

**MOWER COUNTY  
AUSTIN, MINNESOTA**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEAR ENDED DECEMBER 31, 2019**

**MOWER COUNTY  
AUSTIN, MINNESOTA  
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## **INTRODUCTORY SECTION**

**MOWER COUNTY  
AUSTIN, MINNESOTA  
ORGANIZATION  
DECEMBER 31, 2019**

Elected			<u>Term Expires</u>
<b>Commissioners</b>			
Chair	Mike Ankeny	District 5	January 2023
Board Member	Tim Gabrielson	District 1	January 2021
Board Member	Polly Glynn	District 2	January 2021
Board Member	Jerry Reinartz	District 3	January 2023
Board Member	Jeff Baldus	District 4	January 2023
County Attorney	Kristen Nelsen		January 2023
County Auditor-Treasurer	Scott Felten		January 2023
County Recorder	Jill Cordes		January 2023
County Sheriff	Steve Sandvik		January 2023
<b>Appointed</b>			
Assessor	Joy Kanne		December 2020
Coroner	R. Ross Reichard, MD		December 2022
Administrator	Terese Herren		Indefinite
Engineer	Michal Hanson		May 2023
Finance Director	Donna Welsh		Indefinite
Health & Human Services Director	Lisa Kocer		Indefinite
Veterans Service Officer	Wayne Madson		Indefinite

## **FINANCIAL SECTION**



## INDEPENDENT AUDITORS' REPORT

Board of County Commissioners  
Mower County  
Austin, Minnesota

### **Report on the Financial Statements**

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

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Mower County as of December 31, 2019, 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.

**Emphasis of a Matter**

As described in Note 1.E, the 2018 financial statements have been restated to correct a misstatement. Our opinion was not modified with respect to this matter.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule changes in the total OPEB liability, related ratios, and notes, budgetary comparison schedule – general fund, budgetary comparison schedule – road and bridge fund, budgetary comparison schedule – social services fund, schedule of the County's proportionate share of the net pension liability, and the schedule of the County's contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Mower County's basic financial statements. The supplementary information consisting of the combining and individual nonmajor fund financial statements, the combining statement of changes in assets and liabilities – all agency funds, and the schedule of intergovernmental revenues are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards, as required Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Award* is also presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 and the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 27, 2020, on our consideration of Mower 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 result of that testing, and not to provide an opinion on the effectiveness of Mower 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 Mower County's internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Austin, Minnesota  
August 27, 2020

## **REQUIRED SUPPLEMENTARY INFORMATION**

**MOWER COUNTY  
AUSTIN, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2019**

This section of Mower County's (County) annual financial report presents our discussion and analysis of the County's financial performance during the fiscal year that ended on December 31, 2019. The management's discussion and analysis (MD&A) is required supplementary information specified in the Governmental Accounting Standard Board's (GASB) Statement No. 34 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Certain comparative information between the current year (2019) and the prior year (2018) is required to be presented in the MD&A.

### **FINANCIAL HIGHLIGHTS**

Key financial highlights for the 2018-2019 fiscal years include the following:

- ◆ County-wide net position increased 6.6% over the prior year.
- ◆ Overall fund-level revenues totaled \$60,061,764 and were \$3,479,398 less than expenditures; this is primarily due to increased road projects.
- ◆ The General Fund's fund balance decreased by \$3,330,226 from the prior year; this is primarily due to the transfer of funds to the Bond Fund to pay off a bond early.
- ◆ The Road and Bridge Fund's fund balance decreased \$1,025,866 from the prior year; this is primarily due to an increase in construction projects during the year.
- ◆ The Social Services Fund's fund balance increased by \$1,149,746 primarily due to increased tax revenue.
- ◆ The Capital Projects Fund reflects a decrease of \$34,613 in fund balance. The decrease in this fund is primarily due to a decrease in intergovernmental revenue.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

- ◆ The financial section of the annual report consists of four parts – independent auditors' report, required supplementary information which includes the management's discussion and analysis (this section), the basic financial statements, and supplementary information. The basic financial statements include two kinds of statements that present different views of the County:
  - The first two statements are County-wide financial statements which provide both short-term and long-term information about the County's overall financial status.
  - The remaining statements are fund financial statements which focus on individual parts of the County, reporting the County's operations in more detail than the County-wide statements.
- ◆ The governmental funds' statements tell how basic services such as general government, social services, and highways and streets were financed in the short term as well as what remains for future spending.
- ◆ Fiduciary funds' statements provide information about the financial relationships in which the County acts solely as a trustee or agent for the benefit of others to whom the resources belong.

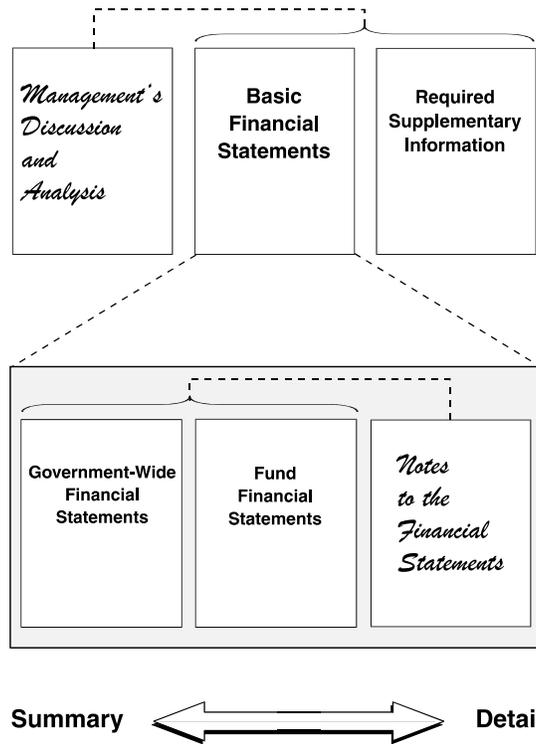
**MOWER COUNTY  
AUSTIN, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2019**

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

The financial statements also include notes that explain some of the information in the statements and provide more detailed data.

Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

**Figure A-1  
Annual Report Format**



**MOWER COUNTY  
AUSTIN, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2019**

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

Figure A-2 summarizes the major features of the County's financial statements, including the portion of the County's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

<b>Figure A-2. Major Features of the County's Government-Wide and Fund Financial Statements</b>			
<b>Type of Statements</b>	<b>Government-Wide</b>	<b>Governmental Funds</b>	<b>Fiduciary Funds</b>
<b>Scope</b>	Entire County's government (except fiduciary funds).	The activities of the County that are not proprietary or fiduciary.	Instances in which the County is the trustee or agent for someone else's resources.
<b>Required Financial Statements</b>	Statement of net position.	Balance sheet.	Statement of fiduciary net position.
	Statement of activities.	Statement of revenues, expenditures, and changes in fund balance.	
<b>Accounting Basis and Measurement Focus</b>	Accrual accounting and economic resources focus.	Modified accrual accounting and current financial resources focus.	Accrual accounting and economic resources focus.
<b>Type of Asset/Liability Information</b>	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources, both financial and capital, short-term and long-term.	Only assets and deferred outflows of resources expected to be used up and liabilities and deferred inflows of resources that come due during the year or soon thereafter, no capital assets included.	All assets, deferred outflows of resources, liabilities, deferred inflows of resources, both short-term and long-term. Agency's funds do not currently contain capital assets, although they can.
<b>Type of Inflow/Outflow Information</b>	All revenues and expenses during year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and payment is due during the year or soon thereafter.	All revenues and expenses during year for trust funds, regardless of when cash is received or paid. Agency Funds do not report revenues or expenditures.

**COUNTY-WIDE STATEMENTS**

The County-wide statements report information about the County as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the County's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two County-wide statements report the County's net position and how they have changed. Net position – the difference between the County's assets, deferred outflows of resources, liabilities, and deferred inflows of resources – is one way to measure the County's financial health or position.

- ◆ Over time, increases or decreases in the County's net position are an indicator of whether its financial position is improving or deteriorating, respectively.

**MOWER COUNTY  
AUSTIN, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2019**

**COUNTY-WIDE STATEMENTS (CONTINUED)**

- ◆ To assess the overall health of the County, you need to consider additional non-financial factors such as changes in the County's property tax base and the condition of County buildings and other facilities.

In the County-wide financial statements, the County's activities are shown in one category:

- ◆ Governmental activities – The County's basic services are included here. Property taxes and intergovernmental revenues finance most of these activities.

**FUND FINANCIAL STATEMENTS**

The fund financial statements provide more detailed information about the County's funds – focusing on its most significant or "major" funds – not the County as a whole. Funds are accounting devices the County uses to keep track of specific sources of funding and spending on particular programs:

- ◆ Some funds are required by state law and by bond covenants.
- ◆ The County establishes other funds to control and manage money for particular purposes (e.g., repaying its long-term debts) or to show that it is properly using certain revenues (e.g., federal grants).

**THE COUNTY HAS TWO KINDS OF FUNDS:**

- ◆ Governmental funds – The County's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds' statements provide a detailed short-term view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. Because this information does not encompass the additional long-term focus of the County-wide statements, we provide additional information following the governmental funds' statements that explain the relationship (or differences) between them.
- ◆ Fiduciary funds – The County is the fiscal agent, or fiduciary, for assets that belong to others. The County is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the County's fiduciary activities are reported in a separate statement of fiduciary net position. We exclude these activities from the County-wide financial statements because the County cannot use these assets to finance its operations.

**MOWER COUNTY  
AUSTIN, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2019**

**FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE**

**NET POSITION**

The County's net position was \$153,692,983 on December 31, 2019 (see Table A-1).

**Table A-1  
The County's Net Position**

	Governmental Activities		Percentage Change
	2019	2018	
Current and Other Assets	\$ 48,925,455	\$ 55,139,180	(11.3)%
Capital Assets	146,161,933	135,861,500	7.6
Total Assets	195,087,388	191,000,680	2.1
Deferred Outflows of Resources	5,273,135	6,946,815	(24.1)
Current Liabilities	15,924,688	16,115,672	(1.2)
Long-Term Liabilities, Due in More Than One Year	24,226,971	30,358,162	(20.2)
Total Liabilities	40,151,659	46,473,834	(13.6)
Deferred Inflows of Resources	6,515,881	7,346,088	(11.3)
Net Position:			
Net Investment in Capital Assets	139,379,763	123,684,170	12.7
Restricted	5,476,784	8,095,668	(32.3)
Unrestricted	8,836,436	12,347,735	(28.4)
Total Net Position	\$ 153,692,983	\$ 144,127,573	6.6

**MOWER COUNTY  
AUSTIN, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2019**

**FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE (CONTINUED)**

**CHANGES IN NET POSITION**

The County-wide total revenues were \$56,739,795 for the year ended December 31, 2019. Property and other taxes and intergovernmental revenues accounted for 85% of total revenues for the year (See Table A-2).

**CHANGE IN NET POSITION**

Table A-2

	Governmental Activities for the Fiscal		Percentage Change
	Year Ended 2019	December 31, 2018	
<b>REVENUES</b>			
Program Revenues:			
Charges for Services	\$ 6,289,961	\$ 5,419,027	16.1 %
Operating Grants and Contributions	11,515,965	11,470,391	0.4
Capital Grants and Contributions	5,456,883	5,122,024	6.5
General Revenues:			
Property Taxes	21,480,785	20,620,487	4.2
Other Taxes	4,094,840	3,814,562	7.3
Unrestricted Grants and Contributions	5,598,866	5,498,355	1.8
Unrestricted Investment Earnings	1,878,339	900,063	108.7
Miscellaneous	397,995	284,207	40.0
Gain on Sale of Capital Assets	26,161	148	17,576.4
Total Revenues	<u>56,739,795</u>	<u>53,129,264</u>	6.8
<b>EXPENSES</b>			
General Government	8,812,048	7,442,998	18.4
Public Safety	11,963,073	11,492,567	4.1
Highways and Streets	8,569,810	7,844,696	9.2
Sanitation	1,056,747	1,058,058	(0.1)
Human Services	12,989,141	12,537,192	3.6
Health	2,158,260	2,127,170	1.5
Culture and Recreation	637,087	623,600	2.2
Conservation of Natural Resources	862,346	856,041	0.7
Interest	292,873	514,035	(43.0)
Total Expenses	<u>47,341,385</u>	<u>44,496,357</u>	6.4
<b>CHANGE IN NET POSITION</b>	9,398,410	8,632,907	8.9
Net Position - Beginning of Year	144,127,573	140,333,003	2.7
Restatement (See Note 1.E.)	167,000	(4,838,337)	103.5
Net Position - Beginning of Year, As Restated	<u>144,294,573</u>	<u>135,494,666</u>	
<b>NET POSITION - END OF YEAR</b>	<u>\$ 153,692,983</u>	<u>\$ 144,127,573</u>	6.6

Total revenues surpassed expenses, increasing net position \$9,398,410 over last year.

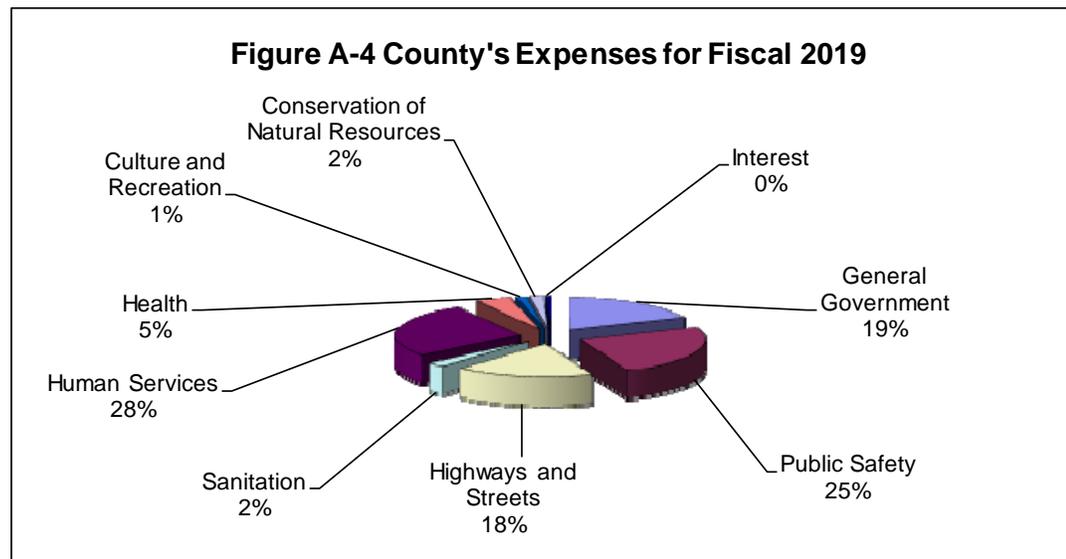
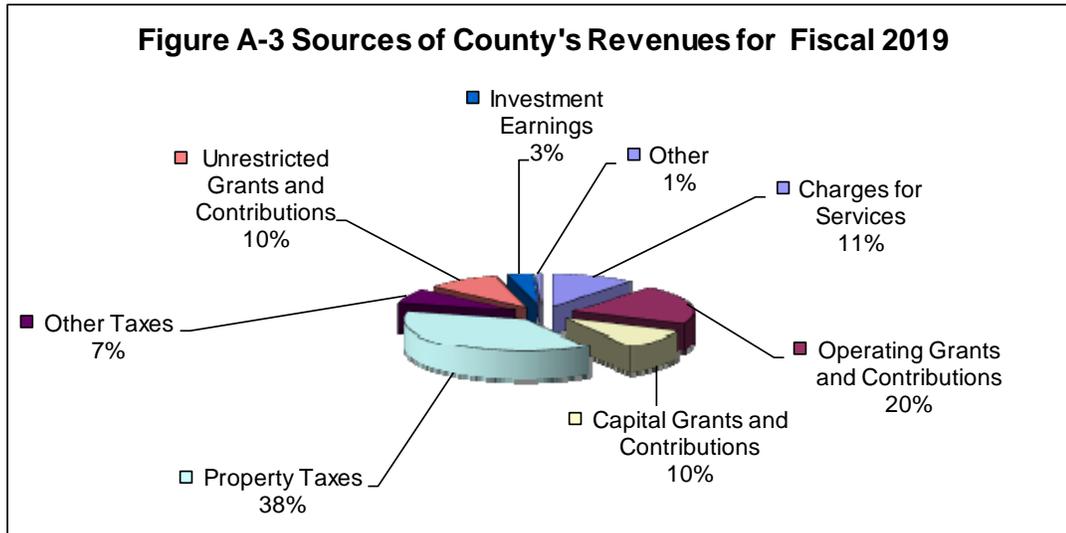
**MOWER COUNTY  
AUSTIN, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2019**

**FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE (CONTINUED)**

**CHANGES IN NET POSITION (CONTINUED)**

The County-wide cost of all governmental activities this year was \$47,341,385.

- ◆ Some of the cost was paid by the users of the County's programs (\$6,290,214).
- ◆ Federal, state, and local governments subsidized certain programs with grants and contributions (\$16,972,848).
- ◆ Most of the County's remaining costs (\$24,074,671), however, were paid for by County taxpayers and the taxpayers of our state. This portion of governmental activities was paid for with \$21,480,785 in property taxes, \$4,094,840 of other taxes, \$5,598,866 of unrestricted grants and contributions, and with \$2,302,090 of investment earnings and other general revenues.



**MOWER COUNTY  
AUSTIN, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2019**

**FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE (CONTINUED)**

**CHANGES IN NET POSITION (CONTINUED)**

**Table A-3  
Total and Net Cost of Services**

	Total Cost of Services			Net Revenue (Cost) of Services		
	2019	2018	Change	2019	2018	Change
General Government	\$ 8,812,048	\$ 7,442,998	18.4 %	\$ (7,612,425)	\$ (5,362,863)	(41.9)%
Public Safety	11,963,073	11,492,567	4.1	(10,046,532)	(9,617,857)	(4.5)
Highways and Streets	8,569,810	7,844,696	9.2	(1,474,238)	(2,169,530)	32.0
Sanitation	1,056,747	1,058,058	(0.1)	(57,180)	(367,336)	84.4
Human Services	12,989,141	12,537,192	3.6	(3,737,472)	(3,499,583)	(6.8)
Health	2,158,260	2,127,170	1.5	(13,663)	88,518	(115.4)
Culture and Recreation	637,087	623,600	2.2	(637,087)	(623,600)	(2.2)
Conservation of						
Natural Resources	862,346	856,041	0.7	(249,531)	(460,873)	45.9
Interest	292,873	514,035	(43.0)	(250,448)	(471,791)	46.9
	\$ 47,341,385	\$ 44,496,357	6.4	\$ (24,078,576)	\$ (22,484,915)	(7.1)

**FINANCIAL ANALYSIS OF THE COUNTY AT THE FUND LEVEL**

The financial performance of the County as a whole is reflected in its governmental funds as well. As the County completed the year, its governmental funds reported a combined fund balance of \$43,738,402.

Revenues for the County's governmental funds were \$60,061,764, while total expenditures were \$63,541,162.

**GENERAL FUND**

The General Fund includes the primary operations of the County in providing services to citizens and some capital outlay projects.

**MOWER COUNTY  
AUSTIN, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2019**

**FINANCIAL ANALYSIS OF THE COUNTY AT THE FUND LEVEL (CONTINUED)**

**GENERAL FUND (CONTINUED)**

The following schedule presents a summary of General Fund revenues:

**Table A-4  
General Fund Revenues**

	Year Ended		Change	
	December 31, 2019	December 31, 2018	Increase (Decrease)	Percent
Taxes	\$ 13,026,814	\$ 12,264,000	\$ 762,814	6.2 %
Special Assessments	818,228	712,185	106,043	14.9
Intergovernmental	3,677,575	3,180,502	497,073	15.6
Charges for Services	1,102,413	936,485	165,928	17.7
Investment Earnings	1,876,382	898,912	977,470	108.7
Miscellaneous and Other	1,830,848	2,434,904	(604,056)	(24.8)
Total General Fund Revenue	<u>\$ 22,332,260</u>	<u>\$ 20,426,988</u>	<u>\$ 1,905,272</u>	9.3

Total General Fund revenue increased by \$1,905,272 or 9.3%, from the previous year. Investment earnings and taxes primarily accounted for the increase in revenues.

The following schedule presents a summary of General Fund expenditures:

**Table A-5  
General Fund Expenditures**

	Year Ended		Change	
	December 31, 2019	December 31, 2018	Increase (Decrease)	Percent
General Government	\$ 6,638,615	\$ 6,669,810	\$ (31,195)	(0.5)%
Public Safety	11,673,325	11,240,782	432,543	3.8
Sanitation	1,037,989	1,017,952	20,037	2.0
Culture and Recreation	524,215	443,078	81,137	18.3
Conservation of Natural Resources	331,468	328,914	2,554	0.8
Capital Outlay	390,888	579,172	(188,284)	(32.5)
Debt Service	2,371	4,316	(1,945)	(45.1)
Total General Fund Expenditures	<u>\$ 20,598,871</u>	<u>\$ 20,284,024</u>	<u>\$ 314,847</u>	1.6

The General Fund had total fund balance of \$25,809,587 at the end of the current fiscal year. The fund balance of the General Fund decreased \$3,330,226 during the current fiscal year primarily due to transfer of funds to the Bond Fund.

**MOWER COUNTY  
AUSTIN, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2019**

**FINANCIAL ANALYSIS OF THE COUNTY AT THE FUND LEVEL (CONTINUED)**

**OTHER MAJOR FUNDS ANALYSIS**

The Road and Bridge Fund had total fund balance of \$5,622,480 the end of the current fiscal year. The fund balance of the Road and Bridge Fund decreased \$1,025,866 (excluding the change in inventory) during the current fiscal year primarily due to an increase in construction projects during the year.

The Social Services Fund had total fund balance of \$6,406,654 at the end of the current fiscal year. The fund balance of the Social Services Fund increased \$1,149,746; this is primarily due to increased tax revenues.

The Capital Projects Fund had a total fund balance of \$3,162,067 at the end of the current fiscal year. The fund balance of the Capital Projects fund decreased \$34,613 primarily due to decreased intergovernmental revenues.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

- ◆ Actual revenues were \$1,653,213 more than expected resulting primarily from increased intergovernmental and investment earnings revenues.
- ◆ The actual expenditures were \$339,737 less than budget and relate largely to decreased capital outlay expenditures than budgeted.

**CONSTRUCTION PROJECTS AND DEBT SERVICE**

The Capital Projects Fund is currently being used to track the capital improvement projects approved by the board over the past years. The majority of construction expenditures are for construction and remodel of buildings needed to provide services that come with growth, particularly in health and public safety functions.

**MOWER COUNTY  
AUSTIN, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2019**

**CONSTRUCTION PROJECTS AND DEBT SERVICE (CONTINUED)**

**CAPITAL ASSETS**

By the end of 2019, the County had invested approximately \$221,600,000 in a broad range of capital assets, including buildings, computers, equipment, and infrastructure (see Table A-6). (More detailed information about capital assets can be found in Note 3.A.4 to the financial statements.) Total depreciation expense for the year was \$4,227,933.

**Capital Assets  
Table A-6  
The County's Capital Assets**

	Governmental Activities		Percentage Change
	2019	2018	
Land and Right of Way	\$ 16,456,197	\$ 16,962,805	(3.0)%
Construction in Progress	2,804,287	1,786,743	56.9
Buildings and Building Improvements	37,907,408	37,294,794	1.6
Improvements Other than Buildings	1,274,802	1,232,202	3.5
Machinery and Equipment	11,354,209	11,543,060	(1.6)
Software	554,212	246,679	124.7
Infrastructure	151,281,564	138,553,662	9.2
Accumulated Depreciation	(75,470,746)	(71,758,445)	5.2
Total	<u>\$ 146,161,933</u>	<u>\$ 135,861,500</u>	7.6

**LONG-TERM LIABILITIES**

At year-end, the County had \$37,596,722 in long-term liabilities outstanding.

- The County's total long-term liabilities decreased \$6,445,129, due largely to the county paying off the 2009A Bond early. More detailed information about long term liabilities can be found in Note 3. B. of the financial statements.

**Governmental Activities Outstanding Long-Term Liabilities  
Table A-7  
The County's Long-term Liabilities**

	Governmental Activities		Percentage Change
	2019	2018	
Loans Payable	\$ 952,898	\$ 1,034,709	(7.9)%
Bonds Payable	5,890,000	11,435,000	(48.5)
Capital Lease Payable	2,270	4,631	(51.0)
Compensated Absences Payable	1,238,738	1,159,303	6.9
Other Postemployment Benefits Payable	17,985,535	19,052,075	(5.6)
Net Pension Liability	11,527,281	11,356,133	1.5
Total	<u>\$ 37,596,722</u>	<u>\$ 44,041,851</u>	(14.6)

**MOWER COUNTY  
AUSTIN, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2019**

**FACTORS BEARING ON THE COUNTY'S FUTURE AND 2020 BUDGET**

The County is dependent on the state of Minnesota for a significant portion of its revenue. Recent trends indicate the state of Minnesota will continue to decrease state aids in the future.

The County has set the 2020 expenditure budget at \$55,080,185, a decrease of about \$14,800,000 from the 2019 expenditure budget due to completion of construction projects in 2019. The revenue budget also decreased about \$14,800,000 as a result of the completed construction projects.

**CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the county's finances and to demonstrate the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Trish Harren, County Administrator, or Donna Welsh, Finance Director at (507) 437-9549. Separate financial statements of the Mower County HRA can be obtained at 59039 220<sup>th</sup> Street, Austin, Minnesota 55912.

## **BASIC FINANCIAL STATEMENTS**

**MOWER COUNTY  
AUSTIN, MINNESOTA  
STATEMENT OF NET POSITION  
DECEMBER 31, 2019**

	Primary Government Governmental Activities	September 30, 2019 Discretely Presented Component Unit
<b>ASSETS</b>		
Cash and Pooled Investments	\$ 42,377,550	\$ 699,669
Petty Cash and Change Funds	1,470	-
Cash with Fiscal Agent	6,499	-
Tenant Deposit Cash	-	35,383
Taxes Receivable:		
Delinquent	425,430	55,095
Special Assessments Receivable:		
Delinquent	71,286	-
Noncurrent	158,528	-
Accounts Receivable - Net	219,891	5,766
Due from HUD	-	139
Accrued Interest Receivable	190,273	576
Loans Receivable	730,662	-
Due from Other Governments	4,338,633	-
Inventories	375,434	-
Restricted Assets - Temporary	29,799	665,868
Prepaid Items	-	31,397
Nondepreciable Capital Assets:		
Land and Right of Way	16,456,197	42,304
Construction in Progress	2,804,287	-
Depreciable Capital Assets:		
Buildings (Net)	26,964,407	1,158,030
Improvements Other Than Buildings (Net)	770,536	41,244
Machinery, Vehicles, Furniture, and Equipment (Net)	3,606,741	160,207
Software (Net)	114,500	-
Infrastructure (Net)	95,445,265	-
Total Assets	195,087,388	2,895,678
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred Outflows of Resources - Loss on Refunding	827,523	-
Deferred Outflows of Resources - Pension Related	3,138,877	-
Deferred Outflows of Resources - OPEB Related	1,306,735	-
Total Deferred Outflows of Resources	5,273,135	-

See accompanying Notes to Financial Statements.

**MOWER COUNTY  
AUSTIN, MINNESOTA  
STATEMENT OF NET POSITION (CONTINUED)  
DECEMBER 31, 2019**

	Primary Government Governmental Activities	September 30, 2019 Discretely Presented Component Unit
<b>LIABILITIES</b>		
Accounts Payable	\$ 836,773	\$ 15,876
Salaries Payable	582,775	10,514
Claims and Judgments Payable	6,499	-
Contracts Payable	730,034	-
Due to Other Governments	309,016	-
Accrued Expenses	-	14,658
Accrued Interest Payable	53,109	482
Unearned Revenue	-	1,353
Compensated Absences Payable - Due within One Year	100,580	15,000
Other Postemployment Benefits Plan Payable - Due within One Year	1,073,361	-
General Obligation Bonds Payable - Due within One Year	605,000	-
Loans Payable - Due within One Year	97,990	63,590
Capital Lease Payable - Due within One Year	2,270	-
Tenant Deposits Payable	-	35,383
Compensated Absences Payable - Due in More Than One Year	1,138,158	28,550
Other Postemployment Benefits Plan Payable - Due in More than One Year	16,912,174	-
General Obligation Bonds Payable - Due in More Than One Year	5,321,731	-
Loans Payable - Due in More Than One Year	854,908	32,477
Net Pension Liability	11,527,281	-
Total Liabilities	40,151,659	217,883
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred Inflows of Resources - Pension Related	5,704,230	-
Deferred Inflows of Resources - Other Postemployment Benefit Related	766,257	-
Deferred Inflows of Resources - Property Taxes Levied for Subsequent Year	45,394	-
Total Deferred Inflows of Resources	6,515,881	-
<b>NET POSITION</b>		
Net Investment in Capital Assets	139,379,763	1,305,718
Restricted for:		
General Government	678,508	-
Highways and Streets	1,717,718	-
Public Safety	230,273	-
HRA Housing	-	665,868
Conservation	1,833,628	-
Human Services	365,760	-
Debt Service	650,897	-
Unrestricted	8,836,436	706,209
Total Net Position	\$ 153,692,983	\$ 2,677,795

See accompanying Notes to Financial Statements.

**MOWER COUNTY  
AUSTIN, MINNESOTA  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2019**

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
		Fees, Charges, Fines, and Other	Operating Grants and Contributions	Capital Grants and Contributions	Changes in Net Position Governmental Activities	Discretely Presented Component Unit
<b>PRIMARY GOVERNMENT</b>						
<b>GOVERNMENTAL ACTIVITIES</b>						
General Government	\$ 8,812,048	\$ 1,014,166	\$ 185,457	\$ -	\$ (7,612,425)	
Public Safety	11,963,073	750,352	1,166,189	-	(10,046,532)	
Highways and Streets	8,569,810	1,219,936	418,753	5,456,883	(1,474,238)	
Sanitation	1,056,747	875,804	123,763	-	(57,180)	
Human Services	12,989,141	742,397	8,509,272	-	(3,737,472)	
Health	2,158,260	1,097,071	1,047,526	-	(13,663)	
Culture and Recreation	637,087	-	-	-	(637,087)	
Conservation of Natural Resources	862,346	547,810	65,005	-	(249,531)	
Interest	292,873	42,425	-	-	(250,448)	
Total Governmental Activities	47,341,385	6,289,961	11,515,965	5,456,883	(24,078,576)	
<b>COMPONENT UNIT *</b>						
Housing and Redevelopment Authority	1,214,136	528,763	423,336	-	-	\$ (262,037)
Total Reporting Entity	<u>\$ 48,555,521</u>	<u>\$ 6,818,724</u>	<u>\$ 11,939,301</u>	<u>\$ 5,456,883</u>	(24,078,576)	(262,037)
<b>GENERAL REVENUES</b>						
Property Taxes					21,480,785	123,474
Wheelage Taxes					410,185	-
Transportation sales and use tax					1,941,682	-
Wind Production Taxes					1,712,831	-
Mortgage Registry and Deed Tax					30,142	-
Grants and Contributions not Restricted for a Particular Purpose					5,598,866	-
Unrestricted Investment Earnings					1,878,339	18,206
Miscellaneous					397,995	17,357
Gain on the Sale of Capital Assets					26,161	-
Total General Revenues					<u>33,476,986</u>	<u>159,037</u>
<b>CHANGE IN NET POSITION</b>						
Net Position - Beginning of Year					144,127,573	2,780,795
Restatement (See Note 1.E.)					167,000	-
Net Position - Beginning of Year, As Restated					<u>144,294,573</u>	<u>2,780,795</u>
<b>NET POSITION - END OF YEAR</b>						
					<u>\$ 153,692,983</u>	<u>\$ 2,677,795</u>

\* The statement of activities for the Component Unit is for the year ended September 30, 2019.

**MOWER COUNTY  
AUSTIN, MINNESOTA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2019**

	<u>General</u>	<u>Road and Bridge</u>	<u>Social Services</u>
<b>ASSETS</b>			
Cash and Pooled Investments	\$ 25,996,679	\$ 5,737,099	\$ 5,501,104
Petty Cash and Change Funds	1,040	30	400
Cash with Fiscal Agent	6,499	-	-
Taxes Receivable - Delinquent	232,121	65,176	95,421
Special Assessments Receivable - Current	30,550	-	-
Special Assessments Receivable - Delinquent	31,601	-	-
Special Assessments Receivable - Noncurrent	66,348	-	-
Accounts Receivable	38,182	-	181,709
Accrued Interest Receivable	190,273	-	-
Loans Receivable	-	-	-
Due from Other Governments	420,375	2,130,513	1,787,745
Inventories	-	375,434	-
Restricted Cash - Temporary	-	-	-
Total Assets	<u>\$ 27,013,668</u>	<u>\$ 8,308,252</u>	<u>\$ 7,566,379</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts Payable	\$ 447,391	\$ 104,223	\$ 282,353
Salaries Payable	331,021	55,876	195,867
Claims and Judgments Payable	6,499	-	-
Contracts Payable	14,850	707,671	-
Due to Other Governments	84,464	45,535	176,827
Total Liabilities	<u>884,225</u>	<u>913,305</u>	<u>655,047</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable Taxes	172,752	47,727	70,733
Unavailable Special Assessments	121,507	-	-
Unavailable Grants	-	-	364,909
Unavailable Other	-	20,139	58,343
Unavailable State Aid Allotments	-	1,696,922	-
Property Taxes Levied for Subsequent Year	25,597	7,679	10,693
Total Deferred Inflows of Resources	<u>319,856</u>	<u>1,772,467</u>	<u>504,678</u>

See accompanying Notes to Financial Statements.

**MOWER COUNTY  
AUSTIN, MINNESOTA  
BALANCE SHEET (CONTINUED)  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2019**

Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ 3,169,358	\$ 1,973,310	\$ 42,377,550
-	-	1,470
-	-	6,499
3,591	29,121	425,430
-	92,180	122,730
-	9,135	40,736
-	-	66,348
-	-	219,891
-	-	190,273
-	730,662	730,662
-	-	4,338,633
-	-	375,434
-	29,799	29,799
<u>\$ 3,172,949</u>	<u>\$ 2,864,207</u>	<u>\$ 48,925,455</u>

\$ -	\$ 2,817	\$ 836,784
-	-	582,764
-	-	6,499
7,513	-	730,034
-	2,190	309,016
<u>7,513</u>	<u>5,007</u>	<u>2,465,097</u>

3,369	109,810	404,391
-	10,351	131,858
-	-	364,909
-	-	78,482
-	-	1,696,922
-	1,425	45,394
<u>3,369</u>	<u>121,586</u>	<u>2,721,956</u>

See accompanying Notes to Financial Statements.

**MOWER COUNTY  
AUSTIN, MINNESOTA  
BALANCE SHEET (CONTINUED)  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2019**

<b>FUND BALANCES</b>	<u>General</u>	<u>Road and Bridge</u>	<u>Social Services</u>
Nonspendable For:			
Inventories	\$ -	\$ 375,434	\$ -
Restricted For:			
Law Library	91,733	-	-
Recorder Equipment	52,534	-	-
Canteen	126,618	-	-
Host Fees	79,097	-	-
Debt Service	-	-	-
Attorney Forfeited Property	68,091	-	-
Sheriff's Conceal	81,336	-	-
Missing Heirs	15,755	-	-
DARE	22,319	-	-
Voting Grant	21	-	-
Land Records	307,526	-	-
Sewer Improvements	-	-	-
Ditch Projects	-	-	-
Recorder's Security Deposit	4,397	-	-
Aquatic Invasive Species	-	19,420	-
Cafeteria Plan	1,945	657	851
SCORE	57,409	-	-
Riparian Aid	-	385,313	-
Committed:			
Wind Tower	3,000	-	-
Capital Equipment	-	129,870	-
Capital Projects	-	-	-
Assigned For:			
Veteran Van	4,205	-	-
Economic Development	1,500,000	-	-
Compensated Absences	756,624	199,221	283,579
Medical Insurance Claims	7,468,771	-	-
5 Year Capital Improvement Plan	66,348	2,000,000	-
Veteran Grant	10,000	-	-
Human Services Operations	-	-	6,122,224
Road and Bridge Operations	-	1,512,264	-
Sales Tax Carryover	-	1,000,301	-
Sewer Improvements	-	-	-
Unassigned	15,091,858	-	-
Total Fund Balance	<u>25,809,587</u>	<u>5,622,480</u>	<u>6,406,654</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 27,013,668</u>	<u>\$ 8,308,252</u>	<u>\$ 7,566,379</u>
	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>

See accompanying Notes to Financial Statements.

**MOWER COUNTY  
AUSTIN, MINNESOTA  
BALANCE SHEET (CONTINUED)  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2019**

Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 375,434
-	-	91,733
-	-	52,534
-	-	126,618
-	-	79,097
-	626,087	626,087
-	-	68,091
-	-	81,336
-	-	15,755
-	-	22,319
-	-	21
-	-	307,526
-	665,972	665,972
-	546,065	546,065
-	-	4,397
-	-	19,420
-	-	3,453
-	-	57,409
-	-	385,313
-	-	3,000
-	-	129,870
3,162,067	-	3,162,067
-	-	4,205
-	-	1,500,000
-	-	1,239,424
-	-	7,468,771
-	-	2,066,348
-	-	10,000
-	-	6,122,224
-	-	1,512,264
-	-	1,000,301
-	899,490	899,490
-	-	15,091,858
<u>3,162,067</u>	<u>2,737,614</u>	<u>43,738,402</u>
<u>\$ 3,172,949</u>	<u>\$ 2,864,207</u>	<u>\$ 48,925,455</u>

See accompanying Notes to Financial Statements.

**MOWER COUNTY  
AUSTIN, MINNESOTA  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION –  
GOVERNMENTAL ACTIVITIES  
YEAR ENDED DECEMBER 31, 2019**

<b>FUND BALANCES - TOTAL GOVERNMENTAL FUNDS</b>		<b>\$ 43,738,402</b>
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		146,161,933
Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as deferred inflows of resources in the governmental funds.		2,676,562
The County's net pension liability and related deferred inflows and outflows of resources are recorded on the statement of net position. Balances at year-end are:		
Net Pension Liability	\$ (11,527,281)	
Deferred Outflows of Resources - Pension Related	3,138,877	
Deferred Inflows of Resources - Pension Related	<u>(5,704,230)</u>	(14,092,634)
The County's Other Postemployment Benefit liability and related deferred outflows are recorded only on the statement of net position. Balances at year-end are:		
Other Postemployment Benefits Liability	(17,985,535)	
Deferred Outflows of Resources - OPEB Related	1,306,735	
Deferred Inflows of Resources - OPEB Related	<u>(766,257)</u>	(17,445,057)
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	(952,898)	
Deferred Outflows of Resources - Loss on Refunding	827,523	
General Obligation Bonds Payable	(5,890,000)	
Premiums on Bonds and Notes Issued	(36,731)	
Capital Lease Payable	(2,270)	
Accrued Interest Payable	(53,109)	
Compensated Absences	<u>(1,238,738)</u>	<u>(7,346,223)</u>
<b>NET POSITION OF GOVERNMENTAL ACTIVITIES</b>		<b><u>\$ 153,692,983</u></b>

See accompanying Notes to Financial Statements.

**MOWER COUNTY  
AUSTIN, MINNESOTA  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED DECEMBER 31, 2019**

<b>REVENUES</b>	General	Road and Bridge	Social Services
Taxes	\$ 13,026,814	\$ 4,660,586	\$ 5,037,213
Transit Sales and Use Tax	-	1,941,682	-
Special Assessments	818,228	713	-
Licenses and Permits	71,355	104,660	-
Intergovernmental	3,677,575	12,179,065	9,140,235
Charges for Services	1,102,413	98,486	1,380,639
Fines and Forfeits	75,256	-	-
Gifts and Contributions	297	-	-
Interest on Investments	1,876,382	-	1,882
Miscellaneous	1,683,940	1,143,253	717,765
Total Revenues	<u>22,332,260</u>	<u>20,128,445</u>	<u>16,277,734</u>
<b>EXPENDITURES</b>			
<b>CURRENT</b>			
General Government	6,638,615	-	-
Public Safety	11,673,325	-	-
Highways and Streets	-	20,320,482	-
Sanitation	1,037,989	-	-
Human Services	-	-	12,972,130
Health	-	-	2,153,434
Culture and Recreation	524,215	-	-
Conservation	331,468	-	-
Total Current	<u>20,205,612</u>	<u>20,320,482</u>	<u>15,125,564</u>
<b>CAPITAL OUTLAY</b>			
General Government	190,500	-	-
Public Safety	183,804	-	-
Highways and Streets	-	461,538	-
Sanitation	14,850	-	-
Human Services	-	-	4,719
Culture and Recreation	1,734	-	-
Conservation	-	396,109	-
Total Capital Outlay	<u>390,888</u>	<u>857,647</u>	<u>4,719</u>
<b>DEBT SERVICE</b>			
Principal	2,361	-	-
Interest	10	-	-
Total Debt Service	<u>2,371</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>20,598,871</u>	<u>21,178,129</u>	<u>15,130,283</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	1,733,389	(1,049,684)	1,147,451
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	-	-	-
Transfers Out	(5,063,663)	-	-
Proceeds from Loan	-	-	-
Proceeds from the Sale of Capital Assets	48	23,818	2,295
Total Other Financing Sources (Uses)	<u>(5,063,615)</u>	<u>23,818</u>	<u>2,295</u>
<b>NET CHANGE IN FUND BALANCES</b>	(3,330,226)	(1,025,866)	1,149,746
Fund Balance - Beginning of Year	29,139,813	6,474,733	5,256,908
Prior Period Adjustment	-	167,000	-
Fund Balance - Beginning of Year, as Restated	<u>29,139,813</u>	<u>6,641,733</u>	<u>5,256,908</u>
Change in Inventories	-	6,613	-
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 25,809,587</u>	<u>\$ 5,622,480</u>	<u>\$ 6,406,654</u>

See accompanying Notes to Financial Statements.

**MOWER COUNTY  
AUSTIN, MINNESOTA  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES (CONTINUED)  
GOVERNMENTAL FUNDS  
YEAR ENDED DECEMBER 31, 2019**

Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ 369,030	\$ 690,491	\$ 23,784,134
-	-	1,941,682
-	209,292	1,028,233
-	-	176,015
-	53,427	25,050,302
-	-	2,581,538
-	-	75,256
-	-	297
-	37	1,878,301
-	1,048	3,546,006
<u>369,030</u>	<u>954,295</u>	<u>60,061,764</u>
-	-	6,638,615
-	-	11,673,325
-	-	20,320,482
-	-	1,037,989
-	-	12,972,130
-	-	2,153,434
-	-	524,215
-	173,815	505,283
<u>-</u>	<u>173,815</u>	<u>55,825,473</u>
359,080	-	549,580
-	-	183,804
44,563	-	506,101
-	-	14,850
-	-	4,719
-	-	1,734
<u>-</u>	<u>-</u>	<u>396,109</u>
<u>403,643</u>	<u>-</u>	<u>1,656,897</u>
-	5,794,526	5,796,887
-	261,895	261,905
<u>-</u>	<u>6,056,421</u>	<u>6,058,792</u>
<u>403,643</u>	<u>6,230,236</u>	<u>63,541,162</u>
(34,613)	(5,275,941)	(3,479,398)
-	5,063,663	5,063,663
-	-	(5,063,663)
-	168,000	168,000
<u>-</u>	<u>-</u>	<u>26,161</u>
<u>-</u>	<u>5,231,663</u>	<u>194,161</u>
(34,613)	(44,278)	(3,285,237)
3,196,680	2,781,892	46,850,026
<u>-</u>	<u>-</u>	<u>167,000</u>
<u>3,196,680</u>	<u>2,781,892</u>	<u>47,017,026</u>
<u>-</u>	<u>-</u>	<u>6,613</u>
<u>\$ 3,162,067</u>	<u>\$ 2,737,614</u>	<u>\$ 43,738,402</u>

See accompanying Notes to Financial Statements.

**MOWER COUNTY  
AUSTIN, MINNESOTA  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN THE FUND BALANCES OF THE GOVERNMENTAL FUNDS TO  
THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
GOVERNMENTAL ACTIVITIES  
YEAR ENDED DECEMBER 31, 2019**

**NET CHANGE IN FUND BALANCE - TOTAL GOVERNMENTAL FUNDS** \$ (3,285,237)

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

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Expenditures for General Capital Assets, Infrastructure, and Other Related Capital Assets Adjustments	\$ 14,781,372	
Net Book Value of Capital Assets Disposed	(253,006)	
Current Year Depreciation	<u>(4,227,933)</u>	10,300,433

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (3,342,627)

Pension expenditures on the governmental funds are measured by current year employer contributions. Pension expenses on the statement of activities are measured by the change in net pension liability and the related deferred inflows and outflows of resources. (390,829)

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. The net proceeds for debt issuance are:

Loan Proceeds		(168,000)
---------------	--	-----------

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces liabilities in the statement of net position.

Principal Repayments:		
Loans Payable	246,026	
Capital Lease	2,361	
General Obligation Bonds	<u>5,545,000</u>	5,793,387

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 Accrued Interest Payable	112,240	
Amortization of Premiums and Discounts	(36,278)	
Change in Accrued Compensated Absences	(79,434)	
Change in Other Postemployment Benefits Payable	1,066,540	
Change in Deferred Outflow of Resources - OPEB Related	291,299	
Change in Deferred Inflow of Resources - OPEB Related	(766,257)	
Change in Deferred Outflow of Resources - Loss on Refunding	(103,440)	
Change in Inventories	<u>6,613</u>	<u>491,283</u>

**CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES** **\$ 9,398,410**

**MOWER COUNTY  
AUSTIN, MINNESOTA  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
DECEMBER 31, 2019**

	<b>ASSETS</b>	<u>Agency</u>
Cash and Pooled Investments		<u>\$ 1,229,804</u>
	<b>LIABILITIES</b>	
Funds Held in Trust		\$ 704,629
Due to Other Governments		<u>525,175</u>
Total Liabilities		<u>\$ 1,229,804</u>

See accompanying Notes to Financial Statements.

**MOWER COUNTY  
AUSTIN, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Mower County’s (County) financial statements are prepared in accordance with generally accepted accounting principles (GAAP) for the year ended December 31, 2019. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the County are discussed below.

**A. Financial Reporting Entity**

Mower County was established February 20, 1855 and is an organized county having the powers, duties, and privileges granted counties by Minnesota Statutes ch. 373. As required by accounting principles generally accepted in the United States of America, these financial statements present Mower County (Primary Government) and its component units for which the County is financially accountable. There is financial accountability if the Primary Government appoints a voting majority of an organization’s governing body and has the ability to impose its will on that governing body; or there is the potential for the organization to provide specific financial benefits or to impose specific financial burden on the Primary Government. Based on the criteria for determining component units, the County reports the Mower County Housing and Redevelopment Authority (HRA) as a discrete component unit. The HRA information is reported as of September 30, 2019. The County is governed by a five-member Board of Commissioners elected from districts within the County. The Board is organized with a chair and vice chair elected at the annual meeting in January of each year. The County Administrator, appointed by the County Board, serves as the clerk of the Board of Commissioners but has no vote.

**Discretely Presented Component Unit**

While part of the reporting entity, the discretely presented component unit is presented in a separate column in the government-wide financial statements to emphasize that it is legally separate from the County. The following component unit of Mower County is discretely presented:

<u>Component Unit</u>	<u>Component Unit Included in Reporting Entity Because</u>	<u>Separate Financial Statements</u>
Mower County Housing and Redevelopment Auth. (HRA) provide services pursuant to Minnesota Statutes §469.001-.047.	The County appoints members, and the HRA is a financial burden.	Mower County HRA 59039 – 200 <sup>th</sup> Street Austin, MN 55912

**Joint Ventures**

The County participates in several joint ventures which are described in Note 7.B. The County also participates in jointly-governed organizations which are described in Note 7.C.

**MOWER COUNTY  
AUSTIN, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

B. Basic Financial Statements

**1. Government-Wide Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) display information about the Primary Government. These statements include the financial activities of the overall County government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities.

In the government-wide statement of net position, the governmental activities column: (a) is presented on a consolidated basis by column; and (b) 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 that are 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 that are restricted to meeting the operational or capital requirements of a particular function or activity. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

**2. Fund Financial Statements**

The fund financial statements provide information about the County's funds, including its fiduciary funds. Separate statements for each fund category—governmental and fiduciary—are presented. The emphasis of governmental fund financial statements is on major individual governmental funds, with each displayed as separate columns in the fund financial statements. All remaining governmental 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 required to be accounted for in another fund.

The Road and Bridge Special Revenue Fund is used to account for restricted intergovernmental revenues and other revenues and expenditures of the County Highways and Streets Department which is responsible for the construction and maintenance of roads, bridges, and other projects affecting roadways and to account for environmental issues.

**MOWER COUNTY  
AUSTIN, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

B. Basic Financial Statements (Continued)

**2. Fund Financial Statements (Continued)**

The Social Services Special Revenue Fund is used to account for economic assistance, community social services, and public health programs, which are funded through restricted intergovernmental revenues.

The Capital Projects Fund is used to account for committed intergovernmental revenues and expenditures related to the maintenance and construction of County buildings.

Additionally, the County reports the following fund type:

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

C. Measurement Focus and Basis of Accounting

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the 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. Mower County considers all revenues to be available if they are collected within 60 days after the end of the current period. Property and other taxes, licenses, and interest are all considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent that they have matured. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

**1. Cash and Pooled Investments**

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

**MOWER COUNTY  
AUSTIN, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

**2. 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, 2019, based on market prices, except for investment in MAGIC as discussed below. Pursuant to Minnesota Statutes §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.

The County invests in an external investment pool, the Minnesota Association of Governments Investing for Counties (MAGIC) Fund, which is created under a joint powers agreement pursuant to Minnesota Statutes §471.59. The MAGIC Fund is not registered with the Securities and Exchange Commission. The investment in the pool is measured at the amortized cost per share provided by the pool, which would closely approximate fair value. The term investment in the pool is measured at net asset value per share provided by the pool. More information including the most recent audited financial statement is available on their website [www.magicfund.org](http://www.magicfund.org).

**3. Receivables and Payables**

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

All receivables, including those of the discretely reported component units, are shown net of an allowance for uncollectible accounts.

Accounts receivable in the social services fund are offset by an allowance for doubtful accounts. The County estimated this balance to be \$1,796,471 at December 31, 2019. The County considers these types of accounts over 90 days past due to uncollectible. All other accounts receivable are considered to be collectible in full.

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 on May 15 and the second half payment due October 15.

Unpaid taxes after December 31 become liens on the respective property and are classified in the financial statements as delinquent taxes receivable.

**MOWER COUNTY  
AUSTIN, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

**4. Inventories**

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.

**5. Restricted Assets**

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

**6. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1 for land, \$25,000 for improvements other than buildings, buildings, and building improvements, as well as \$5,000 for all other capital assets, 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. In the case of the initial capitalization of general infrastructure reported in governmental activities, the County chose to include all such items it was able to identify since 1927. Costs were estimated based upon a conversion from current construction converted to 2001 dollars.

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

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

Assets	Years
Computer Hardware/Software	1-5
Cars and Light Trucks	3-10
Furniture and Equipment	5-10
Telephone/Communication Equipment	5-20
Land Improvements	5-20
Heavy Equipment	10-20
Building Improvements and Buildings	20-50

**MOWER COUNTY  
AUSTIN, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

**7. Compensated Absences**

The liability for compensated absences reported in financial statements consists of unpaid, accumulated annual leave, paid time off (PTO), 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.

**8. Deferred Outflows of Resources**

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate section represents a consumption of net position that applies to a future period. The County will not recognize the related outflow until a future event occurs. More detailed information about postemployment benefits other than pensions and pension related deferred outflows of resources can be found in Note 3 and Note 4 to the financial statements.

**9. Deferred Inflows of Resources**

The County's governmental fund and government-wide financial statements report a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net position or fund balance that applies to a future period. The County will not recognize the related revenue until a future event occurs. The County has three types of items which occur relating to revenue recognition: The deferred inflow of resources occurs because governmental fund revenues are not recognized until available (collected not later than 60 days after the end of the County's year) under the modified accrual basis of accounting. The second type relates to post-employment benefits other than pensions and pension liabilities as described in Note 3 and Note 4 to the financial statements. The third type occurs because the County collected property taxes prior to the year they were levied for and, therefore, the County will report deferred inflows for these items.

**10. Long-Term Obligations**

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

**MOWER COUNTY  
AUSTIN, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

**10. Long-Term Obligations (Continued)**

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

**11. Pensions**

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. Investments are reported at fair value.

**12. Postemployment Benefits Other Than Pensions (OPEB)**

For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the County's Retiree Benefits Plan and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the County. For this purpose, the County recognizes benefit payments when due and payable in accordance with the benefit terms. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

**13. Fund Balance**

In the fund financial statements, governmental funds reported nonspendable portions of fund balance related to prepaids, inventories, long-term receivables, and corpus on any permanent fund. Nonspendable portions of fund balance are related to prepaid items, loans receivable, and inventory. Restricted funds are constrained by outside parties (statute, grantors, bond agreements, etc.). Committed fund balances are established and modified by a resolution approved by the Board of Commissioners. Assigned fund balances are established and modified by the Board of Commissioners or their designee. The Board, as part of the adoption of this statement, has designated the Finance Director as the responsible party in determining assigned fund balance.

**MOWER COUNTY  
AUSTIN, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

**13. Fund Balance (Continued)**

Unassigned fund balances are considered the remaining amounts. When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, it is the County's policy to use restricted first, then, unrestricted fund balance. When an expenditure is incurred for which committed, assigned and unassigned amounts are available, it is the County's policy to use committed first, then assigned, and finally unassigned amounts.

Mower County receives a majority of its property tax payments based on the property tax calendar as discussed in Note 1.D.3. As a result of the unequal timing of the tax receipts, it is necessary for the County to maintain adequate fund balances to meet the operational expenditure needs of the County. It is the County's policy to maintain a minimum unassigned fund balance, equal to 50% of the subsequent year's tax levy for the General Fund and the Road and Bridge and Social Services Special Revenue Funds, plus an additional \$5,000,000, for cash flow purposes in the General Fund. The failure to maintain these fund balance levels could result in the need for short-term borrowing. As of December 31, 2019, the required minimum fund balance is \$15,766,982.

**14. Net Position**

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows in the government-wide financial statements. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any debt or liabilities used to build or acquire the assets. Net position is reported as restricted in the government-wide financial statement when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws, or regulations of other governments. The government-wide statement of net position reports \$5,476,784 of restricted net position, of which \$2,742,409 is restricted by enabling legislation.

**15. 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 and liabilities 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.

**MOWER COUNTY  
AUSTIN, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

E. Correction of Error

During the year ended December 31, 2019, the County recorded a prior period adjustment for \$167,000 to record revenue for local option sales taxes that should have been revenue in 2018. This correction requires the restatement of the December 31, 2018 fund balance of the road and bridge fund and net position of the governmental activities.

	Road and Bridge Fund	Governmental Activities
As Originally Reported, Fund Balance/Net Position, January 1, 2019	\$ 6,474,733	\$ 144,127,573
Restatement Adjustment: Local Option Sales Tax	167,000	167,000
Restated Fund Balance/Net Position, January 1, 2019	\$ 6,641,733	\$ 144,294,573

**NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

Excess of Expenditures Over Budget

The following fund had expenditures in excess of budget for the year ended December 31, 2019:

	Actual	Budget	Excess
Sewer Improvements	\$ 403,526	\$ 275,000	\$ 128,526

The excess of expenditures over budget was funded by greater than anticipated revenues.

**NOTE 3 DETAILED NOTES ON ALL FUNDS**

A. Assets

**1. Deposits and Investments**

Minnesota Statutes §§118A.02 and 118A.04 authorize the County to designate a depository for public funds and to invest in certificates of deposit. Minnesota Statutes §118A.03 requires that all County deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged shall be at least 10% 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.

**MOWER COUNTY  
AUSTIN, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

A. Assets (Continued)

**1. Deposits and Investments (Continued)**

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

Custodial Credit Risk – Deposits

In the case of deposits, custodial credit risk is the risk that in the event of a financial institution failure, the County’s deposits may not be returned to it. The County does not have a policy for deposit custodial credit risk but rather follows Minnesota Statutes for deposits.

Minnesota Statutes require that all deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or corporate surety bonds. Authorized collateral include: U.S. government treasury bills, notes, or bonds; issues of a U.S. government agency; general obligations of a state or local government rated “A” or better; revenue obligations of a state or local government rated “AA” or better; irrevocable standby letter of credit issued by a Federal Home Loan Bank; and time deposits insured by a federal agency. Minnesota Statutes require securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or at an account at a trust departments of a commercial bank or other financial institution not owned or controlled by the depository.

As of December 31, 2019, the County’s deposits in banks were entirely covered by federal deposit insurance or collateral held as described in the preceding paragraph.

Investments

The funds of the County shall be deposited or invested in accordance with Minnesota Statutes §118A, any other applicable laws, and the County investment policy. The objectives, in order of priority, will be to preserve principal, maintain liquidity, and earn the optimum rate of return.

Minnesota Statutes §§118A.04 and 118A.05 generally authorize the following types of investments as available to the County:

- (a) 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 Minnesota Statutes §118A.04, subd. 6;

**MOWER COUNTY  
AUSTIN, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

A. Assets (Continued)

1. **Deposits and Investments (Continued)**

Investments (Continued)

- (b) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;
- (c) 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;
- (d) bankers' acceptances of United States banks;
- (e) 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
- (f) 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. In accordance with the County's investment policy, investments will be sufficiently diverse to avoid risk and enhance return.

As of December 31, 2019, the County had the following investments:

Investment Type	Reported Amount	Maturity			
		Less Than 2 Years	2-5 Years	5-10 Years	10+ Years
Federal Home Loan Bank	\$ 617,535	\$ -	\$ -	\$ 24,932	\$ 592,603
Federal National Mortgage Association	799,085	300,015	-	499,070	-
Federal Home Loan Mortgage Company	1,232,700	-	338,460	894,240	-
Municipal Bonds	22,439,663	4,249,480	8,734,989	8,984,555	470,639
Asset Backed Securities	378,489	211	-	253,469	124,809
MAGIC Fund	5,776,333	5,776,333	-	-	-
Negotiable Certificates of Deposit	9,320,604	2,426,191	5,917,311	977,102	-
Total	<u>\$ 40,564,409</u>	<u>\$ 12,752,230</u>	<u>\$ 14,990,760</u>	<u>\$ 11,633,368</u>	<u>\$ 1,188,051</u>

**MOWER COUNTY  
AUSTIN, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

A. Assets (Continued)

**1. Deposits and Investments (Continued)**

Credit Risk

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

Following is a summary of the credit risk and reported amounts as of December 31, 2019:

Investment Type	S&P/Moody's Rating	Reported Amount
Municipal Bonds	AAA - Aaa	\$ 6,354,002
Municipal Bonds	Aa3 - AA	11,544,421
Municipal Bonds	A+ - A-	1,067,562
Municipal Bonds	BBB-	217,655
Municipal Bonds	NR	3,256,023
Negotiable Certificates of Deposit	NR	9,320,604
Asset Backed Securities	NR	378,489
Federal Home Loan and Mortgage Company	NR	1,232,700
MN Association of Governments Investing for Counties (MAGIC) Fund	NR	5,776,333
Federal Home Loan Bank	NR	617,535
Federal National Mortgage Association	NR	799,085
Totals		<u>\$ 40,564,409</u>

NR - Not Rated

Custodial Credit Risk – Investments

For an investment, this 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. At December 31, 2019, none of the County's investments were subject to custodial credit risk.

**MOWER COUNTY  
AUSTIN, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

A. Assets (Continued)

**1. Deposits and Investments (Continued)**

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. It is the County's policy that U.S. Treasury securities, U.S. Agency Securities, obligations backed by U.S. Treasury and/or U.S. Agency securities, and investments held by Trustees may be held without limit.

Investments in any category that represent 5.0% or more of the County's investments are:

Issuer	Reported Amount	Percentage
Municipal Bonds	\$ 22,439,663	55.3 %
Negotiable Certificates of Deposit	9,320,604	23.0
Federal Home Loan Bank	617,535	1.5
Federal National Mortgage Association Asset Backed Securities	799,085	2.0
	378,489	0.9
MN Association of Governments Investing for Counties (MAGIC) Fund	5,776,333	14.3
Federal Home Loan Mortgage Company	1,232,700	3.0
Total	<u>\$ 40,564,409</u>	

It should be noted that investments in municipal bonds and negotiable certificates of deposits did not exceed 5% of total investments with any one issuer.

Balance Sheet Presentation

Total County cash and investments at December 31, 2019 consisted of:

Deposits	\$ 3,079,243
Petty Cash and Change Funds	1,470
Investments	40,564,409
Total	<u>\$ 43,645,122</u>

Deposits and investments are reported in the County's financial statements as follows:

Cash and Pooled Investments	\$ 42,377,550
Petty Cash and Change Funds	1,470
Restricted Cash	29,799
Cash with Fiscal Agent	6,499
Agency Fund Cash and Investments	1,229,804
Total	<u>\$ 43,645,122</u>

**MOWER COUNTY  
AUSTIN, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

A. Assets (Continued)

**1. Deposits and Investments (Continued)**

Fair Market Value

The County uses fair value measurements to record fair value adjustments to certain assets and to determine fair value disclosures.

The County follows an accounting standard that defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and requires expanded disclosures about fair value measurements. In accordance with this standard, the County has categorized its investments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Financial assets recorded on the combined statements of financial position are categorized based on the inputs to the valuation techniques as follows:

*Level 1* – Financial assets are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities. The inputs include those traded on an active exchange, such as the New York Stock Exchange, as well as U.S. Treasury and other U.S. government and agency mortgage-backed securities that are traded by dealers or brokers in active over-the-counter markets.

*Level 2* – Financial assets are valued based on quoted prices for similar assets, or inputs that are observable, either directly or indirectly for substantially the full term through corroboration with observable market data.

*Level 3* – Financial assets are valued using pricing inputs which are unobservable for the asset, inputs that reflect the reporting entity's own assumptions about the assumptions market participants and would use in pricing the asset.

**MOWER COUNTY  
AUSTIN, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

A. Assets (Continued)

**1. Deposits and Investments (Continued)**

Fair Market Value (Continued)

Assets measured at fair value on a recurring basis:

	Level 1	Level 2	Level 3	Total
<b>Investments by Fair Value Level</b>				
U.S. Agencies	\$ -	\$ 2,649,320	\$ -	\$ 2,649,320
Municipal Bonds	-	22,439,663	-	22,439,663
Asset Backed Securities	-	378,489	-	378,489
Negotiable Certificates of Deposit	-	9,320,604	-	9,320,604
Total Investments by Fair Value Level	\$ -	\$ 34,788,076	\$ -	34,788,076
 <b>Investments Measured at Amortized Cost</b>				
MAGIC portfolio external investment pool				5,776,333
Total Investments				40,564,409
Deposits, Petty Cash, and Cash on Hand				3,080,713
Total Cash and Investments				\$ 43,645,122

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

**MOWER COUNTY  
AUSTIN, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

A. Assets (Continued)

**2. Receivables**

Receivables as of December 31, 2019, for the County governmental activities, including the applicable allowances for uncollectible accounts, are as follows:

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental Activities:		
Taxes	\$ 425,430	\$ -
Special Assessments	229,814	66,348
Accounts	219,891	-
Interest	190,273	-
Loans	730,662	636,172
Due from Other Governments	4,338,633	-
Total Governmental Activities, Net	<u>\$ 6,134,703</u>	<u>\$ 702,520</u>

**3. Loans and Notes Receivable**

The County has made various loans to businesses and other governmental entities under a variety of repayment terms. In addition, the County has made loans to individuals under a sewer improvement loan program. Repayment of these loans is over ten years, with interest at 3.0%. Delinquent sewer improvement loans are added to the special assessment tax rolls. The funds for the sewer improvement revolving loan program were originally received from the State of Minnesota in the form of a loan to the County.

Activity in these loans and notes receivable is as follows for the year ended December 31, 2019:

	Beginning Balance	Additional Loans Made	Collections	Ending Balance
Sewer Improvement Loans	\$ 781,823	\$ 154,000	\$ 205,161	\$ 730,662
Notes Receivable	18,400	-	18,400	-
Total	<u>\$ 800,223</u>	<u>\$ 154,000</u>	<u>\$ 223,561</u>	<u>\$ 730,662</u>

**MOWER COUNTY  
AUSTIN, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

A. Assets (Continued)

**4. Capital Assets**

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

	Beginning Balance	Additions & Transfers	Deletions & Transfers	Ending Balance
<b>Governmental Activities</b>				
Capital Assets, Not Being Depreciated				
Land	\$ 5,982,209	\$ 423,133	\$ 506,500	\$ 5,898,842
Right of Way	10,980,596	-	423,241	10,557,355
Construction in Progress	1,786,743	14,004,416	12,986,872	2,804,287
Total Capital Assets, Not Depreciated	18,749,548	14,427,549	13,916,613	19,260,484
Capital Assets Being Depreciated				
Buildings	32,992,901	612,614	-	33,605,515
Buildings Improvements	4,301,893	-	-	4,301,893
Improvements Other Than Building	1,232,202	42,600	-	1,274,802
Machinery, Furniture, Equipment, and Vehicles	11,543,060	579,787	768,638	11,354,209
Software	246,679	307,533	-	554,212
Infrastructure	138,553,662	12,727,902	-	151,281,564
Total Capital Assets Being Depreciated	188,870,397	14,270,436	768,638	202,372,195
Less: Accumulated Depreciation for				
Buildings	9,122,886	669,385	-	9,792,271
Buildings Improvements	978,855	171,875	-	1,150,730
Improvements Other Than Building	448,534	55,732	-	504,266
Machinery, Furniture, Equipment, and Vehicles	7,534,615	728,485	515,632	7,747,468
Software	246,458	193,254	-	439,712
Infrastructure	53,427,097	2,409,202	-	55,836,299
Depreciation	71,758,445	4,227,933	515,632	75,470,746
Total Capital Assets, Depreciated, Net	117,111,952	10,042,503	253,006	126,901,449
Governmental Activities Capital Assets, Net	<u>\$ 135,861,500</u>	<u>\$ 24,470,052</u>	<u>\$ 14,169,619</u>	<u>\$ 146,161,933</u>

**MOWER COUNTY  
AUSTIN, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

A. Assets (Continued)

**4. Capital Assets (Continued)**

Depreciation expense was charged to functions/programs of the Primary Government as follows:

Governmental Activities		
General Government	\$	950,340
Public Safety		328,578
Highways and Streets, Including Infrastructure		2,803,134
Sanitation		31,107
Culture and Recreation		112,872
Conservation of Natural Resources		1,902
Depreciation Expense - Governmental Activities	\$	4,227,933

B. Interfund Receivables, Payables, and Transfers

Interfund Transfers for the year ended December 31, 2019 consisted of the following:

Transfer	Amount	Reason
Transfer from the General Fund to the Bond Fund	\$ 5,063,663	Bond payments
Total Interfund Transfers	\$ 5,063,663	

C. Liabilities

**1. Construction Commitments**

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

	Original Contract Amount	Remaining Commitment
Governmental Activities Roads and Bridges	\$ 14,583,043	\$ 1,136,298

**MOWER COUNTY  
AUSTIN, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

C. Liabilities (Continued)

**2. Other Postemployment Benefits**

a) Plan Description and Funding Policy

**Retirees**

The County provides postemployment health care benefits for retirees and their dependents under a single-employer fully-insured plan. This benefit is provided based on Board of County Commissioners motion dated January 5, 1999. Mower County offers various levels of retiree health insurance coverage based upon the date of hire, retirement date, and years of service. The County has three basic groups as follows:

- (1) Employees who retired prior to July 18, 1989, who meet the eligibility requirements are eligible to be included as a member of the County's group medical insurance program until death. The County pays the family (\$1,910 per month) premium. Under certain conditions, dependents, at their cost, can continue in this program after the death of the retiree.
- (2) Employees who retire after October 31, 1992, and were hired before that date, and meet other eligibility requirements, are qualified to receive the same health insurance benefits as current County employees. Under certain conditions, dependents, at their cost, can continue in this program after the death of the retiree.
- (3) Employees who were hired after October 31, 1992, and meet other eligibility requirements are qualified to receive employer contribution to health insurance capped at the dollar amount being paid at the date of retirement. The retiree is responsible for all premium increases. Benefits terminate when the retiree qualifies for full Social Security benefits. Under certain conditions, dependents, at their cost, can continue in this program after the death of the retiree.

When qualified retirees reach the age of 65 they may join a Medicare Supplement and Medicare RX plan. The County will pay for the cost of the plan. If the retiree was a less than full-time employee, the cost of the plan will be prorated between the County and the retiree.

**Elected Officials**

After their County Service, elected County officials are entitled to the same benefits listed above. They must meet the age and years of service qualifying conditions to be eligible for health insurance benefits.

No trust or agency funds have been established for the plans.

The plans do not issue stand-alone financial statements.

**MOWER COUNTY  
AUSTIN, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

C. Liabilities (Continued)

**2. Other Postemployment Benefits (Continued)**

b) Employees Covered by Benefit Terms

At December 31, 2019, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefit Payments	112
Active Plan Members	258
Total	<u>370</u>

c) Actuarial Methods and Assumptions

The County's OPEB liability was measured as of January 1, 2019, and the total OPEB liability was determined by an actuarial valuation as of January 1, 2018.

The total OPEB liability was determined by an actuarial valuation as of January 1, 2018, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.5%
Salary	3.0%
Health Care Trend Rates	6.25% Decreasing to 5.00% over 5 Years

Mortality rates were based on the RP-2014 white collar mortality tables with MP-2017 Generational Improvement Scale (with Blue Collar adjustment for Police and Fire Personnel). The actuarial assumptions used in the January 1, 2018 valuation were based on the Public Employees Retirement Association of Minnesota actuarial experience studies. The most recent six-year experience study for the General Employees Plan was completed in 2015. The most recent four-year experience study for the Police and Fire Plan was completed in 2016.

The discount rate used to measure the total OPEB liability was 3.80%. The discount rate is equal to the 20-Year high quality, tax-exempt, general obligation municipal bonds as of the Measurement Date.

Since the most recent valuation, the following assumption changes have been made:

- The discount rate was changed from 3.30% to 3.80%.

**MOWER COUNTY  
AUSTIN, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

C. Liabilities (Continued)

**2. Other Postemployment Benefits (Continued)**

d) Changes to Total OPEB Liability

	Total OPEB Liability
Balance as of January 1, 2019	\$ 19,052,075
Changes for the Year:	
Service Cost	285,206
Interest	621,512
Changes in Assumptions	(957,822)
Differences between Expected and Actual Experience	-
Benefit Payments	(1,015,436)
Net Change in Total OPEB Liability	(1,066,540)
Balance as of December 31, 2019	\$ 17,985,535

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

Description	1% Decrease (2.80%)	Discount Rate (3.80%)	1% Increase (4.80%)
Total OPEB Liability	\$ 20,052,941	\$ 17,985,535	\$ 16,240,278

The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower (5.25% decreasing to 4.00% over 5 years) or 1% higher (7.25% decreasing to 6.00% over 5 years) than the current healthcare costs trend rates:

Description	1% Decrease (5.25% Decreasing to 4.00% Over 5 Years)	Current Trend Rates (6.25% Decreasing to 5.00% Over 5 Years)	1% Increase (7.25% Decreasing to 6.00% Over 5 Years)
Total OPEB Liability	\$ 16,033,067	\$ 17,985,535	\$ 20,309,538

**MOWER COUNTY  
AUSTIN, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

C. Liabilities (Continued)

**2. Other Postemployment Benefits (Continued)**

d) Changes to Total OPEB Liability (Continued)

For the year ended December 31, 2019, the County recognized OPEB expense of \$715,153. In addition, the County reported deferred outflows and inflows of resources from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Actuarial Assumptions	\$ -	\$ 766,257
Benefit Payments	1,306,735	-
Total	\$ 1,306,735	\$ 766,257

\$1,306,735 reported as deferred outflows of resources related to OPEB resulting from County contributions to the OPEB Plan subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized as an increase (decrease) in pension expense as follows:

Year Ending December 31,	Amount
2020	\$ (191,565)
2021	(191,564)
2022	(191,564)
2023	(191,564)

**3. Long-Term Debt**

Loans Payable

In 1996, the County started a program that resulted in entering into several loan agreements with the Minnesota Department of Agriculture and the Minnesota Department of Employment and Economic Development for financing failing septic systems. The revolving loans are secured by special assessments placed on the individual parcels requesting repair of a failing septic system. The loans are to be repaid in amounts ranging from \$2,500 to \$14,040 with 3% interest and final maturity of 2031. The loans are repaid with the proceeds that are collected on the related loans receivable in the Sewer Improvement Special Revenue Fund.

**MOWER COUNTY  
AUSTIN, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

C. Liabilities (Continued)

**3. Long-Term Debt (Continued)**

General Obligation Bonds Payable

On June 11, 2012, the County issued \$9,955,000 General Obligation Capital Improvement Plan Bonds, Series 2012A (CIP Bonds). The proceeds were used refund the Mower County HRA's Lease Revenue Bonds (Mower County Court Facilities Project) Series 2008A.

Capital Lease Payable

During 2015, the County entered into a capital lease for two Lanier copiers. The five year leases totaled \$11,210 and are payable through November of 2020.

At December 31, 2019, the County had total assets under capital lease of \$11,210 with the related accumulated depreciation of \$9,342.

Debt Summary

Types of Indebtedness	Final Maturity	Installment Amounts	Interest Rates (%)	Original Issues Amount	Outstanding Balance December 31, 2019
Loans Payable:					
2011 Septic Loans	2027	\$2,500 - \$5,400	0%	\$ 52,500	\$ 26,820
2012 Septic Loans	2027	\$2,500 - \$5,400	-	409,619	182,386
2013 Septic Loans	2027	\$2,500 - \$5,400	-	281,512	164,195
2014 Septic Loans	2027	\$2,500 - \$5,400	-	325,000	210,757
2015 Septic Loans	2027	\$2,500 - \$9,140	-	220,500	142,837
2016 Septic Loans	2027	\$2,500 - \$9,140	-	304,500	57,903
2019 Septic Loans	2031	\$1,050 - \$14,040	-	168,000	168,000
Total Loans Payable				1,761,631	952,898
Bonds:					
General Obligation Taxable:					
Capital Improvement Plan Bonds, 2012A	2028	\$615,000 - \$715,000	1.5%-2.7%	9,955,000	5,890,000
Capital Lease Payable:					
2015 Copier Leases	2020	\$165 - \$2,361	5%	11,210	2,270
Total Long-Term Debt				<u>\$ 11,727,841</u>	<u>\$ 6,845,168</u>

**MOWER COUNTY  
AUSTIN, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

C. Liabilities (Continued)

**3. Long-Term Debt (Continued)**

Debt Service Requirements

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

Year Ending December 31,	State Loans		Bonds	
	Principal	Interest	Principal	Interest
2020	\$ 97,990	\$ -	\$ 605,000	\$ 122,925
2021	184,046	-	615,000	113,006
2022	176,760	-	625,000	101,688
2023	158,279	-	640,000	89,350
2024	129,711	-	650,000	75,800
Thereafter	206,112	-	2,755,000	144,345
Totals	<u>\$ 952,898</u>	<u>\$ -</u>	<u>\$ 5,890,000</u>	<u>\$ 647,114</u>

Year Ending December 31,	Capital Leases	
	Principal	Interest
2020	<u>\$ 2,270</u>	<u>\$ 57</u>

Changes in Long-Term Liabilities

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Loans Payable	\$ 1,034,709	\$ 168,000	\$ 249,811	\$ 952,898	\$ 97,990
Bonds Payable	11,435,000	-	5,545,000	5,890,000	605,000
Unamortized Discount	(40,823)	-	(40,823)	-	-
Unamortized Premium	41,275	-	4,544	36,731	-
Leases Payable	4,631	-	2,361	2,270	2,270
Compensated Absences	1,159,303	1,439,375	1,359,940	1,238,738	100,580
Long-Term Liabilities	<u>\$ 13,634,095</u>	<u>\$ 1,607,375</u>	<u>\$ 7,120,833</u>	<u>\$ 8,120,637</u>	<u>\$ 805,840</u>

The bonds payable are liquidated by the Nonmajor Bond Fund, loans payable are liquidated by the Nonmajor Sewer Improvements Fund, and the leases payable, and compensated absences liabilities are liquidated by the General Fund.

**MOWER COUNTY  
AUSTIN, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**NOTE 4 PENSION PLANS**

A. Pension Description

The County participates in the following cost-sharing multiple employer defined benefit pension plans administered by the Public Employees Retirement Association (PERA). PERA's defined benefit pension plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356. PERA's defined benefit pension plans are tax-qualified plans under Section 401 (a) of the Internal Revenue Code.

**1. General Employees Retirement Plan (GERF)**

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

**2. Public Employees Police and Fire Plan (PEPFP)**

The Police and Fire Plan, originally established for police officers and firefighters not covered by a local relief association, now covers all police officers and firefighters hired since 1980. Effective July 1, 1999, the PEPFF also covers police officers and firefighters belonging to a local relief association that elected to merge with and transfer assets and administration to PERA.

**3. Local Correctional Plan (PECF)**

The Local Correctional Plan, referred to as the Public Employees Correctional Fund (PECF), was established for correctional officers serving in county and regional corrections facilities. Eligible participants must be responsible for the security, custody, and control of the facilities and their inmates.

B. Benefits Provided

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state legislature. Vested, terminated employees who are entitled to benefits, but are not receiving them yet, are bound by the provisions in effect at the time they last terminated their public service.

**MOWER COUNTY  
AUSTIN, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**NOTE 4 PENSION PLANS (CONTINUED)**

B. Benefits Provided (Continued)

**1. GERF Benefits**

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2% of average salary for each of the first 10 years of service and 1.7% of average salary for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7% of average salary for all years of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

Annuities, disability benefits, and survivor benefits are increased effective every January 1. Beginning January 1, 2019, the postretirement increase will be equal to 50% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1% and a maximum of 1.5%. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

**2. PEPFP Benefits**

Benefits for Police and Fire Plan members first hired after June 30, 2010, but before July 1, 2014, vest on a prorated basis from 50% after five years up to 100% after ten years of credited service. Benefits for Police and Fire Plan members first hired after June 30, 2014, vest on a prorated basis from 50% after ten years up to 100% after twenty years of credited service. The annuity accrual rate is 3% of average salary for each year of service. A full, unreduced pension is earned when members are age 55 and vested, or for members who were first hired prior to July 1, 1989, when age plus years of service equal at least 90.

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**NOTE 4 PENSION PLANS (CONTINUED)**

B. Benefits Provided (Continued)

**2. PEPFP Benefits (Continued)**

Annuities, disability benefits, and survivor benefits are increased effective every January 1. Beginning January 1, 2019, the postretirement increase will be fixed at 1%. Recipients that have been receiving the annuity or benefit for at least 36 months as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least 25 months but less than 36 months as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

**3. PECF Benefits**

Benefits for Correctional Plan members first hired after June 30, 2010, vest on a prorated basis from 50% after five years up to 100% after ten years of credited service. The annuity accrual rate is 1.9% of average salary for each year of service in that plan. A full, unreduced pension is earned when members are age 55 and vested, or for members who were first hired prior to July 1, 1989, when age plus years of service equal at least 90.

Annuities, disability benefits, and survivor benefits are increased effective every January 1. Beginning January 1, 2019, the postretirement increase will be equal to 100% of the COLA announced by SSA, with a minimum increase of at least 1% and a maximum of 2.5%. If the plan's funding status declines to 85% or below for two consecutive years or 80% for one year, the maximum will be lowered from 2.5% to 1.5%. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

C. Contributions

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state legislature.

**1. GERP Contributions**

Coordinated Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2019 and the County was required to contribute 7.50% for Coordinated Plan members. The County's contributions to the General Employees Fund for the year ended December 31, 2019 were \$943,286. The County's contributions were equal to the required contributions as set by state statute.

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**NOTE 4 PENSION PLANS (CONTINUED)**

C. Contributions (Continued)

**2. PEPFP Contributions**

Police and Fire member's contribution rates increased from 10.8% of pay to 11.3% and employer rates increased from 16.2% to 16.95% on January 1, 2019. The County's contributions to the Police and Fire Fund for the year ended December 31, 2019 were \$301,699. The County's contributions were equal to the required contributions as set by state statute.

**3. PECF Contributions**

Plan members were required to contribute 5.83% of their annual covered salary and the County was required to contribute 8.75% of pay for plan members in fiscal year 2019. The County's contributions to the Correctional Fund for the year ended December 31, 2019 were \$158,109. The County's contributions were equal to the required contributions as set by state statute.

D. Pension Costs

**1. General Employees Fund Pension Costs**

At December 31, 2019, the County reported a liability of \$9,642,185 for its proportionate share of the General Employees Fund's net pension liability. The County's net pension liability reflected a reduction due to the state of Minnesota's contribution of \$16 million to the fund in 2019. The state of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The state of Minnesota's proportionate share of the net pension liability associated with the County totaled \$299,654. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportionate share of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2018 through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the County's proportionate share was 0.1744% which was an increase of 0.0012% from its proportionate share measured as of June 30, 2018.

County's Proportionate Share of the Net Pension Liability	\$ 9,642,185
State of Minnesota's Proportionate Share of the Net Pension Liability Associated with the County	299,654
Total	<u>\$ 9,941,839</u>

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**NOTE 4 PENSION PLANS (CONTINUED)**

D. Pension Costs (Continued)

**1. General Employees Fund Pension Costs (Continued)**

For the year ended December 31, 2019, the County recognized pension expense of \$1,281,740 for its proportionate share of the General Employees Plan's pension expense. In addition, the County recognized an additional \$22,441 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

At December 31, 2019, the County reported its proportionate share of GERF's deferred outflows of resources and deferred inflows of resources from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 267,220	\$ -
Changes in Actuarial Assumptions	-	757,882
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	977,349
Changes in Proportion and Differences Between County Contributions and Proportionate Share of Contributions	215,207	48,009
County Contributions Subsequent to the Measurement Date	470,455	-
Total	<u>\$ 952,882</u>	<u>\$ 1,783,240</u>

\$470,455 reported as deferred outflows of resources related to pensions resulting from County contributions to GERF subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to GERF pensions will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expenses Amount
2020	\$ (464,119)
2021	(677,871)
2022	(174,362)
2023	15,539

**MOWER COUNTY  
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**NOTE 4 PENSION PLANS (CONTINUED)**

D. Pension Costs (Continued)

**2. PEPFP Pension Costs**

At December 31, 2019, the County reported a liability of \$1,771,496 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportionate share of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2018 through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers.

At June 30, 2019, the County's proportionate share was 0.1664% which was an increase of 0.0144% from its proportionate share measured as of June 30, 2018. The County also recognized \$22,464 for the year ended December 31, 2019, as revenue and an offsetting reduction of net pension liability for its proportionate share of the state of Minnesota's on-behalf contributions to the Police and Fire Fund. Legislation passed in 2013 required the state of Minnesota to begin contributing \$9 million to the Police and Fire Fund each year until the plan is 90% funded or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90% funded, whichever occurs later. In addition, the state will pay \$4.5 million on October 1, 2018 and October 1, 2019 in direct state aid. Thereafter, by October 1 of each year, the state will pay \$9 million until full funding is reached or July 1, 2048, whichever is earlier.

For the year ended December 31, 2019, the County recognized pension expense of \$282,064 for its proportionate share of the PEPFPs pension expense.

At December 31, 2019, the County reported its proportionate share of the PEPFP's deferred outflows of resources and deferred inflows of resources related to pensions related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 75,216	\$ 269,641
Changes in Actuarial Assumptions	1,470,061	1,988,846
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	368,961
Changes in Proportion and Differences Between County Contributions and Proportionate Share of Contributions	303,477	117,859
County Contributions Subsequent to the Measurement Date	150,886	-
Total	<u>\$ 1,999,640</u>	<u>\$ 2,745,307</u>

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**NOTE 4 PENSION PLANS (CONTINUED)**

D. Pension Costs (Continued)

**2. PEPFP Pension Costs (Continued)**

\$150,886 reported as deferred outflows of resources related to pensions resulting from County contributions to the PEPFP subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to the PEPFP will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expenses Amount
2020	\$ (91,270)
2021	(231,956)
2022	(675,253)
2023	61,679
2024	40,247

**3. PECF Pension Costs**

At December 31, 2019, the County reported a liability of \$113,600 for its proportionate share of the Correctional Plan's net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportionate share of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2018 through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers.

At June 30, 2019, the County's proportionate share was 0.8205% which was an increase of 0.0515% from its proportionate share measured as of June 30, 2018.

For the year ended December 31, 2019, the County recognized pension expense of \$256,247 for its proportionate share of the Correctional Plan's pension expense.

**MOWER COUNTY  
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**NOTE 4 PENSION PLANS (CONTINUED)**

D. Pension Costs (Continued)

**3. PECF Pension Costs (Continued)**

At December 31, 2019, 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:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 4,177	\$ 18,572
Changes in Actuarial Assumptions	-	1,008,556
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	146,176
Changes in Proportion and Differences Between County Contributions and Proportionate Share of Contributions	102,875	2,379
County Contributions Subsequent to the Measurement Date	79,303	-
Total	<u>\$ 186,355</u>	<u>\$ 1,175,683</u>

\$79,303 reported as deferred outflows of resources related to pensions resulting from County contributions to PECF subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to PECF will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expenses Amount
2020	\$ (567,158)
2021	(486,245)
2022	(16,332)
2023	1,104

The total pension expense for all plans recognized by the County for the year ended December 31, 2019 was \$1,842,492.

**MOWER COUNTY  
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**NOTE 4 PENSION PLANS (CONTINUED)**

E. Actuarial Assumptions

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

	<u>GERF</u>	<u>PEFP</u>	<u>PECF</u>
Inflation	2.50% per Year	2.50% per Year	2.00% per Year
Active Member Payroll Growth	3.25% per Year	3.25% per Year	3.50% per Year
Investment Rate of Return	7.50%	7.50%	7.50%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants for all plans were based on RP 2014 tables for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases after retirement for retirees are assumed to be 1.25% per year for the General Employees Plan, 1.0% per year for the Police and Fire Plan, and 2.0% per year for the Correctional Plan.

Actuarial assumptions used in the June 30, 2019 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2019. The most recent four-year experience study for Police and Fire Plan was completed in 2016. The five-year experience study for the Correctional Plan, prepared by a former actuary, was completed in 2012. The mortality assumption for the Correctional Plan is based on the Police and Fire Plan experience study completed in 2016. Economic assumptions were updated in 2018 based on a review of inflation and investment return assumptions.

The following changes in actuarial assumptions occurred in 2019:

General Employees Fund

- The mortality projection scale was changed from MP-2017 to MP-2018.
- The employer supplemental contribution was changed prospectively, decreasing from \$31.0 million to \$21.0 million per year. The State's special funding contribution was changed prospectively, requiring \$16.0 million due per year through 2031.

Police and Fire Fund

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

Correctional Fund

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

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**NOTE 4 PENSION PLANS (CONTINUED)**

E. Actuarial Assumptions (Continued)

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	36 %	5.10 %
International Equity	17	5.90
Bonds	20	0.75
Alternative Assets	25	5.90
Cash	2	-
Totals	100 %	

F. Discount Rate

The discount rate used to measure the total pension liability in 2019 was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net positions of the General Employees Fund, the Police and Fire Fund, and the Correctional Fund were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

G. Pension Liability Sensitivity

The following presents the County and System's proportionate share of the net pension liability for all plans they participate in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the County and System's proportionate share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

Description	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
County's Proportionate Share of the GERF Net Pension Liability	\$ 15,851,233	\$ 9,642,185	\$ 4,515,382
County's Proportionate Share of the PEPFP Net Pension Liability	3,872,161	1,771,496	34
County's Proportionate Share of the PECF Net Pension Liability	1,210,722	113,600	(764,279)

**MOWER COUNTY  
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**NOTE 4 PENSION PLANS (CONTINUED)**

H. Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position a separately-issued PERA financial report. That report may be obtained on the internet at [www.mnpera.org](http://www.mnpera.org); by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088; or by calling (651) 296-7460 or 1-800-652-9026.

**NOTE 5 DEFINED CONTRIBUTION PLAN**

Five County Board of Commissioners are covered by the Defined Contribution Plan, a multiple-employer deferred compensation plan administered by PERA. The Defined Contribution 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. Minnesota Statutes, Chapter 353D.03, specifies plan provisions, including the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes five percent of salary which is matched by the elected official's employer. For ambulance service personnel, employer contributions are determined by the employer, and for salaried employees contributions must be a fixed percentage of salary. Employer contributions for volunteer personnel may be a unit value for each call or period of alert duty. Employees who are paid for their services may elect to make member contributions in an amount not to exceed the employer share. Employer and employee 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 twenty-five hundredths of one percent (0.25%) of the assets in each member's account annually.

Total contributions made by the County during fiscal year 2019 were:

	Contribution Amount		Percentage of Covered Payroll		Required Rates
	Employee	Employer	Employee	Employer	
2019	\$ 6,975	\$ 6,975	5.0 %	5.0 %	5.0 %

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**NOTE 6 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 Insurance Trust (MCIT). The County is a member of both the MCIT Workers' Compensation and Property and Casualty Divisions. The County is a member of the Southeast Service Cooperative to establish, procure, and administer group employee benefits. For other risk, the County carries commercial insurance. There were no significant reductions in insurance from the prior year. The amount of settlements did not exceed insurance coverage for the past three fiscal years.

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at \$500,000 in 2019. 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. The 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 other Minnesota counties to form the Southeast Service Cooperative for group employee benefits. Group employee benefits include, but are not limited to, health benefits coverage, life insurance, disability income protection, dental insurance, flexible spending programs, and other services as directed by the joint powers board.

**NOTE 7 SUMMARY OF SIGNIFICANT CONTINGENCIES AND OTHER ITEMS**

**A. Contingent Liabilities**

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

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**NOTE 7 SUMMARY OF SIGNIFICANT CONTINGENCIES AND OTHER ITEMS (CONTINUED)**

A. Contingent Liabilities (Continued)

During 2019, counties were notified by the Minnesota Department of Human Services (DHS) that DHS made errors in their calculation of Substance Abuse Disorder (SUD) for Institutes of Mental Disease (IMD) claims from January 2014 to June 2019. Based on these errors, HDS has requested counties repay \$8.8 million to DHS. The County's share of the \$8.8 million is \$77,945. Minnesota Counties have raised concerns over how the amount was calculated, the accuracy of the calculation and whether DHS has the legal/statutory authority to require the Counties to repay the amounts. The Association of Minnesota Counties (AMC) has recommended that the counties not repay any amounts until these concerns have been addressed, and after the conclusion of the 2020 Minnesota legislative session, in hopes that this matter is resolved by other means. Therefore, this \$77,945 has not been recorded as a liability by the county as of December 31, 2019.

B. Joint Ventures

Family Services Collaborative

The Mower County Family Services Collaborative (the Collaborative) was established in 1996 under the authority of Minnesota Statutes §§33 471.59 and 124D.23. The Collaborative includes Mower County; the City of Austin; SEMCAC; Mower County Township Association; and Independent School District Nos. 492, 495, 497, 499, and 500. All of these entities appoint 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. Mower County appoints two members to this 14-member Board. The Mower County Department of Social Services acts as fiscal agent for the Collaborative. The Collaborative is financed by state grants and appropriations from participating members. 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 Minnesota Department of Education.

During 2019, the County made no payments to the Collaborative.

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 Val Kruger, Mower County Social Service Collections and Financial Supervisor, Social Services Department, 201 First Street N.E., Austin, Minnesota 55912.

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**NOTE 7 SUMMARY OF SIGNIFICANT CONTINGENCIES AND OTHER ITEMS (CONTINUED)**

C. Jointly-Governed Organizations

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

**1. Minnesota Counties Computer Cooperative**

The Minnesota Counties Computer Cooperative was established to provide computer programming to member counties. During 2019, Mower County paid \$135,391 to the Cooperative.

**2. Southeast Minnesota Emergency Medical Services (EMS)**

The EMS provides various health services to several counties. During 2019, the County paid \$5,000 to Southeast Minnesota Emergency Medical Services.

**3. Southeast Minnesota Recyclers Exchange (SEMREX)**

The County paid \$1,932 to SEMREX for recycling coordination services.

**4. Southeastern Minnesota Community Action Council**

The Southeastern Minnesota Community Action Council provides various elder care programs on behalf of member counties. During the year, the County paid \$3,000 to the Southeastern Minnesota Community Action Council.

**5. Southeastern Minnesota Narcotics Task Force**

The Southeastern Minnesota Narcotics Task Force provides drug investigation services for member organizations. During 2019, the County paid \$13,107 to the Task Force.

**6. Workforce Development, Inc.**

Workforce Development, Inc. provides various job training services to member counties. During 2019, the County paid \$473,123 to the Development.

**7. Southeast Minnesota Water Resources Board**

The Southeast Minnesota Water Resources Board provides water quality services to several counties. The County made no payments to the Board during 2019.

**8. Southeast Minnesota Regional Radio Board**

The Southeast Minnesota Regional Board has been organized to ensure communication among member counties for emergency service purposes. The County paid \$10,869 to the Board during 2019.

**9. Rural Minnesota Energy Board**

The Rural Minnesota Energy Board has been organized to provide policies and procedures regarding alternative energy sources, including ethanol, bio-diesel, solar, wind, etc. The County paid \$2,500 to the Board during the year.

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**NOTE 7 SUMMARY OF SIGNIFICANT CONTINGENCIES AND OTHER ITEMS (CONTINUED)**

C. Jointly-Governed Organizations (Continued)

**10. SEMN Region1 JPB Emergency Management Board**

The SEMN Region1 JPB Emergency Management Board has been organized to provide for the joint exercise of the parties' powers requiring regional coordination to plan for the needs of southeast Minnesota homeland security emergency management. The County paid \$1,000 to the Board during the year.

**11. Austin/Mower County Home Ownership Fund**

The Austin/Mower County Home Ownership Fund (the Fund) has been organized to provide a flexible source of secondary funds to families and individuals interested in purchasing a house. The Fund is meant to assist families and individuals who qualify for a mortgage with down payment assistance. The Fund can also be used to assist with rehabilitation on projects that are required to be made in order to meet code or mortgage requirements. The County made no payments to the Fund during 2019.

**NOTE 8 COMPONENT UNIT DISCLOSURES**

A. Summary of Significant Accounting Policies

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

**1. Reporting Entity**

The Housing and Redevelopment Authority (HRA) is governed by a five-member board of directors appointed by the County Board and the HRA requires tax levy financing. The HRA has a fiscal year-end of September 30.

Because of the significance of its financial relationship, Mower County considers the HRA a discrete component unit.

**2. Basis of Presentation**

The HRA prepares separate financial statements. These statements were prepared in accordance with GASB Statement 34.

**3. Cash, Cash Equivalents, Investments, and Restricted Investments**

For the purposes of reporting cash flows, the HRA considers all cash on hand, checking, and money market savings accounts, excluding amounts restricted by mortgage agreements, to be cash equivalents. Restricted investments represent balances that are held in escrow by agencies to which the HRA owes a mortgage payable—the Minnesota Housing Finance Agency (MHFA). The investments in these accounts cannot be spent without regulatory agency approval.

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**NOTE 8 COMPONENT UNIT DISCLOSURES (CONTINUED)**

B. Detailed Notes on All Funds

**1. Assets**

Deposits and Investments

The HRA's total cash and investments are reported as follows:

Component Unit:	
Deposits - Unrestricted	\$ 751,976
Investments - Restricted	648,944
Total Cash and Investments	<u>\$ 1,400,920</u>

In accordance with Minnesota Statutes, the HRA maintains deposits at depository banks authorized by the HRA Board.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the HRA's deposits may not be returned to it. The HRA's deposit policy for custodial credit risk follows Minnesota Statutes for deposits.

Minnesota Statutes require that all deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or corporate surety bonds.

The HRA's deposits in banks at September 30, 2019, were entirely covered by federal depository insurance or by surety bonds and collateral in accordance with Minnesota Statutes.

Investments

The HRA may also invest idle funds, as authorized by Minnesota Statutes, as follows:

- (a) direct obligations or obligations guaranteed by the United States or its agencies;
- (b) shares of investment companies registered under the Federal Investment Company Act of 1940 that either receive the highest credit rating and one of the two highest ratings by a statistical rating agency, with all of the investments having a final maturity of no more than 13 months, or holds itself out to be a money market mutual fund and is rated in one of the two highest ratings by a statistical rating agency;
- (c) general obligations rated "A" or better; revenue obligations rated "AA" or better;
- (d) general obligations of the Minnesota Housing Finance Agency rated "A" or better;
- (e) bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System;

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**NOTE 8 COMPONENT UNIT DISCLOSURES (CONTINUED)**

B. Detailed Notes on All Funds (Continued)

**1. Assets (Continued)**

- (f) commercial paper issued by United States corporations or their Canadian subsidiaries, of the highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less;
- (g) guaranteed investment contracts guaranteed by a United States commercial bank, domestic branch of a foreign bank, or a United States insurance company, and with a credit quality in one of the top two highest categories; and
- (h) repurchase or reverse purchase agreements and securities lending agreements financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.

Restricted Investments

At September 30, 2019, the HRA had the following restricted investments:

	At Estimated Market Value
Held in Escrow at the MHFA	\$ 648,944
Replacement Reserve Colonial	16,924

The MHFA requires the HRA to establish various escrow and reserve accounts. These investments are restricted and held in an escrow account by the MHFA in the HRA's name in accordance with debt agreements. These restricted investments are administered by the MHFA. Eligible investments of these funds, as stated in the escrow agreement, include instruments of the U.S. government and its agencies, the State of Minnesota and its agencies, certain financial institution demand or time deposits, and certain shares of investment companies. The balances are stated at their cost, which approximates fair value. The HRA does not have the authority to invest or to disburse funds from these accounts. Expenditures must be approved by the MHFA, who then withdraws the funds and mails the funds to the HRA. Interest income generated by these investments totaled \$16,232 for the year ended September 30, 2019.

**MOWER COUNTY  
AUSTIN, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**NOTE 8 COMPONENT UNIT DISCLOSURES (CONTINUED)**

B. Detailed Notes on All Funds (Continued)

**1. Assets (Continued)**

Interest Rate Risk

The HRA has an informal investment policy that addresses permissible investment, portfolio diversification, and instrument maturities. Investment maturities are scheduled to coincide with projected cash flows. Within these parameters, it is the HRA's policy to stagger portfolio maturities to avoid undue concentration of assets, provide for stability of income, and limit exposure to fair value losses arising from rising interest rates.

Concentration of Investments

The HRA does not have a policy that limits the amount of the total portfolio that may be invested with any one depository. In general, other than escrowed funds, all other excess funds are invested in deposits and are covered under the HRA's collateral requirements.

Balance Sheet Presentation

Deposits	\$	699,669
Tenant Deposit Cash		35,383
Restricted Investments		665,868
Total		\$ 1,400,920

Capital Assets

HRA capital asset activity for the year ended September 30, 2019 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
Capital Assets, Being Depreciated:				
Equipment	\$ 3,120	\$ -	\$ -	\$ 3,120
Accumulated Depreciation for:				
Equipment	3,120	-	-	3,120
Total Capital Assets, Being Depreciated, Net	\$ -	\$ -	\$ -	\$ -

**MOWER COUNTY  
AUSTIN, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**NOTE 8 COMPONENT UNIT DISCLOSURES (CONTINUED)**

B. Detailed Notes on All Funds (Continued)

**1. Assets (Continued)**

Capital Assets (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-Type Activities:</b>				
Capital Asset, Not Being Depreciated:				
Land	\$ 42,304	\$ -	\$ -	\$ 42,304
Capital Assets, Being Depreciated:				
Land Improvements	381,332	-	-	381,332
Buildings	4,535,480	31,826	-	4,567,306
Furnishings	606,277	1,077	-	607,354
Maintenance Equipment	43,938	-	-	43,938
Total Capital Assets Being Depreciated	5,567,027	32,903	-	5,599,930
Accumulated Depreciation for:				
Land Improvements	332,311	7,777	-	340,088
Buildings	3,281,410	127,866	-	3,409,276
Furnishings	416,628	22,497	-	439,125
Maintenance Equipment	51,843	117	-	51,960
Total Accumulated Depreciation	4,082,192	158,257	-	4,240,449
Total Capital Assets, Being Depreciated, Net	1,484,835	(125,354)	-	1,359,481
Business-Type Activities Capital Assets, Net	<u>\$ 1,527,139</u>	<u>\$ (125,354)</u>	<u>\$ -</u>	<u>\$ 1,401,785</u>

Depreciation expense was charged to functions/programs of the discretely presented component unit as follows:

Business-Type Activities	
Housing	<u>\$ 158,257</u>

**MOWER COUNTY  
AUSTIN, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**NOTE 8 COMPONENT UNIT DISCLOSURES (CONTINUED)**

B. Detailed Notes on All Funds (Continued)

**2. Liabilities**

Long-Term Debt

Long-term debt outstanding at September 30, 2019 for the HRA consists of the following:

Types of Indebtedness	Final Maturity	Interest Rates (%)	Original Amount	Remaining Balance	Due Within One Year
Mortgage Payable	2020	6.50	\$ 875,870	\$ 62,879	\$ 57,888
Mortgage Payable	2024	8.75	123,000	33,188	5,702
		Total	<u>\$ 998,870</u>	<u>\$ 96,067</u>	<u>\$ 63,590</u>

Debt Service Requirements

Mortgage debt service requirements to maturity for the HRA are as follows:

Year Ending December 31,	Mortgages Payable	
	Principal	Interest
2020	\$ 63,590	\$ 5,024
2021	11,213	2,149
2022	6,788	1,555
2023	7,407	937
2024	7,069	268
Totals	<u>\$ 96,067</u>	<u>\$ 9,933</u>

Changes in Long-Term Liabilities

The following is a summary of the long-term debt transactions of the HRA for the year ended September 30, 2019:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Mortgages Payable	\$ 155,411	\$ -	\$ 59,344	\$ 96,067	\$ 63,590
Compensated Absences	40,809	26,082	23,341	43,550	15,000
Long-Term Liabilities	<u>\$ 196,220</u>	<u>\$ 26,082</u>	<u>\$ 82,685</u>	<u>\$ 139,617</u>	<u>\$ 78,590</u>

**NOTE 9 COMMITMENTS AND CONTINGENCIES**

The County may be involved in various claims. Although the outcome of any claims 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 government.

**MOWER COUNTY  
AUSTIN, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**NOTE 10 SUBSEQUENT EVENTS**

Subsequent to year-end, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Management believes Mower County is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events occurred subsequent to year-end and are still developing.

**REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A**

**MOWER COUNTY  
AUSTIN, MINNESOTA  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY, RELATED RATIOS, AND NOTES  
YEAR ENDED DECEMBER 31, 2019**

	<u>Measurement Date December 31, 2019</u>	<u>Measurement Date December 31, 2018</u>
<b>Total OPEB Liability</b>		
Service Cost	\$ 285,206	\$ 306,095
Interest	621,512	622,653
Changes in Assumptions	(957,822)	-
Differences between Expected and Actual Experience	-	-
Benefit Payments	<u>(1,015,436)</u>	<u>(870,637)</u>
Net Change in Total OPEB Liability	(1,066,540)	58,111
Total OPEB Liability - Beginning	19,052,075	18,993,964
Total OPEB Liability - Ending	<u><u>\$ 17,985,535</u></u>	<u><u>\$ 19,052,075</u></u>
Covered Employee Payroll	\$ 16,146,520	\$ 15,676,233
Agency's OPEB Liability as a Percentage of Covered Employee Payroll	111.4%	121.5%

Note 1: The County implemented GASB Statement No. 75 in 2018. The above table will be expanded to ten years of information as the information becomes available.

Note 2: No assets are accumulated in a trust.

**MOWER COUNTY  
AUSTIN, MINNESOTA  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
YEAR ENDED DECEMBER 31, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Taxes	\$ 13,281,160	\$ 13,281,160	\$ 13,026,814	\$ (254,346)
Special Assessments	800,270	800,270	818,228	17,958
Licenses and Permits	75,100	75,100	71,355	(3,745)
Intergovernmental	3,198,009	3,198,009	3,677,575	479,566
Charges for Services	1,035,925	1,035,925	1,102,413	66,488
Fines and Forfeits	31,500	31,500	75,256	43,756
Gifts and Contributions	-	-	297	297
Investments Earnings	800,460	800,460	1,876,382	1,075,922
Miscellaneous	1,456,623	1,456,623	1,683,940	227,317
Total Revenues	<u>20,679,047</u>	<u>20,679,047</u>	<u>22,332,260</u>	<u>1,653,213</u>
<b>EXPENDITURES</b>				
<b>CURRENT</b>				
<b>GENERAL GOVERNMENT</b>				
Commissioners	277,077	277,077	277,545	(468)
Courts	124,000	124,000	83,561	40,439
Law Library	39,572	39,572	39,856	(284)
County Administration	511,365	511,365	516,275	(4,910)
County Auditor-Treasurer	324,916	324,916	359,704	(34,788)
County Assessor	695,060	697,060	648,752	48,308
Elections	142,003	171,449	161,996	9,453
Auditing	80,000	80,000	78,087	1,913
Information Systems	813,943	817,543	811,335	6,208
Attorney	1,199,634	1,199,634	1,242,568	(42,934)
Recorder	515,218	515,218	397,317	117,901
Building and Plant	849,902	849,902	778,115	71,787
Veterans Service	176,603	176,603	177,107	(504)
Other General Government	1,268,913	1,187,028	1,066,397	120,631
Total General Government	<u>7,018,206</u>	<u>6,971,367</u>	<u>6,638,615</u>	<u>332,752</u>
<b>PUBLIC SAFETY</b>				
Sheriff	3,112,228	3,112,228	3,159,555	(47,327)
E911	149,067	160,975	141,516	19,459
Coroner	118,250	118,250	117,739	511
County Jail	3,601,709	3,601,709	3,501,669	100,040
County Jail Canteen	30,840	30,840	27,010	3,830
Law Enforcement Center	1,440,047	1,440,047	1,475,848	(35,801)
Community Corrections	2,677,914	2,677,914	2,971,831	(293,917)
Sentence to Serve	67,714	67,714	68,899	(1,185)
Civil/Bailiff	176,569	178,369	207,298	(28,929)
Other Public Safety	-	-	1,960	(1,960)
Total Public Safety	<u>11,374,338</u>	<u>11,388,046</u>	<u>11,673,325</u>	<u>(285,279)</u>

*Notes to Required Supplementary Information are an Integral Part of this Schedule.*

**MOWER COUNTY  
AUSTIN, MINNESOTA  
BUDGETARY COMPARISON SCHEDULE (CONTINUED)  
GENERAL FUND  
YEAR ENDED DECEMBER 31, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>EXPENDITURES (Continued)</b>				
<b>CURRENT (Continued)</b>				
<b>SANITATION</b>				
Solid Waste	\$ 957,178	\$ 957,178	\$ 1,037,989	\$ (80,811)
<b>CULTURE AND RECREATION</b>				
Historical Society	57,765	57,765	57,765	-
Senior Citizens	53,400	53,400	53,400	-
Regional Library	280,120	280,120	276,466	3,654
Other	134,404	139,404	136,584	2,820
Total Culture and Recreation	525,689	530,689	524,215	6,474
<b>CONSERVATION OF NATURAL RESOURCES</b>				
County Extension	159,013	155,279	154,270	1,009
Soil and Water Conservation	146,998	146,998	146,998	-
Fairgrounds	30,000	30,000	30,000	-
Other	-	-	200	(200)
Total Conservation of Natural Resources	336,011	332,277	331,468	809
<b>ECONOMIC DEVELOPMENT</b>				
Grow Austin	60,000	60,000	-	60,000
Development Corporation	32,036	32,036	-	32,036
Total Economic Development	92,036	92,036	-	92,036
<b>CAPITAL OUTLAY</b>				
General Government	141,350	176,281	190,500	(14,219)
Public Safety	484,500	484,500	183,804	300,696
Sanitation	500	500	14,850	(14,350)
Culture and Recreation	2,000	5,734	1,734	4,000
Total Capital Outlay	628,350	667,015	390,888	276,127
<b>DEBT SERVICE</b>				
Principal Retirement	-	-	2,361	(2,361)
Interest	-	-	10	(10)
Total Debt Service	-	-	2,371	(2,371)
Total Expenditures	20,931,808	20,938,608	20,598,871	339,737
<b>EXCESS OF REVENUES OVER (UNDER)</b>				
<b>EXPENDITURES</b>	(252,761)	(259,561)	1,733,389	1,992,950

Notes to Required Supplementary Information are an Integral Part of this Schedule.

**MOWER COUNTY  
AUSTIN, MINNESOTA  
BUDGETARY COMPARISON SCHEDULE (CONTINUED)  
GENERAL FUND  
YEAR ENDED DECEMBER 31, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer Out	\$ (5,079,225)	\$ (5,079,225)	\$ (5,063,663)	\$ 15,562
Proceeds from the Sale of Capital Assets	2,000	2,000	48	(1,952)
Total Other Financing Sources (Uses)	<u>(5,077,225)</u>	<u>(5,077,225)</u>	<u>(5,063,615)</u>	<u>13,610</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (5,329,986)</u>	<u>\$ (5,336,786)</u>	(3,330,226)	<u>\$ 2,006,560</u>
Fund Balance - Beginning of Year			<u>29,139,813</u>	
<b>FUND BALANCE - END OF YEAR</b>			<u>\$ 25,809,587</u>	

*Notes to Required Supplementary Information are an Integral Part of this Schedule.*

**MOWER COUNTY  
AUSTIN, MINNESOTA  
BUDGETARY COMPARISON SCHEDULE  
ROAD AND BRIDGE FUND  
YEAR ENDED DECEMBER 31, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Taxes	\$ 4,738,293	\$ 4,738,293	\$ 4,660,586	\$ (77,707)
Transit Sales and Use Tax	1,500,000	1,500,000	1,941,682	441,682
Special Assessments	-	-	713	713
Licenses and Permits	47,000	47,000	104,660	57,660
Intergovernmental	10,332,714	10,332,714	12,179,065	1,846,351
Charges for Services	56,000	56,000	98,486	42,486
Miscellaneous	1,146,000	1,146,000	1,143,253	(2,747)
Total Revenues	<u>17,820,007</u>	<u>17,820,007</u>	<u>20,128,445</u>	<u>2,308,438</u>
<b>EXPENDITURES</b>				
<b>CURRENT</b>				
<b>HIGHWAY AND STREETS</b>				
Administration	741,308	741,308	741,562	(254)
Maintenance	2,821,419	2,821,419	3,110,061	(288,642)
Construction	16,046,587	16,046,587	15,399,912	646,675
Equipment and Maintenance Shops	900,908	900,908	850,004	50,904
Buildings and Grounds	193,629	193,629	218,943	(25,314)
Total Current	<u>20,703,851</u>	<u>20,703,851</u>	<u>20,320,482</u>	<u>383,369</u>
Highway and Streets	434,000	434,000	461,538	(27,538)
Environmental Services	371,993	401,993	396,109	5,884
Total Capital Outlay	<u>805,993</u>	<u>835,993</u>	<u>857,647</u>	<u>(21,654)</u>
Total Expenditures	<u>21,509,844</u>	<u>21,539,844</u>	<u>21,178,129</u>	<u>361,715</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(3,689,837)	(3,719,837)	(1,049,684)	2,670,153
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from the Sale of Capital Assets	-	-	23,818	23,818
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (3,689,837)</u>	<u>\$ (3,719,837)</u>	(1,025,866)	<u>\$ 2,693,971</u>
Fund Balance - Beginning of Year			6,641,733	
<b>CHANGE IN INVENTORIES</b>			<u>6,613</u>	
<b>FUND BALANCE - END OF YEAR</b>			<u>\$ 5,622,480</u>	

Notes to Required Supplementary Information are an Integral Part of this Schedule.

**MOWER COUNTY  
AUSTIN, MINNESOTA  
BUDGETARY COMPARISON SCHEDULE  
SOCIAL SERVICES FUND  
YEAR ENDED DECEMBER 31, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Taxes	\$ 5,138,871	\$ 5,138,871	\$ 5,037,213	\$ (101,658)
Intergovernmental	7,584,021	7,584,021	9,140,235	1,556,214
Charges for Services	2,087,950	2,087,950	1,380,639	(707,311)
Investments Earnings	800	800	1,882	1,082
Miscellaneous	748,550	748,550	717,765	(30,785)
Total Revenues	<u>15,560,192</u>	<u>15,560,192</u>	<u>16,277,734</u>	<u>717,542</u>
<b>EXPENDITURES</b>				
<b>CURRENT</b>				
<b>HUMAN SERVICES</b>				
Income Maintenance	4,950,487	4,950,487	5,090,393	(139,906)
Social Services	8,259,519	8,259,519	7,881,737	377,782
Total Human Services	<u>13,210,006</u>	<u>13,210,006</u>	<u>12,972,130</u>	<u>237,876</u>
<b>HEALTH</b>				
Health	2,294,386	2,294,386	2,153,434	140,952
<b>CAPITAL OUTLAY</b>				
Human Services	<u>2,300</u>	<u>2,300</u>	<u>4,719</u>	<u>(2,419)</u>
Total Expenditures	<u>15,506,692</u>	<u>15,506,692</u>	<u>15,130,283</u>	<u>376,409</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>				
	53,500	53,500	1,147,451	1,093,951
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from the Sale of Capital Assets	<u>-</u>	<u>-</u>	<u>2,295</u>	<u>2,295</u>
<b>NET CHANGE IN FUND BALANCE</b>				
	<u>\$ 53,500</u>	<u>\$ 53,500</u>	<u>\$ 1,149,746</u>	<u>\$ 1,096,246</u>
Fund Balance - Beginning of Year			<u>5,256,908</u>	
<b>FUND BALANCE - END OF YEAR</b>			<u>\$ 6,406,654</u>	

Notes to Required Supplementary Information are an Integral Part of this Schedule.

**MOWER COUNTY  
AUSTIN, MINNESOTA  
SCHEDULE OF THE COUNTY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
DECEMBER 31, 2019**

	Measurement Date June 30, 2019	Measurement Date June 30, 2018	Measurement Date June 30, 2017	Measurement Date June 30, 2016	Measurement Date June 30, 2015
<b>GERF</b>					
County's Proportion of the Net Pension Liability	0.174%	0.173%	0.168%	0.171%	0.168%
County's Proportionate Share of the Net Pension Liability	\$ 9,642,185	\$ 9,608,426	\$ 10,725,009	\$ 13,916,830	\$ 8,685,902
State's Proportionate Share of the Net Pension Liability	\$ 299,654	\$ 315,207	\$ 134,847	\$ 181,823	\$ -
Total Proportionate Share of the Net Pension Liability	\$ 9,941,839	\$ 9,923,633	\$ 10,859,856	\$ 14,098,653	\$ 8,685,902
County's Covered Payroll	\$ 12,341,827	\$ 11,536,387	\$ 10,822,067	\$ 10,621,187	\$ 10,475,290
County's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	78.13%	83.29%	99.10%	131.03%	82.92%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	80.23%	79.53%	75.90%	68.90%	78.20%
<b>PEPFF</b>					
County's Proportion of the Net Pension Liability	0.166%	0.152%	0.145%	0.157%	0.162%
County's Proportionate Share of the Net Pension Liability	\$ 1,771,496	\$ 1,621,229	\$ 1,957,673	\$ 6,300,683	\$ 1,840,699
County's Covered Payroll	\$ 1,796,012	\$ 1,593,340	\$ 1,486,722	\$ 1,516,909	\$ 1,506,793
County's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	98.63%	101.75%	131.68%	415.36%	122.16%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	89.26%	88.84%	85.43%	63.90%	86.60%
<b>PECF</b>					
County's Proportion of the Net Pension Liability	0.821%	0.769%	0.720%	0.730%	0.730%
County's Proportionate Share of the Net Pension Liability	\$ 113,600	\$ 126,478	\$ 2,052,007	\$ 2,666,792	\$ 112,858
County's Covered Payroll	\$ 1,720,274	\$ 1,545,349	\$ 1,439,886	\$ 1,376,247	\$ 1,348,969
County's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	6.60%	8.18%	142.51%	193.77%	8.37%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	98.17%	97.64%	67.89%	58.20%	96.90%

Note: Information is required to be presented for ten years. However, until a full 10-year trend is compiled, the County will present information for only those years for which information is available.

*Notes to Required Supplementary Information are an Integral Part of this Schedule.*

**MOWER COUNTY  
AUSTIN, MINNESOTA  
SCHEDULE OF THE COUNTY'S CONTRIBUTIONS  
DECEMBER 31, 2019**

	2019	2018	2017	2016	2015	2014
<b>GERF</b>						
Contractually Required Contribution	\$ 943,286	\$ 898,428	\$ 832,621	\$ 790,373	\$ 726,621	\$ 692,722
Contributions in Relation to the Contractually Required Contribution	<u>(943,286)</u>	<u>(898,428)</u>	<u>(832,621)</u>	<u>(790,373)</u>	<u>(726,621)</u>	<u>(692,722)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>					
County's Covered Payroll	\$ 12,577,147	\$ 11,979,040	\$ 11,101,613	\$ 10,538,307	\$ 9,688,280	\$ 9,554,786
Contributions as a Percentage of Covered Payroll	7.50%	7.50%	7.50%	7.50%	7.50%	7.25%
<b>PEPFF</b>						
Contractually Required Contribution	\$ 301,699	\$ 274,991	\$ 242,328	\$ 242,618	\$ 233,183	\$ 207,479
Contributions in Relation to the Contractually Required Contribution	<u>(301,699)</u>	<u>(274,991)</u>	<u>(242,328)</u>	<u>(242,618)</u>	<u>(233,183)</u>	<u>(207,479)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>					
County's Covered Payroll	\$ 1,779,935	\$ 1,697,475	\$ 1,495,852	\$ 1,497,642	\$ 1,439,401	\$ 1,356,072
Contributions as a Percentage of Covered Payroll	16.95%	16.20%	16.20%	16.20%	16.20%	15.30%
<b>PECF</b>						
Contractually Required Contribution	\$ 158,109	\$ 141,043	\$ 129,428	\$ 122,853	\$ 114,921	\$ 115,046
Contributions in Relation to the Contractually Required Contribution	<u>(158,109)</u>	<u>(141,043)</u>	<u>(129,428)</u>	<u>(122,853)</u>	<u>(114,921)</u>	<u>(115,046)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>					
County's Covered Payroll	\$ 1,806,960	\$ 1,611,920	\$ 1,479,177	\$ 1,404,034	\$ 1,313,383	\$ 1,314,811
Contributions as a Percentage of Covered Payroll	8.75%	8.75%	8.75%	8.75%	8.75%	8.75%

Note: Information is required to be presented for ten years. However, until a full 10-year trend is compiled, the County will present information for only those years for which information is available.

*Notes to Required Supplementary Information are an Integral Part of this Schedule.*

**MOWER COUNTY  
AUSTIN, MINNESOTA  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2019**

**I. BUDGETARY INFORMATION**

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

On or before mid-July of each year, all departments and agencies submit requests for appropriations to the Mower County Administrator so that a budget can be prepared. Before September 15, the proposed budget is presented to the Board of County Commissioners for review. The Board holds public hearings, and a final budget must be prepared and adopted no later than December 31.

The appropriated budget is prepared by fund, function, and department. The County's department head may make transfers of appropriations within a department. Transfers of appropriations between departments require approval of the Board of County Commissioners or County Administrator if under \$5,000. 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 expense reductions to meet unbudgeted state-aid reductions.

Encumbrance accounting is employed in governmental funds. Encumbrances (such as, purchase orders or contracts) outstanding at year-end are reported as assignments of fund balances and do not constitute expenditures or liabilities because the commitments will be reapportioned and honored during the subsequent year.

**MOWER COUNTY  
AUSTIN, MINNESOTA  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)  
DECEMBER 31, 2019**

**II. CHANGES IN SIGNIFICANT PENSION 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 year ended June 30:

**A. General Employees Fund**

2019

- The morality projection scale was changed from MP-2017 to MP-2018.
- The employer supplemental contribution was changed prospectively, decreasing from \$31.0 million to \$21.0 million per year. The State's special funding contribution was changed prospectively, requiring \$16.0 million due per year through 2031.

2018

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed postretirement benefit increase was changed from 1.0% per year through 2044 and 2.5% per year thereafter to 1.25% per year.

2017

- The Combined Service Annuity (CSA) loads were changed from 0.8% for active members and 60% for vested and nonvested deferred members. The revised CSA loads are now 0.0% for active member liability, 15.0% for vested deferred member liability, and 3.0% for nonvested deferred member liability.
- The assumed postretirement benefit increase rate was changed from 1.0% per year for all years to 1.0% per year through 2044 and 2.5% per year thereafter.

**B. Police and Fire Fund**

2019

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

2018

- The mortality projection scale was changed from MP-2016 to MP-2017.
- As set by statute, the assumed postretirement benefit increase was changed from 1.0% per year through 2064 and 2.5% per year thereafter to 1.0% per year 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% funding or July 1, 2048, if earlier.

**MOWER COUNTY  
AUSTIN, MINNESOTA  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)  
DECEMBER 31, 2019**

**II. CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)**

B. Police and Fire Fund (Continued)

2018 (Continued)

- Member contributions were changed effective January 1, 2019, and January 1, 2020, from 10.80% to 11.30% and 11.80% of pay, respectively. Employer contributions were changed effective January 1, 2019 and January 1, 2020 from 16.20% to 16.95% and 17.70% of pay, respectively. Interest credited on member contributions decreased from 4.00% to 3.00% beginning July 1, 2018.
- Deferred augmentation was changed to 0.00% effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017

- Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34% lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements.
- The Combined Service Annuity (CSA) load was 30% for vested and nonvested deferred members. The CSA has been changed to 33% for vested members and 2% for nonvested members.
- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees.
- Assumed termination rates were decreased to 3.0% for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- Assumed percentage of married female members was decreased from 65% to 60%.
- 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 postretirement benefit increase rate was changed from 1.00% for all years to 1.00% per year through 2064 and 2.50% thereafter.
- The single discount rate was changed from 5.6% per annum to 7.5% per annum.

**MOWER COUNTY  
AUSTIN, MINNESOTA  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)  
DECEMBER 31, 2019**

**II. CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)**

C. Correctional Fund

2019

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

2018

- The Single Discount Rate was changed from 5.96% per annum to 7.50% per annum.
- The morality projection scale was changed from MP-2016 to MP-2017.
- The assumed postretirement benefit increase was changed from 2.50% per year to 2.00% per year.

2017

- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016 and is applied to healthy and disabled members. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the RP-2014 disabled annuitant mortality table (with future mortality improvement according to MP-2016).
- The Combined Service Annuity (CSA) load was 30% for vested and nonvested, deferred members. The CSA has been changed to 35% for vested members and 1% for nonvested members.
- The Single Discount Rate was changed from 5.31% per annum to 5.96% per annum.

**MOWER COUNTY  
AUSTIN, MINNESOTA  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)  
DECEMBER 31, 2019**

**III. OTHER POSTEMPLOYMENT BENEFITS**

Since the most recent valuation, the following assumption changes have been made:

2019

- The discount rate was changed from 3.30% to 3.80%.

2018

- 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 White Collar Mortality Tables with MP-2015 Generational Improvement Scale (with Blue Collar adjustment for Police and Fire Personnel) to the RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale (with Blue Collar adjustment for Police and Fire Personnel).
- The retirement and withdrawal tables for all employees were updated.
- The discount rate was changed from 3.50% to 3.30%.
- The trend applied to post-age 65 premiums was changed from half of the health care trend rates to 4% per year.
- The trend applied to the County paid VEBA deductible was changed from full health care trend rates to half of the health care trend rates.

## **SUPPLEMENTARY INFORMATION**

**MOWER COUNTY  
AUSTIN, MINNESOTA  
DESCRIPTION OF FUNDS  
DECEMBER 31, 2019**

**NONMAJOR SPECIAL REVENUE FUNDS**

The Ditch Special Revenue Fund is used to account for the financing of public improvements or services for the construction, reconstruction, and maintenance of both County and joint-County drainage systems. These services are financed by special assessments against the benefited properties.

The Sewer Improvements Fund accounts for sewer system improvement loans made through the County.

**NONMAJOR DEBT SERVICE FUND**

The Bond Fund accounts for the accumulation of resources for, and the payment, of debt principal, interest, and related costs of the County's debt.

**AGENCY FUNDS**

The State Revenue Fund accounts for monies received by the County that will be remitted to the various state agencies.

The Family Connections Collaborative Fund accounts for the operations of the Mower County Family Services Collaborative.

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

The Social Welfare Agency Fund is used to account for the receipts and disbursements of the social welfare account.

**MOWER COUNTY  
AUSTIN, MINNESOTA  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2019**

	Ditch	Sewer Improvements	Bond Fund	Total Nonmajor Governmental Funds
<b>ASSETS</b>				
Cash and Pooled Investments	\$ 551,072	\$ 1,021,273	\$ 400,965	\$ 1,973,310
Taxes Receivable - Delinquent	-	-	29,121	29,121
Special Assessments Receivable - Current	85,000	7,180	-	92,180
Special Assessments Receivable - Delinquent	12	9,123	-	9,135
Loans Receivable	-	730,662	-	730,662
Restricted Investments - Temporary	-	29,799	-	29,799
Total Assets	<u>\$ 636,084</u>	<u>\$ 1,798,037</u>	<u>\$ 430,086</u>	<u>\$ 2,864,207</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts Payable	\$ 2,817	\$ -	\$ -	\$ 2,817
Due to Other Governments	2,190	-	-	2,190
Total Liabilities	5,007	-	-	5,007
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Taxes	85,000	-	24,810	109,810
Unavailable Special Assessments	12	10,339	-	10,351
Property Taxes Levied for Subsequent Year	-	-	1,425	1,425
Total Deferred Inflows of Resources	85,012	10,339	26,235	121,586
<b>FUND BALANCES</b>				
Restricted For:				
Ditch Projects	546,065	-	-	546,065
Sewer Improvements	-	665,972	-	665,972
Debt Service	-	222,236	403,851	626,087
Assigned For:				
Sewer Improvements	-	899,490	-	899,490
Total Fund Balance	<u>546,065</u>	<u>1,787,698</u>	<u>403,851</u>	<u>2,737,614</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 636,084</u>	<u>\$ 1,798,037</u>	<u>\$ 430,086</u>	<u>\$ 2,864,207</u>

**MOWER COUNTY  
AUSTIN, MINNESOTA  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED DECEMBER 31, 2019**

	Ditch	Sewer Improvements	Bond Fund	Total Nonmajor Governmental Funds
<b>REVENUES</b>				
Taxes	\$ -	\$ -	\$ 690,491	\$ 690,491
Special Assessments	14,967	194,325	-	209,292
Intergovernmental	-	-	53,427	53,427
Interest on Investments	-	37	-	37
Miscellaneous	1,048	-	-	1,048
Total Revenues	<u>16,015</u>	<u>194,362</u>	<u>743,918</u>	<u>954,295</u>
<b>EXPENDITURES</b>				
<b>CURRENT</b>				
Conservation	19,815	154,000	-	173,815
<b>DEBT SERVICE</b>				
Principal	-	249,526	5,545,000	5,794,526
Interest	-	-	261,895	261,895
Total Debt Service	<u>-</u>	<u>249,526</u>	<u>5,806,895</u>	<u>6,056,421</u>
Total Expenditures	<u>19,815</u>	<u>403,526</u>	<u>5,806,895</u>	<u>6,230,236</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(3,800)	(209,164)	(5,062,977)	(5,275,941)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	-	-	5,063,663	5,063,663
Proceeds from Loan	-	168,000	-	168,000
Total Other Financing Sources (Uses)	<u>-</u>	<u>168,000</u>	<u>5,063,663</u>	<u>5,231,663</u>
<b>NET CHANGE IN FUND BALANCES</b>	(3,800)	(41,164)	686	(44,278)
Fund Balance - Beginning of Year	<u>549,865</u>	<u>1,828,862</u>	<u>403,165</u>	<u>2,781,892</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 546,065</u>	<u>\$ 1,787,698</u>	<u>\$ 403,851</u>	<u>\$ 2,737,614</u>

**MOWER COUNTY  
AUSTIN, MINNESOTA  
BUDGETARY COMPARISON SCHEDULE  
DITCH FUND  
YEAR ENDED DECEMBER 31, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Special Assessments	\$ 10,000	\$ 10,000	\$ 14,967	\$ 4,967
Miscellaneous	-	-	1,048	1,048
Total Revenues	<u>10,000</u>	<u>10,000</u>	<u>16,015</u>	<u>6,015</u>
<b>EXPENDITURES</b>				
<b>CURRENT</b>				
<b>CONSERVATION OF NATURAL RESOURCES</b>				
Other	<u>98,878</u>	<u>98,878</u>	<u>19,815</u>	<u>79,063</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (88,878)</u>	<u>\$ (88,878)</u>	(3,800)	<u>\$ 85,078</u>
Fund Balance - Beginning of Year			<u>549,865</u>	
<b>FUND BALANCE - END OF YEAR</b>			<u>\$ 546,065</u>	

**MOWER COUNTY  
AUSTIN, MINNESOTA  
BUDGETARY COMPARISON SCHEDULE  
SEWER IMPROVEMENT FUND  
YEAR ENDED DECEMBER 31, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Special Assessments	\$ 125,000	\$ 125,000	\$ 194,325	\$ 69,325
Investments Earnings	-	-	37	37
Total Revenues	<u>125,000</u>	<u>125,000</u>	<u>194,362</u>	<u>69,362</u>
<b>EXPENDITURES</b>				
<b>CURRENT</b>				
<b>CONSERVATION OF NATURAL RESOURCES</b>				
Other	125,000	125,000	154,000	(29,000)
<b>DEBT SERVICE</b>				
Principal	<u>150,000</u>	<u>150,000</u>	<u>249,526</u>	<u>(99,526)</u>
Total Expenditures	<u>275,000</u>	<u>275,000</u>	<u>403,526</u>	<u>(128,526)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from Loan	<u>-</u>	<u>-</u>	<u>168,000</u>	<u>168,000</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u><u>\$ (150,000)</u></u>	<u><u>\$ (150,000)</u></u>	<u>(41,164)</u>	<u><u>\$ 108,836</u></u>
Fund Balance - Beginning of Year			<u>1,828,862</u>	
<b>FUND BALANCE - END OF YEAR</b>			<u><u>\$ 1,787,698</u></u>	

**MOWER COUNTY  
AUSTIN, MINNESOTA  
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
YEAR ENDED DECEMBER 31, 2019**

	Balance January 1	Additions	Deductions	Balance December 31
<b>STATE REVENUE</b>				
<b>ASSETS</b>				
Cash and Pooled Investments	\$ 73,006	\$ 1,095,629	\$ 1,069,764	\$ 98,871
<b>LIABILITIES</b>				
Due to Other Governments	\$ 73,006	\$ 1,095,629	\$ 1,069,764	\$ 98,871
<b>FAMILY CONNECTIONS COLLABORATIVE</b>				
<b>ASSETS</b>				
Cash and Pooled Investments	\$ 328,202	\$ 283,594	\$ 260,804	\$ 350,992
<b>LIABILITIES</b>				
Due to Other Governments	\$ 328,202	\$ 283,594	\$ 260,804	\$ 350,992
<b>TAXES AND PENALTIES</b>				
<b>ASSETS</b>				
Cash and Pooled Investments	\$ 1,046,686	\$ 54,571,006	\$ 54,913,063	\$ 704,629
<b>LIABILITIES</b>				
Funds Held in Trust	\$ 1,046,686	\$ 54,571,006	\$ 54,913,063	\$ 704,629
<b>SOCIAL WELFARE FUND</b>				
<b>ASSETS</b>				
Cash and Pooled Investments	\$ 81,666	\$ 684,524	\$ 690,878	\$ 75,312
<b>LIABILITIES</b>				
Due to Other Governments	\$ 81,666	\$ 684,524	\$ 690,878	\$ 75,312
<b>TOTAL ALL AGENCY FUNDS</b>				
<b>ASSETS</b>				
Cash and Pooled Investments	\$ 1,529,560	\$ 56,634,753	\$ 56,934,509	\$ 1,229,804
<b>LIABILITIES</b>				
Funds Held in Trust	\$ 1,046,686	\$ 54,571,006	\$ 54,913,063	\$ 704,629
Due to Other Governments	482,874	2,063,747	2,021,446	525,175
Total Liabilities	\$ 1,529,560	\$ 56,634,753	\$ 56,934,509	\$ 1,229,804

**MOWER COUNTY  
AUSTIN, MINNESOTA  
SCHEDULE OF INTERGOVERNMENTAL REVENUE  
YEAR ENDED DECEMBER 31, 2019**

	Governmental Funds
<b>SHARED REVENUE</b>	
<b>STATE</b>	
Highway Users Tax	\$ 10,806,917
County Program Aid	2,180,981
PERA Rate Reimbursement	74,024
Disparity Reduction Aid	171,857
Police Aid	201,510
Enhanced 911	118,766
Market Value Credit	350,453
Riparian Protection Aid	133,504
Aquatic Invasive Species	12,209
Out of Home Placement	1,602
	14,051,823
Total Shared Revenue	14,051,823
<b>REIMBURSEMENT FOR SERVICES</b>	
<b>STATE</b>	
Minnesota Department of Human Services	2,985,101
<b>PAYMENTS</b>	
<b>LOCAL</b>	
Ucare	1,000
Austin City	17,833
Austin Community Fund	117,194
Minneapolis Foundation	750
	136,777
Total Payments	136,777
<b>GRANTS</b>	
<b>STATE</b>	
Minnesota Department/Board of:	
Peace Officers Board	22,866
Corrections	396,208
Health	316,067
Human Services	1,601,580
Soil and Water Resources	47,896
Veteran's Affairs	10,000
Transportation	26,900
Natural Resources	970,261
Local	3,800
Pollution Control Agency	128,836
	3,524,414
Total State	3,524,414
<b>FEDERAL</b>	
Department of:	
Agriculture	554,208
Education	648
Homeland Security	4,655
Health and Human Services	3,750,251
Internal Revenue Service	42,425
	4,352,187
Total Federal	4,352,187
Total State and Federal Grants	7,876,601
Total Intergovernmental Revenue	\$ 25,050,302

**REPORTS RELATED TO *GOVERNMENT AUDITING STANDARDS*  
AND SINGLE AUDIT**



**INDEPENDENT AUDITORS' 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***

Board of County Commissioners  
Mower County  
Austin, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Mower County (the County), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise Mower County's basic financial statements, and have issued our report thereon dated August 27, 2020.

The County's financial statements include the operations of the Mower County Housing and Redevelopment Authority (HRA) for the year ended September 30, 2019. Our reporting, described below, did not include the operations of the HRA because the HRA (component unit) engaged for its own separate audit in accordance with *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* 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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2019-001 through 2019-003 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2019-004 through 2019-005 to be significant deficiencies.

**Compliance and Other Matters**

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

**Mower County's Responses to Findings**

Mower County's responses to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Mower County's responses were not subjected to auditing procedures applied in the audits of the financial statements and, accordingly, we express no opinion on them.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Mower County's internal control 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 and compliance. Accordingly, this communication is not suitable for any other purpose.



**CliftonLarsonAllen LLP**

Austin, Minnesota  
August 27, 2020



## INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of County Commissioners  
Mower County  
Austin, Minnesota

### **Report on Compliance for Each Major Federal Program**

We have audited Mower County's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Mower County's major federal programs for the year ended December 31, 2019. Mower County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

The County's financial statements include the operations of the Mower County Housing and Redevelopment Authority (HRA), a component unit, which expended \$423,336 in federal awards during the year ended September 30, 2019. The federal awards for the HRA are not included in the accompanying schedule of expenditures of federal awards for Mower County. Our audit, described below, did not include these activities because they receive a separate audit.

### ***Management's Responsibility***

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of Mower County's major federal programs based on our audit of the types of compliance requirements referred to above. 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 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Mower County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Mower County's compliance.

**Opinion on Each Major Federal Program**

In our opinion, Mower County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2019.

**Report on Internal Control Over Compliance**

Management of Mower County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Mower County’s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Mower County’s internal control over compliance.

*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 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2019-006 to be a material weakness.

Mower County’s response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Mower County’s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

**Purpose of this Report**

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 result of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



**CliftonLarsonAllen LLP**

Austin, Minnesota  
August 27, 2020

**MOWER COUNTY  
AUSTIN, MINNESOTA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
DECEMBER 31, 2019**

**SUMMARY OF AUDITORS' RESULTS**

***Financial Statements***

Type of auditors' report issued: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified?        X   yes                 no
- Significant deficiency(ies) identified?        X   yes                 none reported

Noncompliance material to financial statements noted?                 yes        X   no

***Federal Awards***

Internal control over major programs:

- Material weakness(es) identified?        X   yes                 no
- Significant deficiency(ies) identified?                 yes        X   none reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?        X   yes                 no

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
93.563	Child Support Enforcement
93.778	Medical Assistance (Medicaid Cluster)

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

Auditee qualified as low-risk auditee?                 yes        X   no

**MOWER COUNTY  
AUSTIN, MINNESOTA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
DECEMBER 31, 2019**

**FINANCIAL STATEMENT FINDINGS  
MATERIAL WEAKNESSES**

2019-001 SEGREGATION OF DUTIES – VARIOUS DEPARTMENTS

**Type of Finding:** Material Weakness in Internal Control over Financial Reporting

**Criteria:** County management should constantly be aware of the need to have adequate segregation of duties regarding the processing of transactions for the County. In addition, County management should be aware that the concentration of duties and responsibilities in one or a very few individuals is not desirable from an internal control perspective.

**Condition and Context:** Adequate segregation of the accounting functions necessary to ensure adequate internal accounting control, is not in place for County departments.

**Cause:** The County has a limited number of personnel within several County departments.

**Possible Effect:** The design of the internal controls over financial reporting could affect the ability of the County to record, process, summarize, and report financial data consistently with the assertions of management in the financial statements. In addition, this lack of segregation of duties may result in the County's inability to prevent/detect misappropriation of County assets.

**Repeat Finding:** Yes - 2018-001.

**Recommendation:** We recommend County management be aware of the lack of segregation of duties within the accounting functions and assess whether additional segregation of duties is cost beneficial. If additional segregation is not possible, we recommend County management implement oversight procedures to ensure the internal control policies and procedures are being implemented by County staff.

**View of Responsible Officials and Planned Correction Action:** There is no disagreement with the audit finding. The County will review the accounting functions and segregate them if deemed cost-beneficial.

**MOWER COUNTY  
AUSTIN, MINNESOTA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
DECEMBER 31, 2019**

**FINANCIAL STATEMENT FINDINGS (CONTINUED)  
MATERIAL WEAKNESSES (CONTINUED)**

2019-002 AUDIT ADJUSTMENTS

**Type of Finding:** Material Weakness in Internal Control over Financial Reporting

**Criteria:** County management is responsible for establishing and maintaining internal controls for the proper recording of all the County's accounting transactions, including account coding, depreciation, and reporting of accruals and net position.

**Condition and Context:** As part of the audit, we proposed material audit adjustments for recording of accruals, reclassifications of revenues to the proper accounts, adjustment of deferred inflow of resources, net pension liability related accounts, and corrections of modified accrual adjustments.

**Cause:** The County has a limited number of personnel.

**Possible Effect:** The design of the internal controls over recording transactions and year-end accruals limits the ability of the County to provide accurate modified accrual basis financial information for external financial reporting purposes.

**Repeat Finding:** Yes – Finding 2018-002.

**Recommendation:** We recommend County management and financial personnel continue to increase their awareness and knowledge of all procedures and processes involved in recording transactions, accruals, and reclassifications and develop internal control policies to ensure proper recording of these items.

**View of Responsible Officials and Planned Correction Action:** There is no disagreement with the audit finding. The County will review the controls over recording transactions and year-end accruals.

**MOWER COUNTY  
AUSTIN, MINNESOTA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
DECEMBER 31, 2019**

**FINANCIAL STATEMENT FINDINGS (CONTINUED)  
MATERIAL WEAKNESSES (CONTINUED)**

2019-003 BANK RECONCILIATIONS

**Type of Finding:** Material Weakness in Internal Control over Financial Reporting

**Criteria:** As part of sound financial controls over cash and investments balances, the County should reconcile its bank and investment accounts to its general ledger at the end of each calendar month.

**Condition and Context:** The reconciliations for 2019 were not completed as of year-end in a timely manner.

**Cause:** Lack of Personnel.

**Possible Effect:** Absence a complete and accurate reconciliation of the County's cash each month diminishes the ability of the County's management to prevent timely and accurate reporting of financial information.

**Repeat Finding:** Yes - Finding 2018-003.

**Recommendation:** We recommend the County staff complete a precise and timely reconciliation of the County's bank accounts to its general ledger each month and the County document the review of these monthly reconciliations by the Finance Director.

**View of Responsible Officials and Planned Correction Action:** There is no disagreement with the audit finding. The County will review the controls over maintaining a timely and accurate bank reconciliation.

**MOWER COUNTY  
AUSTIN, MINNESOTA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
DECEMBER 31, 2019**

**FINANCIAL STATEMENT FINDINGS (CONTINUED)  
SIGNIFICANT DEFICIENCIES**

2019-004 UNAUTHORIZED BANK SIGNERS

**Type of Finding:** Significant Deficiency in Internal Control over Financial Reporting

**Criteria:** Standard internal control suggest bank account authorizations be updated when employees terminate from a position at the County.

**Condition and Context:** During our audit, it was noted that a former employee had signing rights to a bank account held by the County.

**Cause:** Oversight.

**Possible Effect:** Former employees that are authorized signers have management level access to cash accounts.

**Repeat Finding:** No.

**Recommendation:** We recommend the County review their employee termination process and documentation.

**View of Responsible Officials and Planned Correction Action:** There is no disagreement with the audit finding. The County will review controls over the termination process.

**MOWER COUNTY  
AUSTIN, MINNESOTA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
DECEMBER 31, 2019**

**FINANCIAL STATEMENT FINDINGS (CONTINUED)  
SIGNIFICANT DEFICIENCIES**

2019-005 BUDGET RECONCILIATION

**Type of Finding:** Significant Deficiency in Internal Control over Financial Reporting

**Criteria:** Standard internal control suggest the County review the budget in the general ledger system to the board approved budget each year.

**Condition and Context:** During our audit, it was noted that the County's general ledger system budget amounts do not tie to the board approved budget for 2019.

**Cause:** Oversight.

**Possible Effect:** The design of internal controls over the budget process limits the ability of the County to provide accurate financial information for financial reporting purposes.

**Repeat Finding:** No.

**Recommendation:** We recommend the County implement procedures to ensure the board approved budget amounts are recorded in the general ledger system.

**View of Responsible Officials and Planned Correction Action:** There is no disagreement with the audit finding. The County will review the controls over the general ledger data entry process for the budget.

**MOWER COUNTY  
AUSTIN, MINNESOTA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
DECEMBER 31, 2019**

**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

2019-006 CASEFILE REVIEW

**Federal Agency:** U.S. Department of Health and Human Services  
**Federal Program Title:** Medical Assistance Program (Medicaid Cluster)  
**CFDA Number:** 93.778  
**Pass-Through Agency:** Minnesota Department of Human Services  
**Pass-Through Numbers:** 1905MN5ADM, 1905MN5MAP  
**Compliance Requirement Affected:** Eligibility  
**Award Period:** Year-Ended December 31, 2019

**Type of Finding:** Material Weakness in Internal Control over Compliance

**Criteria:** Supervisor review of casefiles should be performed and documented.

**Condition and Context:** During our testing of the Medical Assistance Program through inquiry and our statistically valid sample, it was noted there was no documented review being performed.

**Questioned Costs:** Unable to be determined.

**Cause:** Past practice.

**Possible Effect:** Errors made in determining eligibility may not be discovered and benefits may be issued to clients who are not eligible.

**Repeat Finding:** Yes – Finding 2018-004.

**Recommendation:** We recommend the County review case files on a periodic basis throughout the year.

**Views of responsible officials:** There is no disagreement with the audit finding. The county has implemented a review form to implement casefile reviews.

**MOWER COUNTY  
AUSTIN, MINNESOTA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
DECEMBER 31, 2019**

**OTHER ITEMS FOR CONSIDERATION – MINNESOTA LEGAL COMPLIANCE**

2019-007 PUBLISHING OF COUNTY BOARD MINUTES

**Type of Finding:** Minnesota Legal Compliance

**Criteria:** Minnesota Statute §375.12 requires the County to publish the official proceedings of its sessions or a summary in a qualified newspaper within 30 days of each meeting.

**Condition and Context:** During our audit, it was noted that not all of the county board minutes in 2019 were published within 30 days of the meeting in a qualified newspaper.

**Cause:** Oversight.

**Possible Effect:** The County is not in compliance with Minnesota Statute §374.12.

**Repeat Finding:** No.

**Recommendation:** We recommend the County implement procedures to ensure all county board meetings are published in a qualified newspaper within 30 days of each meeting.

**VIEWS OF RESPONSIBLE OFFICIALS:**

*The county will review statutes and ensure timely payment of claims.*

**MOWER COUNTY  
AUSTIN, MINNESOTA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
DECEMBER 31, 2019**

Audit period: December 31, 2018.

The findings from the prior audit's schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the prior year.

**FINANCIAL STATEMENT FINDINGS**

2018 – 001 SEGREGATION OF DUTIES

**Condition:** Adequate segregation of the accounting functions necessary to ensure adequate internal accounting control, is not in place for County departments.

**Status:** See current year finding 2019-001.

**Reason for finding's recurrence:** The County has a limited number of personnel within several County departments.

**Corrective Action:** We recommend County management be aware of the lack of segregation of duties within the accounting functions and assess whether additional segregation of duties is cost beneficial. If additional segregation is not possible, we recommend County management implement oversight procedures to ensure the internal control policies and procedures are being implemented by County staff.

2018 – 002 AUDIT ADJUSTMENTS

**Condition:** As part of the audit, we proposed material audit adjustments for recording of accruals, reclassifications of revenues to the proper accounts, adjustment of deferred inflow of resources, net pension liability related accounts, and corrections of modified accrual adjustments.

**Status:** See current year audit finding 2019-002.

**Reason for finding's recurrence:** The County has a limited number of personnel.

**Corrective Action:** We recommend County management and financial personnel continue to increase their awareness and knowledge of all procedures and processes involved in recording transactions, accruals, and reclassifications and develop internal control policies to ensure proper recording of these items.

2018 – 003 BANK RECONCILIATIONS

**Condition:** The reconciliations for the year were not completed as of year-end in a timely manner.

**Status:** See current year finding 2019-003.

**Reason for finding's recurrence:** Lack of personnel.

**Corrective Action:** We recommend the County staff complete a precise and timely reconciliation of the County's bank accounts to its general ledger each month and the County document the review of these monthly reconciliations by the Finance Director.

**MOWER COUNTY  
AUSTIN, MINNESOTA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
DECEMBER 31, 2019**

**SINGLE AUDIT FINDINGS**

2018 – 004 CASEFILE REVIEW- MEDICAL ASSISTANCE

**Condition:** The County is not performing casefile reviews over recipients of Medical Assistance.

**Status:** See current year finding 2019-006.

**Reason for finding's recurrence:** Lack of personnel.

**Corrective Action:** We recommend the County staff complete casefile reviews on a periodic basis throughout the year.

2018 – 005 ELIGIILITY: ASSETS- MEDICAL ASSISTANCE

**Condition:** The County did not have documented asset verification in MAXIS related to Medical Assistance.

**Status:** Resolved.

**Reason for finding's recurrence:** Oversight.

**Corrective Action:** We recommend the County staff ensures all required documentation is retained to support assets in MAXIS.

2018 – 006 PROCUREMENT- MEDICAL ASSISTANCE

**Condition:** The County did not retain documentation of the rationale of the procurement method as appropriate for the procurement threshold related to Medical Assistance.

**Status:** Resolved.

**Reason for finding's recurrence:** Oversight.

**Corrective Action:** We recommend the County staff ensures all required documentation is retained to support procurement for Medical Assistance.

**MOWER COUNTY  
AUSTIN, MINNESOTA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
DECEMBER 31, 2019**

Federal Grantor Pass Through Agency Grant Program Title (Program or Cluster Title)	Federal CFDA Number	Pass-Through Grant Number	Expenditures	Passed to Subrecipients
<b>U.S. Department of Agriculture</b>				
Passed Through Minnesota Department of Human Services State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (Part of SNAP Cluster)	10.561	192MN101S2514	\$ 297,685	\$ -
Passed Through Minnesota Department of Health WIC Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	192MN004W1003	278,447	-
Total Department of Agriculture			576,132	-
<b>U.S. Department of Education</b>				
Passed Through Minnesota Department of Health Special Education-Grants for Infants and Families	84.181	H181A150029	648	-
<b>U.S. Department of Health and Human Services</b>				
Passed Through Minnesota Department of Health Public Health Emergency Preparedness	93.069	NU90TP922026	40,606	-
Early Hearing Detection and Intervention	93.251	H61MC00035-16-02	225	-
Early Hearing Detection and Intervention Information System (EHDI-IS) Surveillance Program	93.314	NUR3DD000842-06-00	150	-
PPHF Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance Financed in Part by Prevention and Public Health Funds	93.539	Not Provided	2,525	-
Temporary Assistance for Needy Families (Part of TANF Cluster) (Total Temporary Assistance for Needy Families 93.558 \$641,054)	93.558	1901MNTANF	38,395	-
Maternal and Child Health Services Block Grant to the States	93.994	BO4MC32551	44,160	-
Passed Through Minnesota Department of Human Services MaryLee Allen Promoting Safe and Stable Families Program	93.556	G-1801MNFPS	13,926	-
Temporary Assistance for Needy Families (Part of TANF Cluster) (Total Temporary Assistance for Needy Families 93.558 \$641,054)	93.558	1901MNTANF	602,659	602,659
Child Support Enforcement	93.563	1901MNCEST, 1901MNCSES	988,260	-
Refugee and Entrant Assistance State/Replacement Designee Administered Programs	93.566	1901MNRCA	352	-
Child Care Mandatory and Matching Funds of the Child Care and Development Fund (CCDF Cluster)	93.596	G1901MNCCDF	17,415	-
Community-Based Child Abuse Prevention Grants	93.590	G-1801MNBCAP	23,968	-
Stephanie Tubbs Jones Child Welfare Services Program	93.645	G-1801MNCWSS	11,984	-
Foster Care Title IV-E	93.658	1901MNFOST	409,009	-
Maternal, Infant, and Early Childhood Home Visiting Grant Program	93.870	X10MC29483	185,896	-
Social Services Block Grant	93.667	G-1901MNSOSR	241,383	-
John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674	G-1901MNCILP	2,792	-
Children's Health Insurance Program	93.767	1905MN5021	269	-
Medical Assistance Program (Part of Medicaid Cluster)	93.778	1905MN5ADM, 1905MN5MAP	1,330,779	-
Total Department of Health and Human Services			3,954,753	602,659

Notes to Schedule of Expenditures of Federal Awards are an Integral Part of this Schedule.

**MOWER COUNTY  
AUSTIN, MINNESOTA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)  
DECEMBER 31, 2019**

Federal Grantor Pass Through Agency Grant Program Title (Program or Cluster Title)	Federal CFDA Number	Pass-Through Grant Number	Expenditures	Passed to Subrecipients
<b>U.S. Department of Homeland Security</b>				
Passed Through Minnesota Department of Public Safety				
Emergency Management Performance Grant	97.042	F-EMPG-2018MOWECO- 3045	\$ 3,823	\$ -
Homeland Security Grant Program	97.067	AEMP6-2019	<u>832</u>	<u>-</u>
Total Department of Homeland Security			<u>4,655</u>	<u>-</u>
Total Cash Type Federal Awards			<u>\$ 4,536,188</u>	<u>\$ 602,659</u>

Clusters of programs are groupings of closely related programs that share common compliance requirements.  
Total expenditures by cluster are:

Temporary Assistance for Need Families (TANF) Cluster	\$ 641,054
CCDF Cluster	17,415
Medicaid Cluster	1,330,779
SNAP Cluster	297,685
MIECHV Cluster	185,896

*Notes to Schedule of Expenditures of Federal Awards are an Integral Part of this Schedule.*

**MOWER COUNTY  
AUSTIN, MINNESOTA  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED DECEMBER 31, 2019**

1. Reporting Entity

The schedule of expenditures of federal awards presents the activities of federal award programs expended by Mower County. The County's reporting entity is defined in Note 1 to the financial statements.

2. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the County under programs of the federal government for the year ended December 31, 2019. The information in this schedule is presented in accordance with the requirement of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirement for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the County, it is not intended to and does not present the financial position, changes in net position, or cash flows of the County.

3. Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principal contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The County has elected to not use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

4. Reconciliation to Schedule of Intergovernmental Revenue

Federal Grant Revenue Per Schedule of Intergovernmental Revenue	\$ 4,352,187
Revenues included on the Schedule of Intergovernmental Revenue that are not considered Federal Grant Expenditures (Prior Year Deferred Inflows of Resources)	(64,482)
Expenditures above, not included as revenues on the Schedule of Intergovernmental Revenues (Current Year Deferred Inflows of Resources)	<u>248,483</u>
Expenditures per Schedule of Expenditures of Federal Awards	<u><u>\$ 4,536,188</u></u>



## INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE

Board of County Commissioners  
Mower County  
Austin, 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 *Governmental Auditing Standards*, issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Mower County, Minnesota (the County), as of December 31, 2019, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated August 27, 2020.

The County's financial statements include the operations of the Mower County Housing and Redevelopment Authority (HRA), for the year ended September 30, 2019. Our audit, described below, did not include the operations of the HRA because the HRA (component unit) engaged for its own separate audit that included provisions of the *Minnesota Legal Compliance Audit Guide for Counties*.

In connection with our audit, nothing came to our attention that caused us to believe that Mower County failed to comply with the provisions of the contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing sections of the *Minnesota Legal Compliance Audit Guide for Counties*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters, except as described in the Schedule of Findings and Questioned Costs as item 2019-007. 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 Mower County's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

The purpose of this report is solely to describe the scope of our testing of compliance relating to the provisions of the *Minnesota Legal Compliance Audit Guide for Counties* and the results of that testing, and not to provide an opinion on compliance. Accordingly, this report is not suitable for any other purpose.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Austin, Minnesota  
August 27, 2020