134,375 to the Workforce Development.

The Southeastern Minnesota Community Action Council (SEMCAC) provides various services on behalf of member counties to assist people to achieve or maintain independence and self-reliance through their own and community resources. SEMCAC provides services in Dodge, Fillmore, Freeborn, Houston, Mower, Steele, and Winona Counties. It also provides housing and redevelopment for Houston County through Bluff Country. During the year, Houston County paid $5,000 to SEMCAC and $50,000 in American Rescue Plan funds.

Under Minnesota Joint Powers Law, Minn. Stat. § 471.59, Minnesota counties have created the Minnesota Counties Computer Cooperative (MCCC) to jointly provide for the establishment, operation, and maintenance of data processing systems, facilities, and management information systems. During the year, Houston County paid $131,457 to the MCCC.

Joint Ventures

Southeastern Minnesota Library

The Southeastern Minnesota Library provides regional library services to counties and cities in southeastern Minnesota. During the year, Houston County paid $185,977 to the Library.

Southeast Minnesota Regional Emergency Communications Board

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

The financial activities of the Board are accounted for by Olmsted County as the fiscal agent. During 2022, Houston County paid $1,500 to the Board.

Southeast Minnesota Violent Crime Enforcement Team (SEMVCET)

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

Olmsted County has been appointed as the fiscal agent for the SEMVCET. During 2022, Houston County paid $7,879 to the SEMVCET.

Family Services Collaborative

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

Control of the Collaborative is vested in a Board of Directors. Houston County appoints two members to this Board. Houston County acts as fiscal agent for the Collaborative. The Collaborative is financed by state grants and appropriations from participating members. During 2022, Houston County provided no funding.

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

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

National Opioid Settlement

Houston County is a participating government in the opioid settlement with pharmaceutical manufacturers, distributors, and pharmacy chains. The County is expected to receive up to $1,160,676 over the next 18 years. The majority of the funds are intended for opioid abatement. The *Minnesota Opioids State-Subdivision Memorandum of Agreement* (MOA) identifies the requirements for Minnesota governments participating in the settlement. Pursuant to the terms of MOA the county created a special revenue fund. Funds are restricted until expended. The MOA requires that the County recognize the settlement revenues when the annual distribution is made to the participating governments. Therefore, the County does not record a receivable for the settlement. For the year ended December 31, 2022, the County received $134,564 as part of the settlement.

The County has combined the Opioid Settlement Fund with the Health and Human Services Fund for financial reporting.

Required Supplementary Information

Houston County
Caledonia, Minnesota

Exhibit A-1

Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2022

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 7,464,403	$ 7,505,740	$ 7,421,236	$ (84,504)
Licenses and permits	81,900	83,488	102,520	19,032
Intergovernmental	2,251,315	2,244,302	3,660,844	1,416,542
Charges for services	1,449,014	1,449,014	1,565,630	116,616
Fines and forfeits	6,500	6,500	13,022	6,522
Gifts and contributions	3,000	3,000	19,425	16,425
Investment earnings	113,300	113,300	(93,645)	(206,945)
Miscellaneous	240,095	240,095	455,981	215,886
Total Revenues	**$ 11,609,527**	**$ 11,645,439**	**$ 13,145,013**	**$ 1,499,574**
Expenditures				
Current				
General government				
Commissioners	$ 204,865	$ 202,964	$ 177,615	$ 25,349
Courts	58,400	58,400	47,089	11,311
County auditor	343,950	335,086	341,202	(6,116)
Motor vehicle/license bureau	118,297	115,524	112,911	2,613
County assessor	502,034	553,590	584,997	(31,407)
Elections	50,000	50,780	88,796	(38,016)
Finance	205,697	213,160	216,402	(3,242)
Data processing	609,272	686,705	655,595	31,110
Fleet	14,662	14,662	1,802	12,860
Personnel	251,508	250,591	249,159	1,432
Attorney	599,047	589,435	536,377	53,058
Recorder	252,128	251,779	202,559	49,220
Surveyor	236,980	241,381	231,558	9,823
Planning and zoning	354,697	232,695	307,819	(75,124)
Buildings and plant	625,966	623,125	671,291	(48,166)
Veterans service	140,868	146,348	189,406	(43,058)
GIS	100,550	96,531	96,530	1
Other general government	305,009	306,430	1,418,849	(1,112,419)
Total general government	**$ 4,973,930**	**$ 4,969,186**	**$ 6,129,957**	**$ (1,160,771)**

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

Houston County
Caledonia, Minnesota

Exhibit A-1
(Continued)

Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2022

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Expenditures				
Current (Continued)				
Public safety				
Sheriff	$ 2,225,853	$ 2,207,110	$ 2,241,613	$ (34,503)
Boat and water safety	19,793	19,793	23,372	(3,579)
Emergency services	42,467	41,070	39,432	1,638
Coroner	59,963	59,963	59,886	77
E-911 system	94,854	94,854	70,598	24,256
County jail	2,031,391	2,007,680	1,926,100	81,580
Community corrections	307,473	309,811	182,647	127,164
Total public safety	**$ 4,781,794**	**$ 4,740,281**	**$ 4,543,648**	**$ 196,633**
Sanitation				
Solid waste	$ 745,459	$ 769,371	$ 782,636	$ (13,265)
Recycling	229,642	261,293	268,431	(7,138)
Total sanitation	**$ 975,101**	**$ 1,030,664**	**$ 1,051,067**	**$ (20,403)**
Health				
Transportation	$ 16,500	$ 16,500	$ 16,500	$ -
Health center (waivered services)	5,500	5,500	5,500	-
Total health	**$ 22,000**	**$ 22,000**	**$ 22,000**	**$ -**
Culture and recreation				
Historical society	$ 42,500	$ 42,500	$ 42,500	$ -
Parks	72,600	72,600	66,621	5,979
Other culture and recreation	100,000	100,000	61,554	38,446
Total culture and recreation	**$ 215,100**	**$ 215,100**	**$ 170,675**	**$ 44,425**
Conservation of natural resources				
County extension	$ 183,911	$ 184,100	$ 184,262	$ (162)
Soil and water conservation	129,000	129,000	129,000	-
Agriculture society/County fair	24,000	24,000	24,000	-
Water planning	22,672	22,672	21,604	1,068
Total conservation of natural resources	**$ 359,583**	**$ 359,772**	**$ 358,866**	**$ 906**

Houston County
Caledonia, Minnesota

Exhibit A-1
(Continued)

Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2022

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Expenditures				
Current (Continued)				
Economic development				
Community development	$ 97,891	$ 97,891	$ 102,077	$ (4,186)
Airport	188,477	188,477	177,121	11,356
Other economic development	4,702	4,702	4,692	10
Total economic development	**$ 291,070**	**$ 291,070**	**$ 283,890**	**$ 7,180**
Intergovernmental				
County/regional library	**$ 185,930**	**$ 185,930**	**$ 185,977**	**$ (47)**
Debt service				
Principal	$ -	$ -	$ 64,685	$ (64,685)
Interest	-	-	4,867	(4,867)
Total debt service	**$ -**	**$ -**	**$ 69,552**	**$ (69,552)**
Total Expenditures	**$ 11,804,508**	**$ 11,814,003**	**$ 12,815,632**	**$ (1,001,629)**
Excess of Revenues Over (Under) Expenditures	**$ (194,981)**	**$ (168,564)**	**$ 329,381**	**$ 497,945**
Other Financing Sources (Uses)				
Lease issuances	-	-	83,432	83,432
Net Change in Fund Balance	**$ (194,981)**	**$ (168,564)**	**$ 412,813**	**$ 581,377**
Fund Balance – January 1	**7,823,327**	**7,823,327**	**7,823,327**	**-**
Fund Balance – December 31	**$ 7,628,346**	**$ 7,654,763**	**$ 8,236,140**	**$ 581,377**

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

Houston County
Caledonia, Minnesota

Exhibit A-2

Budgetary Comparison Schedule
Road and Bridge Special Revenue Fund
For the Year Ended December 31, 2022

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 2,119,017	$ 2,117,717	$ 2,095,334	$ (22,383)
Licenses and permits	5,000	5,000	5,330	330
Intergovernmental	6,896,118	7,380,851	7,811,421	430,570
Charges for services	157,000	149,510	228,787	79,277
Investment earnings	5,000	17,000	11,262	(5,738)
Miscellaneous	41,000	43,600	3,577	(40,023)
Total Revenues	**$ 9,223,135**	**$ 9,713,678**	**$ 10,155,711**	**$ 442,033**
Expenditures				
Current				
Transportation				
Administration	$ 324,470	$ 319,737	$ 322,561	$ (2,824)
Maintenance	2,696,604	2,644,310	2,484,834	159,476
Construction	5,019,708	5,333,237	5,552,286	(219,049)
Equipment maintenance and shop	1,539,609	1,608,421	875,816	732,605
Total transportation	**$ 9,580,391**	**$ 9,905,705**	**$ 9,235,497**	**$ 670,208**
Intergovernmental				
Highways and streets	**$ 277,817**	**$ 414,485**	**$ 414,485**	**$ -**
Debt service				
Principal	$ -	$ -	$ 72,675	$ (72,675)
Interest	-	-	5,123	(5,123)
Total debt service	**$ -**	**$ -**	**$ 77,798**	**$ (77,798)**
Total Expenditures	**$ 9,858,208**	**$ 10,320,190**	**$ 9,727,780**	**$ 592,410**
Excess of Revenues Over (Under) Expenditures	**$ (635,073)**	**$ (606,512)**	**$ 427,931**	**$ 1,034,443**
Other Financing Sources (Uses)				
Lease issuances	$ -	$ -	$ 50,217	$ 50,217
Transfer out	-	-	(719,270)	(719,270)
Proceeds from sale of capital assets	62,000	8,900	10,679	1,779
Total Other Financing Sources (Uses)	**$ 62,000**	**$ 8,900**	**$ (658,374)**	**$ (667,274)**
Net Change in Fund Balance	**$ (573,073)**	**$ (597,612)**	**$ (230,443)**	**$ 367,169**
Fund Balance – January 1	**5,481,679**	**5,481,679**	**5,481,679**	**-**
Increase (decrease) in inventories	**-**	**-**	**28,863**	**28,863**
Fund Balance – December 31	**$ 4,908,606**	**$ 4,884,067**	**$ 5,280,099**	**$ 396,032**

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

Houston County
Caledonia, Minnesota

Exhibit A-3

Budgetary Comparison Schedule
Health and Human Services Special Revenue Fund
For the Year Ended December 31, 2022

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 1,959,247	$ 1,959,247	$ 1,937,404	$ (21,843)
Intergovernmental	4,018,890	4,018,890	4,399,846	380,956
Charges for services	624,780	624,780	775,308	150,528
Investment earnings	1,000	1,000	2,310	1,310
Miscellaneous	277,500	277,500	557,721	280,221
Total Revenues	**$ 6,881,417**	**$ 6,881,417**	**$ 7,672,589**	**$ 791,172**
Expenditures				
Current				
Human services				
Income maintenance	$ 2,213,687	$ 2,277,648	$ 2,506,384	$ (228,736)
Social services	3,966,515	4,039,024	3,920,303	118,721
Total human services	**$ 6,180,202**	**$ 6,316,672**	**$ 6,426,687**	**$ (110,015)**
Health				
Public health	**$ 708,439**	**$ 694,551**	**$ 705,999**	**$ (11,448)**
Debt service				
Principal	$ -	$ -	$ 4,187	$ (4,187)
Interest	-	-	179	(179)
Total debt service	**$ -**	**$ -**	**$ 4,366**	**$ (4,366)**
Total Expenditures	**$ 6,888,641**	**$ 7,011,223**	**$ 7,137,052**	**$ (125,829)**
Net Change in Fund Balance	**$ (7,224)**	**$ (129,806)**	**$ 535,537**	**$ 665,343**
Fund Balance – January 1	**1,336,353**	**1,336,353**	**1,336,353**	**-**
Fund Balance – December 31	**$ 1,329,129**	**$ 1,206,547**	**$ 1,871,890**	**$ 665,343**

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

Houston County
Caledonia, Minnesota

Exhibit A-4

Schedule of Changes in Total OPEB Liability and Related Ratios
Other Postemployment Benefits
December 31, 2022

	2022		2021		2020		2019		2018	
Total OPEB Liability										
Service cost	$	54,132	$	52,555	$	35,003	$	33,983	$	30,723
Interest		11,171		20,522		18,872		15,844		15,145
Differences between expected and actual experience		-		(84,822)		-		6,213		-
Changes of assumption or other inputs		-		58,665		-		(12,316)		-
Benefit payments		(28,107)		(31,752)		(24,339)		(32,103)		(23,849)
Net change in total OPEB liability	**$**	**37,196**	**$**	**15,168**	**$**	**29,536**	**$**	**11,621**	**$**	**22,019**
Total OPEB Liability – Beginning		**518,391**		**503,223**		**473,687**		**462,066**		**440,047**
Total OPEB Liability – Ending	**$**	**555,587**	**$**	**518,391**	**$**	**503,223**	**$**	**473,687**	**$**	**462,066**
Covered-employee payroll	$	8,412,242	$	8,167,225	$	8,057,857	$	7,823,162	$	8,044,084
Total OPEB liability (asset) as a percentage of covered-employee payroll		6.60%		6.35%		6.25%		6.05%		5.74%

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

Exhibit A-5

Schedule of Proportionate Share of Net Pension Liability
PERA General Employees Retirement Plan
December 31, 2022

Measurement Date	Employer's Proportion of the Net Pension Liability/ Asset	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability Associated with Houston County (b)	Employer's Proportionate Share of the Net Pension Liability and the State's Related Share of the Net Pension Liability (Asset) (a + b)	Covered Payroll (c)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2022	0.0940 %	$ 7,230,990	$ 212,044	$ 7,443,034	$ 7,120,887	101.55 %	76.67 %
2021	0.0956	3,958,705	120,978	4,079,683	6,808,140	58.15	87.00
2020	0.0910	5,455,866	168,408	5,624,274	6,477,278	84.23	79.06
2019	0.0907	5,014,600	155,827	5,170,427	6,417,384	78.14	80.23
2018	0.0889	4,931,808	161,920	5,093,728	5,978,318	82.49	79.53
2017	0.0953	6,083,889	76,526	6,160,415	6,490,088	93.74	75.90
2016	0.1007	8,176,341	106,770	8,283,111	5,560,161	147.05	68.91
2015	0.0959	4,967,497	N/A	4,967,497	5,828,943	85.22	78.19

This schedule is intended to show information for ten years. Additional years will be displayed as they become available.
The measurement date for each year is June 30.
N/A – Not Applicable

Houston County
Caledonia, Minnesota

Exhibit A-6

Schedule of Contributions
PERA General Employees Retirement Plan
December 31, 2022

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)
2022	$ 551,573	$ 551,573	$ -	$ 7,354,315	7.50 %
2021	522,185	522,185	-	6,962,469	7.50
2020	494,564	494,564	-	6,594,193	7.50
2019	494,277	494,277	-	6,590,363	7.50
2018	451,479	451,479	-	6,019,720	7.50
2017	475,785	475,785	-	6,343,799	7.50
2016	475,097	475,097	-	6,334,627	7.50
2015	420,031	420,031	-	5,600,413	7.50

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

Houston County
Caledonia, Minnesota

Exhibit A-7

Schedule of Proportionate Share of Net Pension Liability
PERA Public Employees Police and Fire Plan
December 31, 2022

Measurement Date	Employer's Proportion of the Net Pension Liability/ Asset	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability Associated with Houston County (b)	Employer's Proportionate Share of the Net Pension Liability and the State's Related Share of the Net Pension Liability (Asset) (a + b)	Covered Payroll (c)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2022	0.0971 %	$ 4,046,993	$ 176,863	$ 4,223,856	$ 1,130,303	358.04 %	70.53 %
2021	0.0915	675,407	30,386	705,793	1,075,636	62.79	93.66
2020	0.0969	1,277,246	30,065	1,307,311	1,093,427	116.81	87.19
2019	0.0987	1,050,761	N/A	1,050,761	1,041,876	100.85	89.26
2018	0.0960	1,018,998	N/A	1,018,998	1,007,966	101.09	88.84
2017	0.0970	1,309,615	N/A	1,309,615	1,026,852	127.54	85.43
2016	0.1040	4,173,700	N/A	4,173,700	968,970	430.74	63.88
2015	0.1000	1,136,234	N/A	1,136,234	920,237	123.47	86.61

This schedule is intended to show information for ten years. Additional years will be displayed as they become available.
The measurement date for each year is June 30.
N/A – Not Applicable

Exhibit A-8

Schedule of Contributions
PERA Public Employees Police and Fire Plan
December 31, 2022

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)
2022	$ 208,507	$ 208,507	$ -	$ 1,178,009	17.70 %
2021	193,622	193,622	-	1,093,908	17.70
2020	194,137	194,137	-	1,096,819	17.70
2019	181,624	181,624	-	1,071,529	16.95
2018	165,017	165,017	-	1,018,624	16.20
2017	161,164	161,164	-	994,840	16.20
2016	166,829	166,829	-	1,029,809	16.20
2015	152,447	152,447	-	941,029	16.20

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

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

Exhibit A-9

Schedule of Proportionate Share of Net Pension Liability
PERA Public Employees Local Government Correctional Service Retirement Plan
December 31, 2022

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
2022	0.5064 %	$ 1,683,274	$ 1,112,424	151.32 %	74.58 %
2021	0.4984	(81,877)	1,102,121	(7.43)	101.61
2020	0.4846	131,491	1,054,569	12.47	96.67
2019	0.4590	63,549	979,064	6.49	98.17
2018	0.4800	79,686	989,429	8.05	97.64
2017	0.4900	1,396,505	1,111,491	125.64	67.89
2016	0.4500	1,643,914	821,174	200.19	58.16
2015	0.4300	66,478	776,864	8.56	96.95

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

Houston County
Caledonia, Minnesota

Exhibit A-10

Schedule of Contributions
PERA Public Employees Local Government Correctional Service Retirement Plan
December 31, 2022

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)
2022	$ 99,410	$ 99,410	$ -	$ 1,136,109	8.75 %
2021	97,013	97,013	-	1,108,714	8.75
2020	93,150	93,150	-	1,064,568	8.75
2019	89,606	89,606	-	1,024,075	8.75
2018	85,308	85,308	-	974,945	8.75
2017	86,822	86,822	-	992,251	8.75
2016	81,965	81,965	-	936,732	8.75
2015	69,914	69,914	-	799,026	8.75

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

Note 1 – Budgetary Information

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

On or before mid-June of each year, all departments and agencies submit requests for appropriations to the County Finance Director so that a budget can be prepared. Before September 30, the proposed budget is presented to the 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 County's department head may make transfers of appropriations within a department. Transfers of appropriations between departments require approval of the County Board. The legal level of budgetary control (the level at which expenditures may not legally exceed appropriations) is the fund level. During the year, the Board made supplementary appropriations to the General Fund, the Road and Bridge Special Revenue Fund, and the Health and Human Services Special Revenue Fund.

Note 2 – Excess of Expenditures Over Budget

The following individual major funds had expenditures in excess of the final budget for the year ended December 31, 2022:

Excess of Expenditures Over Budget

	Expenditures	Budget	Excess
General Fund	$ 12,815,632	$ 11,814,003	$ 1,001,629
Health and Human Services Special Revenue Fund	7,137,052	7,011,223	125,829

The excess expenditures over budget is due to not budgeting for spending of COVID-19 State and Local Fiscal Recovery Funds.

Note 3 – Other Postemployment Benefits

In 2018, Houston County implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. See Note 2 in the notes to the financial statements for additional information regarding the County's other postemployment benefits.

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

The following changes in actuarial assumptions occurred:

2022

- No changes.

2021

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

2020

- No changes.

2019

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

2018

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

Note 4 – 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

2022

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

2021

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

2020

- The price inflation assumption was decreased from 2.50 percent to 2.25 percent.
- The payroll growth assumption was decreased from 3.25 percent to 3.00 percent.
- Assumed salary increase rates were changed as recommended in the June 30, 2019, experience study. The net effect is assumed rates that average 0.25 percent less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019, experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019, experience study. The new rates are based on service and are generally lower than the previous rates for years two to five and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019, experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Employee Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 Disabled Annuitant Mortality table to the Pub-2010 General/Teacher Disabled Retiree Mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100 percent Joint and Survivor option changed from 35 percent to 45 percent. The assumed number of married female new retirees electing the

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

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

2019

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

2018

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

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

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

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

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

- Contribution stabilizer provisions were repealed.

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

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

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

2017

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

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

- Minneapolis Employees Retirement Fund plan provisions change the employer supplemental contribution to

$21 million in calendar years 2017 and 2018 and returns to $31 million through calendar year 2031. The state's required contribution is $16 million in PERA's fiscal years 2018 and 2019 and returns to $6 million annually through calendar year 2031.

2016

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2035 and 2.50 percent per year thereafter, to 1.00 percent for all future years.
- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was also changed from 7.90 percent to 7.50 percent.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

Public Employees Police and Fire Plan

2022

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

2021

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

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

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

<u>2020</u>

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

<u>2019</u>

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

<u>2018</u>

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

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

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

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

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

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

<u>2017</u>

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

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

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

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

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

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

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

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

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

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

2016

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

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

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

Public Employees Local Government Correctional Service Retirement Plan

2022

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

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

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

2021

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

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

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

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

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

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

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

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

- Assumed rates of disability were lowered.

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

- Minor changes to form of payment assumptions were applied.

<u>2020</u>

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

<u>2019</u>

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

<u>2018</u>

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

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

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

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

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

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

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

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

<u>2017</u>

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

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

- The single discount rate was changed from 5.31 percent per annum to 5.96 percent per annum.

<u>2016</u>

- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was changed from 7.90 percent to 5.31 percent.

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

Supplementary Information

Houston County
Caledonia, Minnesota

Exhibit B-1

Budgetary Comparison Schedule
Debt Service Fund
For the Year Ended December 31, 2022

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget
Revenues				
Taxes	$ 1,324,134	$ 1,324,134	$ 1,321,104	$ (3,030)
Intergovernmental	95,174	95,174	97,101	1,927
Total Revenues	**$ 1,419,308**	**$ 1,419,308**	**$ 1,418,205**	**$ (1,103)**
Expenditures				
Debt service				
Principal	$ 1,029,000	$ 1,029,000	$ 930,000	$ 99,000
Interest	390,308	390,308	394,103	(3,795)
Administrative (fiscal) charges	-	-	4,225	(4,225)
Total Expenditures	**$ 1,419,308**	**$ 1,419,308**	**$ 1,328,328**	**$ 90,980**
Net Change in Fund Balance	**$ -**	**$ -**	**$ 89,877**	**$ 89,877**
Fund Balance – January 1	**1,694,604**	**1,694,604**	**1,694,604**	**-**
Fund Balance – December 31	**$ 1,694,604**	**$ 1,694,604**	**$ 1,784,481**	**$ 89,877**

Fiduciary Funds

Fiduciary Funds

Custodial Funds

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

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

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

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

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

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

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

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

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

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

Houston County
Caledonia, Minnesota

Combining Statement of Fiduciary Net Position
Fiduciary Funds—Custodial Funds
December 31, 2022

	Sheriff's Holding	State Revenue	CCWSCD	MA Estate Collections
Assets				
Cash and pooled investments	$ 8,256	$ 59,312	$ 970	$ 212,995
Cash and investments	-	-	-	-
Taxes receivable for other governments	-	2,249	606	-
Total Assets	**$ 8,256**	**$ 61,561**	**$ 1,576**	**$ 212,995**
Liabilities				
Due to other governments	**$ -**	**$ 60,102**	**$ 970**	**$ 212,995**
Deferred Inflows of Resources				
Prepaid taxes	**$ -**	**$ -**	**$ -**	**$ -**
Net Position				
Restricted for individuals, organizations, and other governments	**$ 8,256**	**$ 1,459**	**$ 606**	**$ -**

Custodial Funds					
Taxes and Penalties	School Districts	Townships and Cities	Soil and Water Conservation District	Family Collaborative	Total Custodial Funds
$ 88,850	$ 186,677	$ 204,638	$ 1,193,818	$ 77,203	$ 2,032,719
-	-	-	146,312	50,000	196,312
-	99,185	161,442	-	-	263,482
$ 88,850	**$ 285,862**	**$ 366,080**	**$ 1,340,130**	**$ 127,203**	**$ 2,492,513**
$ -	**$ 186,677**	**$ 204,638**	**$ -**	**$ -**	**$ 665,382**
$ 88,850	**$ -**	**$ -**	**$ -**	**$ -**	**$ 88,850**
$ -	**$ 99,185**	**$ 161,442**	**$ 1,340,130**	**$ 127,203**	**$ 1,738,281**

Houston County
Caledonia, Minnesota

Combining Statement of Changes in Fiduciary Net Position
Fiduciary Funds—Custodial Funds
For the Year Ended December 31, 2022

	Sheriff's Holding	State Revenue	CCWSCD	MA Estate Collections
Additions				
Appropriations from counties	$ -	$ -	$ -	$ -
Contributions from individuals	200,898	-	-	-
Interest earnings	-	-	-	-
Property tax collections for other governments	-	-	64,897	-
Fees collected for the state	-	4,025,750	-	510,453
Refunds collected for tax abatements	-	-	-	-
Payments from the state	-	-	-	-
Payments from other entities	-	-	-	-
Miscellaneous	-	-	-	-
Total Additions	**$ 200,898**	**$ 4,025,750**	**$ 64,897**	**$ 510,453**
Deductions				
Payments of property tax to other governments	$ -	$ -	$ 64,957	$ -
Payments to the state	-	4,029,220	-	510,453
Administrative expense	-	-	-	-
Payments to other individuals/entities	199,835	-	-	-
Payments to other governments	-	-	-	-
Total Deductions	**$ 199,835**	**$ 4,029,220**	**$ 64,957**	**$ 510,453**
Change in Net Position	**$ 1,063**	**$ (3,470)**	**$ (60)**	**$ -**
Net Position – January 1	**7,193**	**4,929**	**666**	**-**
Net Position – December 31	**$ 8,256**	**$ 1,459**	**$ 606**	**$ -**

Custodial Funds					
Taxes and Penalties	**School Districts**	**Townships and Cities**	**Soil and Water Conservation District**	**Family Collaborative**	**Total Custodial Funds**
$ -	$ -	$ -	$ 152,008	$ -	$ 152,008
-	-	31,294	-	-	232,192
-	-	-	897	494	1,391
158,752	7,552,438	9,438,355	-	-	17,214,442
-	-	-	-	-	4,536,203
12,916	-	-	-	-	12,916
-	-	-	813,378	65,827	879,205
-	-	249	-	-	249
-	-	-	20,868	-	20,868
$ 171,668	**$ 7,552,438**	**$ 9,469,898**	**$ 987,151**	**$ 66,321**	**$ 23,049,474**
$ 12,916	$ 7,562,081	$ 9,428,395	$ -	$ -	$ 17,068,349
-	-	-	-	72	4,539,745
-	-	-	459,869	1,933	461,802
-	-	-	362,567	-	562,402
158,752	-	31,543	-	60,000	250,295
$ 171,668	**$ 7,562,081**	**$ 9,459,938**	**$ 822,436**	**$ 62,005**	**$ 22,882,593**
$ -	**$ (9,643)**	**$ 9,960**	**$ 164,715**	**$ 4,316**	**$ 166,881**
-	**108,828**	**151,482**	**1,175,415**	**122,887**	**1,571,400**
$ -	**$ 99,185**	**$ 161,442**	**$ 1,340,130**	**$ 127,203**	**$ 1,738,281**

Other Schedules

Houston County
Caledonia, Minnesota

Exhibit D-1

Schedule of Intergovernmental Revenue
For the Year Ended December 31, 2022

Appropriations and Shared Revenue		
State		
Highway users tax	$	6,278,655
PERA contribution		32,518
Disparity reduction aid		116,205
Police aid		121,032
County program aid		1,058,111
Aquatic invasive species aid		22,653
SCORE		72,440
Riparian protection aid		54,126
Market value credit – agricultural		344,494
Enhanced 911		184,030
Total appropriations and shared revenue	**$**	**8,284,264**
Reimbursement for Services		
State		
Minnesota Department of Human Services	**$**	**1,200,152**
Payments		
Local		
Southeast Service Cooperative	$	7,375
Payments in lieu of taxes		385,371
Total payments	**$**	**392,746**
Grants		
State		
Minnesota Department/Board of		
Public Safety	$	4,014
Health		261,041
Natural Resources		69,943
Human Services		620,616
Veterans Affairs		10,000
Corrections		56,662
Transportation		792,744
Water and Soil Resources		82,427
Pollution Control Agency		3,897
Peace Officer Standards and Training Board		13,193
Total state	**$**	**1,914,537**

Houston County
Caledonia, Minnesota

Exhibit D-1
(Continued)

Schedule of Intergovernmental Revenue
For the Year Ended December 31, 2022

Grants (Continued)	
Federal	
Department of	
Agriculture	$ 324,626
Transportation	42,178
Treasury	2,129,604
Education	2,100
Election Assistance Commission	28,487
Health and Human Services	1,616,166
Homeland Security	23,410
Environmental Protection Agency	10,942
Total federal	**$ 4,177,513**
Total state and federal grants	**$ 6,092,050**
Total Intergovernmental Revenue	**$ 15,969,212**

Houston County
Caledonia, Minnesota

Exhibit D-2

Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2022

Federal Grantor Pass-Through Agency Program or Cluster Title	Assistance Listing Number	Pass-Through Grant Numbers		Expenditures
U.S. Department of Agriculture				
Passed Through Minnesota Department of Health				
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	32573	$	80,631
Passed Through Minnesota Department of Human Services				
SNAP Cluster				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	222MN101S2514		210,407
Total U.S. Department of Agriculture			**$**	**291,038**
U.S. Department of Transportation				
Direct				
Airport Improvement Program	20.106		$	69,846
COVID-19 – Airport Improvement Program	20.106			4,084
(Total Airport Improvement Program 20.106 $73,930)				
Passed Through Minnesota Department of Public Safety				
Highway Safety Cluster				
State and Community Highway Safety	20.600	A-ENFRC2-2022-HOUSTONSO-054		5,678
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	A-ENFRC2-2022-HOUSTONSO-054		6,879
E-911 Grant Program	20.615	A-DECN-HCCIS-2019-SEECB-6		3,172
Highway Safety Cluster				
National Priority Safety Programs	20.616	A-ENFRC2-2022-HOUSTONSO-054		4,164
Total U.S. Department of Transportation			**$**	**93,823**
U.S. Department of the Treasury				
Direct				
COVID-19 – Coronavirus State and Local Fiscal Recovery Funds	21.027		**$**	**2,129,604**
U.S. Environmental Protection Agency				
Passed Through Goodhue County Soil and Water Conservation District				
Nonpoint Source Implementation Grants	66.460	158117	**$**	**10,942**
U.S. Department of Education				
Passed Through Minnesota Department of Health				
Special Education – Grants for Infants and Families	84.181	12-700-00072	**$**	**2,100**

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

Houston County
Caledonia, Minnesota

Exhibit D-2
(Continued)

Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2022

Federal Grantor Pass-Through Agency Program or Cluster Title	Assistance Listing Number	Pass-Through Grant Numbers	Expenditures
U.S. Department of Election Assistance Commission			
Passed Through Minnesota Secretary of State			
2018 HAVA Election Security Grants	90.404	Not provided	**$ 13,146**
U.S. Department of Health and Human Services			
Passed Through Minnesota Department of Health			
Public Health Emergency Preparedness	93.069	12-700-00072	$ 27,686
Early Hearing Detection and Intervention	93.251	12-700-00072	150
COVID-19 – Immunization Cooperative Agreements	93.268	191880	13,794
COVID-19 – Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	191880	8,182
Temporary Assistance for Needy Families	93.558	2201MNTANF	23,102
(Total Temporary Assistance for Needy Families 93.558 $189,338)			
Medicaid Cluster			
Medical Assistance Program	93.778	105166	17,679
(Total Medical Assistance Program 93.778 $587,699)			
Maternal and Child Health Services Block Grant to the States	93.994	12-700-00072	19,711
Passed Through Minnesota Department of Human Services			
Promoting Safe and Stable Families	93.556	2101MNFPSS	1,573
Temporary Assistance for Needy Families	93.558	2201MNTANF	166,236
(Total Temporary Assistance for Needy Families 93.558 $189,338)			
Child Support Enforcement	93.563	2201MNCEST	249,161
Child Support Enforcement	93.563	2201MNCSES	68,890
(Total Child Support Enforcement 93.563 $318,051)			
Refugee and Entrant Assistance – State Administered Programs	93.566	2201MNRCMA	349
CCDF Cluster			
Child Care and Development Block Grant	93.575	2201MNCCDF	6,225
Community-Based Child Abuse Prevention Grants	93.590	2102MNBCAP	4,319
Stephanie Tubbs Jones Child Welfare Services Program	93.645	2101MNCWSS	1,488
Foster Care – Title IV-E	93.658	2201MNFOST	231,641
Social Services Block Grant	93.667	2201MNSOSR	104,381
Child Abuse and Neglect State Grants	93.669	2101MNNCAN	2,313
John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674	2201MNCILP	1,849
COVID-19 – John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674	2201MNCILC	7,870
(Total John H. Chafee Foster Care Program for Successful Transition to Adulthood 93.674 $9,719)			
Children's Health Insurance Program	93.767	2205MN5021	961
Medicaid Cluster			
Medical Assistance Program	93.778	2205MN5ADM	564,357
Medical Assistance Program	93.778	2205MN5MAP	5,663
(Total Medical Assistance Program 93.778 $587,699)			
Total U.S. Department of Health and Human Services			**$ 1,527,580**

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

Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2022

Federal Grantor Pass-Through Agency Program or Cluster Title	Assistance Listing Number	Pass-Through Grant Numbers	Expenditures
U.S. Department of Homeland Security			
Passed Through Minnesota Department of Natural Resources			
Boating Safety Financial Assistance	97.012	211391	$ 4,934
Passed Through Minnesota Department of Public Safety			
Emergency Management Performance Grants	97.042	A-EMPG-2022-HOUSTONCO-030	18,476
Total U.S. Department of Homeland Security			**$ 23,410**
Total Federal Awards			**$ 4,091,643**

The County did not pass through any federal awards to subrecipients during the year ended December 31, 2022.

Totals by Cluster	
Total expenditures for SNAP Cluster	$ 210,407
Total expenditures for Highway Safety Cluster	9,842
Total expenditures for Medicaid Cluster	587,699
Total expenditures for CCDF Cluster	6,225

Houston County
Caledonia, Minnesota

Notes to the Schedule of Expenditures of Federal Awards
As of and for the Year Ended December 31, 2022

Note 1 – Summary of Significant Accounting Policies

Reporting Entity

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

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Houston County under programs of the federal government for the year ended December 31, 2022. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Houston County, it is not intended to and does not present the financial position, changes in net position, or cash flows of Houston County.

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

Note 2 – De Minimis Cost Rate

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

Note 3 – Reconciliation to Schedule of Intergovernmental Revenue

Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	$ 4,177,513
Grants received more than 60 days after year-end, considered unavailable revenue in 2022	
Airport Improvement Program (AL No. 20.106)	69,846
COVID-19 – Airport Improvement Program (AL No. 20.106)	8,272
Promoting Safe and Stable Families (AL No. 93.556)	418
Community-Based Child Abuse Prevention Grants (AL No. 93.590)	1,023
Stephanie Tubbs Jones Child Welfare Services Program (AL No. 93.645)	746
John H. Chafee Foster Care Program for Successful Transition to Adulthood (AL No. 93.674)	31
Revenue received in 2022, not spent	
2018 HAVA Election Security Grants (AL No. 90.404)	(15,341)
Unavailable revenue in 2021, recognized as revenue in 2022	
Special Supplemental Nutrition Program for Women, Infants, and Children (AL No. 10.557)	(33,588)
Temporary Assistance for Needy Families (AL No. 93.558)	(71,771)
COVID-19 – Immunization Cooperative Agreements (AL No. 93.268)	(10,253)
COVID-19 – Epidemiology and Laboratory Capacity for Infectious Diseases (AL No. 93.323)	(6,556)
Promoting Safe and Stable Families (AL No. 93.556)	(175)
Child Abuse and Neglect State Grants (AL No. 93.669)	(703)
Community-Based Child Abuse Prevention Grants (AL No. 93.590)	(656)
Stephanie Tubbs Jones Child Welfare Services Program (AL No. 93.645)	(159)
Children’s Health Insurance Program (AL No. 93.767)	(531)
Airport Improvement Program (AL No. 20.106)	(22,285)
COVID-19 – Airport Improvement Program (AL No. 20.106)	(4,188)
Expenditures per Schedule of Expenditures of Federal Awards	$ 4,091,643

Management and Compliance Section

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*

<u>Independent Auditor's Report</u>

Board of County Commissioners
Houston County
Caledonia, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Houston County, Minnesota, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated April 3, 2024.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

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

Minnesota Legal Compliance

In connection with our audit, we noted that Houston County failed to comply with the provisions of the miscellaneous provisions section of the *Minnesota Legal Compliance Audit Guide for Counties*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters, as described in the Schedule of Findings and Questioned Costs as item 2022-002. Also, in connection with our audit, nothing came to our attention that caused us to believe that Houston County failed to comply with the provisions of the contracting – bid laws, depositories of public funds and public investments, conflicts of interest, public indebtedness, and claims and disbursements sections of the *Minnesota Legal Compliance Audit Guide for Counties*, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the County's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

Houston County's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Houston County's response to the legal compliance finding identified in our audit and described in the accompanying Corrective Action Plan. The County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on 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 Counties* and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.

/s/Julie Blaha

Julie Blaha
State Auditor

/s/Chad Struss

Chad Struss, CPA
Deputy State Auditor

April 3, 2024

STATE OF MINNESOTA

Office of the State Auditor

Julie Blaha
State Auditor

Suite 500
525 Park Street
Saint Paul, MN 55103

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

Independent Auditor's Report

Board of County Commissioners
Houston County
Caledonia, Minnesota

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Houston County's compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on Houston County's major federal program for the year ended December 31, 2022. Houston County's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, Houston County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2022.

Basis for Opinion on the Major Federal Program

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

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

Responsibilities of Management for Compliance

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

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

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

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

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

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

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

Other Matters
The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance, and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2022-001. Our opinion on the major federal program is not modified with respect to this matter.

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

Report on Internal Control Over Compliance

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

However, as discussed below, we did identify a deficiency in internal control over compliance that we consider to be a significant deficiency.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2022-001 to be a significant deficiency.

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

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

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

/s/Julie Blaha

Julie Blaha
State Auditor

/s/Chad Struss

Chad Struss, CPA
Deputy State Auditor

April 3, 2024

Houston County
Caledonia, Minnesota

Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2022

Section I – Summary of Auditor's Results

Financial Statements

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

Internal control over financial reporting:
- Material weaknesses identified? **No**
- Significant deficiencies identified? **None reported**

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

Federal Awards

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

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

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

Identification of the major federal program:

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

The threshold used to distinguish between Type A and B programs was $750,000.

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

Section II – Financial Statement Findings

None.

Section III – Federal Award Findings and Questioned Costs

2022-001 **Suspension and Debarment**
Prior Year Finding Number: N/A
Repeat Finding Since: N/A
Type of Finding: Internal Control Over Compliance and Compliance
Severity of Deficiency: Significant Deficiency and Other Matter

Federal Agency: U.S. Department of the Treasury

Program: 21.027 COVID-19 – Coronavirus State and Local Fiscal Recovery Funds
Award Number and Year: Federal Direct; 2022
Pass-Through Agency: N/A - Direct

Criteria: Federal requirements prohibit non-federal entities from contracting with or making subawards under covered transactions to parties that are suspended or debarred. Title 2 U.S. *Code of Federal Regulations* § 180.300 describes a required verification process. Prior to entering into the transaction, one of the following must be performed: (1) checking SAM.gov exclusions, (2) collecting a certification, or (3) adding a clause or condition to the covered transaction. The suspension and debarment requirements apply to covered transaction amounts over $25,000.

Condition: For three covered transactions selected for testing, the verification for suspended or debarred vendors was not performed before entering into the covered transactions.

Questioned Costs: None.

Context: The County entered into a total of 29 covered transactions over the $25,000 threshold for this grant. In addition, after this was brought to the County's attention, the County verified that these vendors were not suspended or debarred.

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

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

Cause: The County has procedures in place to perform verification and retain documentation; however, due to staffing shortages and timing, the procedures were not performed.

Recommendation: We recommend the County maintain documentation to demonstrate that vendors are not debarred, suspended, or otherwise excluded; this documentation should be completed prior to entering into a covered transaction.

View of Responsible Official: Concur

Section IV – Other Findings and Recommendations

2022-002 **Publication Requirements**
Prior Year Finding Number: 2021-003
Repeat Finding Since: 2018
Type of Finding: Minnesota Legal Compliance

Criteria: Pursuant to Minn. Stat. § 375.12, County Board minutes must be published within 30 days of the meeting and include an individualized, itemized list of County Board-approved payments over $2,000. For claims $2,000 or less, the total number of claims and total amount shall be stated. The County can publish summaries of the minutes, meeting the requirement of Minn. Stat. § 331A.01. However, the County must still publish claims as required by Minn. Stat. § 375.12. Furthermore, pursuant to Minn. Stat. § 375.17, the County is to annually publish its financial statements including a listing of vendors.

Condition: Houston County does not publish an itemized list of County Board-approved payments over $2,000 with the total number of claims and total amount for payments under $2,000 as provided by Minn. Stat. § 375.12. Houston County also did not publish the 2021 financial statements and vendor listing in accordance with Minn. Stat. § 375.17.

Context: Claims are published in total by fund with the Board minute publication. The County includes the financial statements on the County website.

Effect: The County is not in compliance with Minn. Stat. §§ 375.12 and 375.17.

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

Recommendation: We recommend the County comply with Minn. Stat. § 375.12 and publish an itemized list of County Board-approved payments over $2,000 with the total number of claims and total amount for payments under $2,000. We also recommend the County publish financial statements annually in the County's official newspaper, in accordance with Minn. Stat. § 375.17.

View of Responsible Official: Concur

HOUSTON COUNTY
Historic Courthouse
304 South Marshall Street
Caledonia, Minnesota 55921

Representation of Houston County
Caledonia, Minnesota
Corrective Action Plan
For the Year Ended December 31, 2022

Finding Number: 2022-001
Finding Title: Suspension and Debarment
Program: 21.027 COVID-19 – Coronavirus State and Local Fiscal Recovery Funds

Name of Contact Person Responsible for Corrective Action:
Carol Lapham, Finance Director

Corrective Action Planned:
All vendors receiving 21.027 COVID-19 funding will be verified on SAM that they are not suspended or debarred.

Anticipated Completion Date:
12/31/2023

Finding Number: 2022-002
Finding Title: Publication Requirements

Name of Contact Person Responsible for Corrective Action:
Carol Lapham, Finance Director

Corrective Action Planned:
Payment and Board proceedings publications will be modified to ensure the publication requirements are met.

Anticipated Completion Date:
12/31/2024

Representation of Houston County
Caledonia, Minnesota
Summary Schedule of Prior Audit Findings
For the Year Ended December 31, 2022

Finding Number: 2021-001
Year of Finding Origination: 2019
Finding Title: Audit Adjustment

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

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

Status: Fully Corrected. Corrective action was taken.

Corrective action taken was not significantly different than the action previously reported.

Finding Number: 2021-002
Year of Finding Origination: 2021
Finding Title: Eligibility Intake Function
Program: Medical Assistance Program 93.778

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

Summary of Corrective Action Previously Reported: Complete health care case reviews will be performed monthly in which we look at assets being entered correctly.

Status: Not Corrected. Houston County continues to review health care cases on a monthly basis in which we look at assets being entered correctly. The audit this year brought to light an issue with having verification of the value of cars being on file. Houston County was not applying the policy correctly. We have received updated information and are now printing NADA verifications into our case file at application. We are working through current cases in order to bring all cases into compliance.

Corrective action taken was not significantly different than the action previously reported.

Finding Number: 2021-003
Year of Finding Origination: 2018
Finding Title: Publication Requirements

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

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

Status: Not Corrected. Houston County's payment and publishing of Board proceedings practices have not been modified to meet the requirements for publishing of the claims as required by MN Statute. These practices will be reviewed and changed to ensure compliance.

Corrective action taken was not significantly different than the action previously reported.

Finding Number: 2018-003
Year of Finding Origination: 2018
Finding Title: Procurement
Program: Medical Assistance Program 93.778

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

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

Status: Fully Corrected. Corrective action was taken.

Corrective action taken was not significantly different than the action previously reported.