

**MOWER COUNTY
AUSTIN, MINNESOTA**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2020

**MOWER COUNTY
AUSTIN, MINNESOTA
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YEAR ENDED DECEMBER 31, 2020**

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INTRODUCTORY SECTION

**MOWER COUNTY
AUSTIN, MINNESOTA
ORGANIZATION
DECEMBER 31, 2020**

Elected			<u>Term Expires</u>
Commissioners			
Chair	Jeff Baldus	District 4	January 2023
Board Member	Vacant	District 1	January 2021
Board Member	Polly Glynn	District 2	January 2021
Board Member	Jerry Reinartz	District 3	January 2023
Board Member	Mike Ankeny	District 5	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
Appointed			
Assessor	Joy Kanne		December 2024
Coroner	R. Ross Reichard, MD		December 2022
Administrator	Trish Harren		Indefinite
Engineer	Michal Hanson		May 2023
Finance Director	Donna Welsh		Indefinite
Health & Human Services Director	Crystal Peterson		Indefinite
Veterans Service Officer	Rodney Streich		June 2024

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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 (for the year ended September 30, 2020), each major fund, and the aggregate remaining fund information of Mower County (the County), as of and for the year ended December 31, 2020, 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 (for the year ended September 30, 2020), each major fund, and the aggregate remaining fund information of Mower County as of December 31, 2020, 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

During the year ended December 31, 2020, the County adopted the provisions of Governmental Accounting Standards Board Statement (GASB) No. 84, *Fiduciary Activities*. As a result of the implementation of this standard, the County reported a restatement for a change in accounting principle (see Note 1.E). Our auditor's opinion was not modified with respect to the restatement.

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.

Supplementary 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 listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The 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 Awards* is also presented for purposes of additional analysis and is not a required part of the basic financial statements.

Other Matters (Continued)

Supplementary Information (Continued)

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 September 13, 2021, 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
September 13, 2021

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REQUIRED SUPPLEMENTARY INFORMATION

**MOWER COUNTY
AUSTIN, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2020**

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, 2020. 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 (2020) and the prior year (2019) is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2019-2020 fiscal years include the following:

- ◆ County-wide net position increased 6.7% over the prior year.
- ◆ Overall fund-level revenues totaled \$64,077,457 and were \$7,257,707 more than expenditures; this is primarily due to increased intergovernmental revenue.
- ◆ The General Fund's fund balance increased by \$3,658,549 from the prior year; this is primarily due to the Coronavirus Relief Fund grant.
- ◆ The Road and Bridge Fund's fund balance increased \$2,513,255 from the prior year, before the inventory adjustment; this is primarily due to a decrease in construction projects during the year.
- ◆ The Social Services Fund's fund balance increased by \$1,175,412 primarily due to transfers in from the general fund related to CARES expenses.
- ◆ The Capital Projects Fund reflects an increase of \$215,442 in fund balance. The increase in this fund is primarily due to a decrease in capital project expenditures.

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.

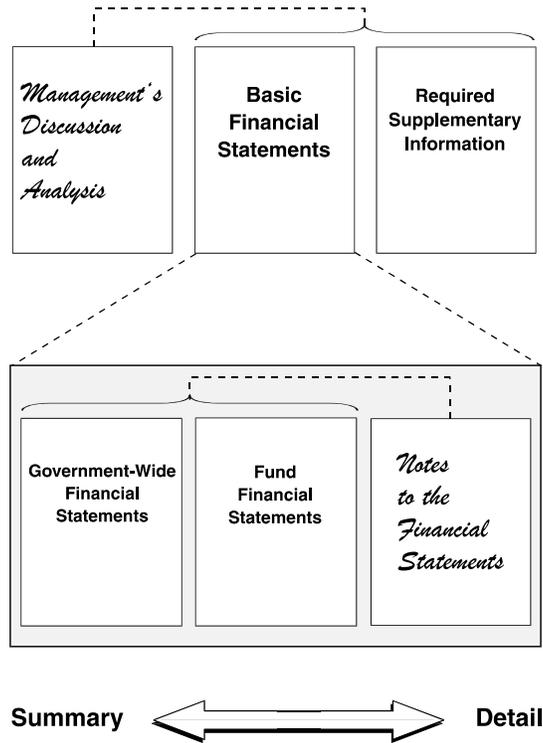
**MOWER COUNTY
AUSTIN, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2020**

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, 2020**

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.

Type of Statements	Government-Wide	Governmental Funds	Fiduciary Funds
Scope	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.
Required Financial Statements	Statement of net position.	Balance sheet.	Statement of fiduciary net position.
	Statement of activities.	Statement of revenues, expenditures, and changes in fund balance.	Statement of changes in fiduciary net position.
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus.	Modified accrual accounting and current financial resources focus.	Accrual accounting and economic resources focus.
Type of Asset/Liability Information	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. Custodial funds do not currently contain capital assets, although they can.
Type of Inflow/Outflow Information	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 additions and deductions during year, regardless of when cash is received or paid.

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.

**MOWER COUNTY
AUSTIN, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2020**

COUNTY-WIDE STATEMENTS (CONTINUED)

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.
- ◆ To assess the overall health of the County, you need to consider additional nonfinancial 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 THREE 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 a reconciliation that explains 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 and a statement of changes in fiduciary net position. These activities are excluded 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, 2020**

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

NET POSITION

The County's net position was \$164,804,061 on December 31, 2020 (see Table A-1).

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

	Governmental Activities		Percentage Change
	2020	2019	
Current and Other Assets	\$ 56,665,473	\$ 48,925,455	15.8 %
Capital Assets	149,230,045	146,161,933	2.1
Total Assets	205,895,518	195,087,388	5.5
Deferred Outflows of Resources	9,230,556	5,273,135	75.0
Current Liabilities	17,921,009	15,924,688	12.5
Long-Term Liabilities, Due in More Than One Year	29,077,389	24,226,971	20.0
Total Liabilities	46,998,398	40,151,659	17.1
Deferred Inflows of Resources	3,323,615	6,515,881	(49.0)
Net Position:			
Net Investment in Capital Assets	144,312,681	139,379,763	3.5
Restricted	6,967,937	5,476,784	27.2
Unrestricted	13,523,443	8,836,436	53.0
Total Net Position	\$ 164,804,061	\$ 153,692,983	7.2

**MOWER COUNTY
AUSTIN, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2020**

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE (CONTINUED)

CHANGES IN NET POSITION

The County-wide total revenues were \$64,080,719 for the year ended December 31, 2020. Property and other taxes and intergovernmental revenues accounted for 87% 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 2020	December 31, 2019	
REVENUES			
Program Revenues:			
Charges for Services	\$ 5,893,372	\$ 6,289,961	(6.3)%
Operating Grants and Contributions	16,965,431	11,515,965	47.3
Capital Grants and Contributions	5,642,422	5,456,883	3.4
General Revenues:			
Property Taxes	22,237,494	21,480,785	3.5
Other Taxes	4,270,110	4,094,840	4.3
Unrestricted Grants and Contributions	6,799,313	5,598,866	21.4
Unrestricted Investment Earnings	1,577,966	1,878,339	(16.0)
Miscellaneous	694,548	397,995	74.5
Gain on Sale of Capital Assets	63	26,161	(99.8)
Total Revenues	<u>64,080,719</u>	<u>56,739,795</u>	12.9
EXPENSES			
General Government	12,105,457	8,812,048	37.4
Public Safety	11,697,204	11,963,073	(2.2)
Highways and Streets	9,941,271	8,569,810	16.0
Sanitation	1,067,642	1,056,747	1.0
Human Services	13,362,416	12,989,141	2.9
Health	2,471,060	2,158,260	14.5
Culture and Recreation	624,728	637,087	(1.9)
Conservation of Natural Resources	1,471,906	862,346	70.7
Interest	218,535	292,873	(25.4)
Total Expenses	<u>52,960,219</u>	<u>47,341,385</u>	11.9
CHANGE IN NET POSITION	11,120,500	9,398,410	18.3
Net Position - Beginning of Year, As Previously Reported	153,692,983	144,127,573	6.6
Restatement (See Note 1.E.)	(9,422)	167,000	105.6
Net Position - Beginning of Year, As Restated	<u>153,683,561</u>	<u>144,294,573</u>	
NET POSITION - END OF YEAR	<u>\$ 164,804,061</u>	<u>\$ 153,692,983</u>	7.2

Total revenues surpassed expenses, increasing net position \$11,120,500 over last year.

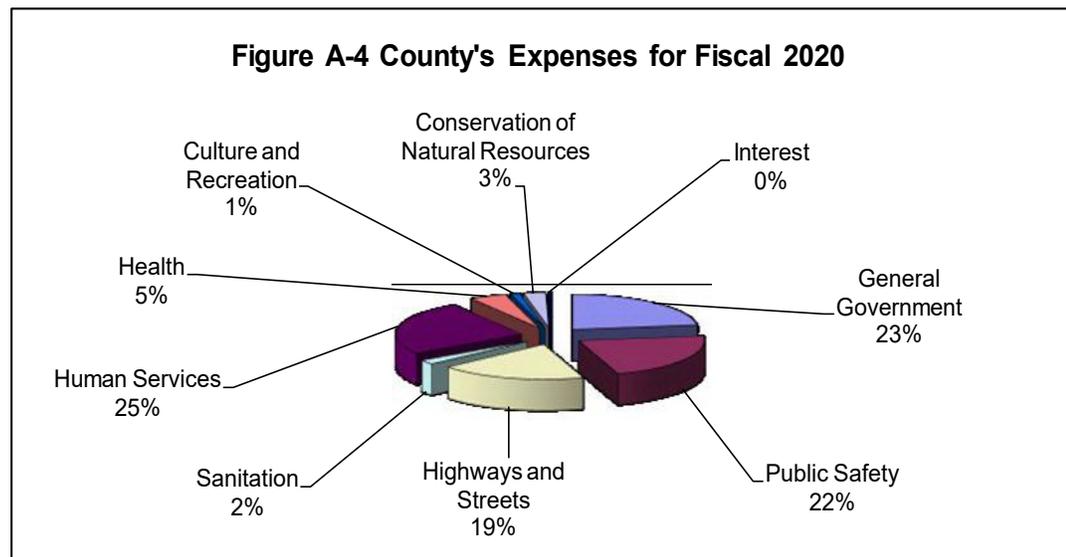
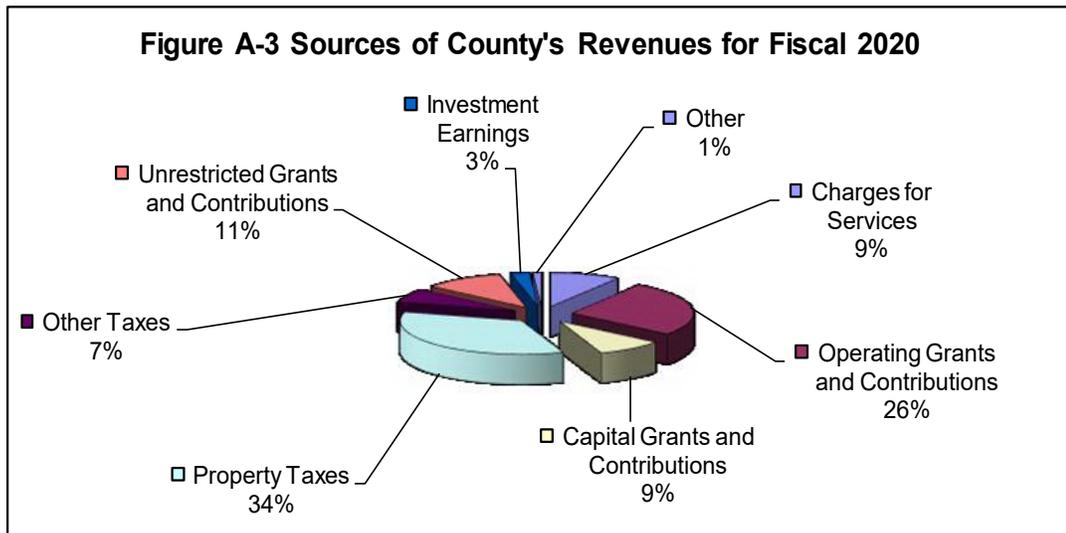
**MOWER COUNTY
AUSTIN, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2020**

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 \$52,960,219.

- ◆ Some of the cost was paid by the users of the County's programs (\$5,893,372).
- ◆ Federal, state, and local governments subsidized certain programs with grants and contributions (\$22,607,853).
- ◆ Most of the County's remaining costs (\$24,458,994), however, were paid for by County taxpayers and the taxpayers of our state. This portion of governmental activities was paid for with \$22,237,494 in property taxes, \$4,270,110 of other taxes, \$6,799,313 of unrestricted grants and contributions, and with \$1,577,966 of investment earnings and other general revenues.



**MOWER COUNTY
AUSTIN, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2020**

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		
	2020	2019	Change	2020	2019	Change
General Government	\$ 12,105,457	\$ 8,812,048	37.4 %	\$ (5,094,873)	\$ (7,612,425)	33.1 %
Public Safety	11,697,204	11,963,073	(2.2)	(9,703,040)	(10,046,532)	3.4
Highways and Streets	9,941,271	8,569,810	16.0	(3,637,517)	(1,474,238)	(146.7)
Sanitation	1,067,642	1,056,747	1.0	(61,273)	(57,180)	(7.2)
Human Services	13,362,416	12,989,141	2.9	(4,519,052)	(3,737,472)	(20.9)
Health	2,471,060	2,158,260	14.5	(120,787)	(13,663)	(784.0)
Culture and Recreation	624,728	637,087	(1.9)	(624,728)	(637,087)	1.9
Conservation of						
Natural Resources	1,471,906	862,346	70.7	(479,189)	(249,531)	(92.0)
Interest	218,535	292,873	(25.4)	(218,535)	(250,448)	12.7
Total Expenses	\$ 52,960,219	\$ 47,341,385	11.9	\$ (24,458,994)	\$ (24,078,576)	(1.6)

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 \$51,481,992.

Revenues for the County's governmental funds were \$64,077,457, while total expenditures were \$56,819,750.

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, 2020**

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, 2020	December 31, 2019	Increase (Decrease)	Percent
Taxes	\$ 14,371,185	\$ 13,026,814	\$ 1,344,371	10.3 %
Special Assessments	862,586	818,228	44,358	5.4
Intergovernmental	9,910,432	3,677,575	6,232,857	169.5
Charges for Services	1,074,921	1,102,413	(27,492)	(2.5)
Investment Earnings	1,575,544	1,876,382	(300,838)	(16.0)
Miscellaneous and Other	1,625,294	1,830,848	(205,554)	(11.2)
Total General Fund Revenue	<u>\$ 29,419,962</u>	<u>\$ 22,332,260</u>	<u>\$ 7,087,702</u>	31.7

Total General Fund revenue increased by \$7,087,702 or 31.7%, from the previous year. Intergovernmental operating grants 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, 2020	December 31, 2019	Increase (Decrease)	Percent
General Government	\$ 11,108,525	\$ 6,638,615	\$ 4,469,910	67.3 %
Public Safety	11,418,787	11,673,325	(254,538)	(2.2)
Sanitation	1,044,028	1,037,989	6,039	0.6
Culture and Recreation	502,791	524,215	(21,424)	(4.1)
Conservation of Natural Resources	372,559	331,468	41,091	12.4
Capital Outlay	939,072	390,888	548,184	140.2
Debt Service	22	2,371	(2,349)	(99.1)
Total General Fund Expenditures	<u>\$ 25,385,784</u>	<u>\$ 20,598,871</u>	<u>\$ 4,786,913</u>	23.2

The General Fund had total fund balance of \$29,458,714 at the end of the current fiscal year. The fund balance of the General Fund increased \$3,658,549 during the current fiscal year primarily due to an increase in intergovernmental operating grants.

**MOWER COUNTY
AUSTIN, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2020**

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

OTHER MAJOR FUNDS ANALYSIS

The Road and Bridge Fund had total fund balance of \$8,257,942 the end of the current fiscal year. The fund balance of the Road and Bridge Fund increased \$2,513,255 (excluding the change in inventory) during the current fiscal year primarily due to a decrease in construction projects during the year.

The Social Services Fund had total fund balance of \$7,582,066 at the end of the current fiscal year. The fund balance of the Social Services Fund increased \$1,175,412; this is primarily due to increased tax revenues.

The Capital Projects Fund had a total fund balance of \$3,377,509 at the end of the current fiscal year. The fund balance of the Capital Projects fund increased \$215,442 primarily due to a decrease in capital outlay related expenses.

GENERAL FUND BUDGETARY HIGHLIGHTS

- ◆ Actual revenues were \$6,576,720 more than expected resulting primarily from increased intergovernmental revenues due to the pandemic and investment earnings revenues
- ◆ The actual expenditures were \$2,612,265 more than budget and relate largely to increased general government expenditures due to the pandemic.

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, 2020**

CONSTRUCTION PROJECTS AND DEBT SERVICE (CONTINUED)

CAPITAL ASSETS

By the end of 2020, the County had invested approximately \$228,800,000 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 \$4,659,410.

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

	Governmental Activities		Percentage Change
	2020	2019	
Land and Right of Way	\$ 16,647,814	\$ 16,456,197	1.2 %
Construction in Progress	3,618,056	2,804,287	29.0
Buildings and Building Improvements	38,091,941	37,907,408	0.5
Improvements Other than Buildings	1,274,802	1,274,802	-
Machinery and Equipment	12,142,291	11,354,209	6.9
Software	532,000	554,212	(4.0)
Infrastructure	156,544,916	151,281,564	3.5
Accumulated Depreciation	<u>(79,621,775)</u>	<u>(75,470,746)</u>	5.5
Total	<u>\$ 149,230,045</u>	<u>\$ 146,161,933</u>	2.1

LONG-TERM LIABILITIES

At year-end, the County had \$44,579,603 in long-term liabilities outstanding.

- The County's total long-term liabilities increased \$6,982,881, due largely to the changes in OPEB. 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
	2020	2019	
Notes from direct borrowings	\$ 1,101,132	\$ 952,898	15.6 %
Bonds Payable	5,285,000	5,890,000	(10.3)
Capital Lease Payable	-	2,270	(100.0)
Compensated Absences Payable	1,656,941	1,238,738	33.8
Other Postemployment Benefits Payable	23,031,836	17,985,535	28.1
Net Pension Liability	<u>13,504,694</u>	<u>11,527,281</u>	17.2
Total	<u>\$ 44,579,603</u>	<u>\$ 37,596,722</u>	18.6

**MOWER COUNTY
AUSTIN, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2020**

FACTORS BEARING ON THE COUNTY'S FUTURE AND 2020 BUDGET

The fiscal uncertainties of a year ago have moderated. A predicted state of Minnesota budget deficit of \$2.4 billion shifted to a \$1 billion surplus as the State adopted its fiscal 2022-2023 biennial budget in June 2021. That biennial budget included no reductions in local government aid, nor any new unfunded mandates or cost-shifts, all welcome news for local governments in Minnesota.

The County has set the 2021 expenditure and revenue budget at \$59,472,689, an increase of about \$4,400,000 from the 2020 expenditure budget.

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 220th Street, Austin, Minnesota 55912.

BASIC FINANCIAL STATEMENTS

**MOWER COUNTY
AUSTIN, MINNESOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2020**

	Primary Government Governmental Activities	September 30, 2020 Discretely Presented Component Unit
ASSETS		
Cash and Pooled Investments	\$ 48,483,195	\$ 658,250
Petty Cash and Change Funds	1,570	-
Tenant Deposit Cash	-	36,877
Taxes Receivable:		
Delinquent	474,214	59,550
Special Assessments Receivable:		
Current	214,087	-
Delinquent	39,646	-
Noncurrent	48,086	-
Accounts Receivable - Net	428,334	7,923
Due from HUD	-	139
Accrued Interest Receivable	168,772	298
Loans Receivable	947,875	-
Due from Other Governments	5,076,903	-
Inventories	497,641	-
Restricted Assets - Temporary	29,836	633,220
Prepaid Items	255,314	31,875
Nondepreciable Capital Assets:		
Land and Right of Way	16,647,814	42,304
Construction in Progress	3,618,056	-
Depreciable Capital Assets:		
Buildings (Net)	26,302,621	1,172,292
Improvements Other Than Buildings (Net)	713,917	56,715
Machinery, Vehicles, Furniture, and Equipment (Net)	4,082,600	146,909
Software (Net)	46,770	-
Infrastructure (Net)	97,818,267	-
Total Assets	205,895,518	2,846,352
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows of Resources - Loss on Refunding	724,083	-
Deferred Outflows of Resources - Pension Related	3,015,247	-
Deferred Outflows of Resources - Other Postemployment Benefit Related	5,491,226	-
Total Deferred Outflows of Resources	9,230,556	-

See accompanying Notes to Basic Financial Statements.

**MOWER COUNTY
AUSTIN, MINNESOTA
STATEMENT OF NET POSITION (CONTINUED)
DECEMBER 31, 2020**

	Primary Government <u>Governmental</u> Activities	September 30, 2020 Discretely Presented Component Unit
LIABILITIES		
Accounts Payable	\$ 967,515	\$ 24,887
Salaries Payable	777,093	12,539
Contracts Payable	324,259	-
Due to Other Governments	268,413	-
Accrued Expenses	-	15,227
Accrued Interest Payable	49,328	168
Unearned Revenue	-	2,186
Compensated Absences Payable - Due within One Year	104,400	15,000
Other Postemployment Benefits Plan Payable - Due within One Year	1,236,179	-
General Obligation Bonds Payable - Due within One Year	615,000	-
Notes from Direct Borrowing - Due within One Year	74,128	11,213
Tenant Deposits Payable	-	36,877
Compensated Absences Payable - Due in More Than One Year	1,552,541	31,792
Other Postemployment Benefits Plan Payable - Due in More than One Year	21,795,657	-
General Obligation Bonds Payable - Due in More Than One Year	4,702,187	-
Notes from Direct Borrowing - Due in More Than One Year	1,027,004	21,083
Net Pension Liability	13,504,694	-
Total Liabilities	<u>46,998,398</u>	<u>170,972</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows of Resources - Pension Related	2,580,028	-
Deferred Inflows of Resources - Other Postemployment Benefit Related	574,692	-
Deferred Inflows of Resources - Property Taxes Levied for Subsequent Year	168,895	-
Total Deferred Inflows of Resources	<u>3,323,615</u>	<u>-</u>
NET POSITION		
Net Investment in Capital Assets	144,312,681	1,385,924
Restricted for:		
General Government	796,813	-
Highways and Streets	2,077,840	-
Public Safety	248,496	-
HRA Housing	-	633,220
Conservation	2,145,821	-
Human Services	350,838	-
Debt Service	556,260	-
Economic Development	791,869	-
Unrestricted	<u>13,523,443</u>	<u>656,236</u>
Total Net Position	<u>\$ 164,804,061</u>	<u>\$ 2,675,380</u>

See accompanying Notes to Basic Financial Statements.

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**MOWER COUNTY
AUSTIN, MINNESOTA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020**

FUNCTIONS/PROGRAMS	Program Revenues				Net (Expense) Revenue and Changes in Net Position	
	Expenses	Fees, Charges, Fines, and Other	Operating Grants and Contributions	Capital Grants and Contributions	Changes in Net Position Governmental Activities	Discretely Presented Component Unit
PRIMARY GOVERNMENT						
GOVERNMENTAL ACTIVITIES						
General Government	\$ 12,105,457	\$ 1,022,467	\$ 5,988,117	\$ -	\$ (5,094,873)	
Public Safety	11,697,204	765,600	1,228,564	-	(9,703,040)	
Highways and Streets	9,941,271	530,151	131,181	5,642,422	(3,637,517)	
Sanitation	1,067,642	874,745	131,624	-	(61,273)	
Human Services	13,362,416	817,817	8,025,547	-	(4,519,052)	
Health	2,471,060	1,060,795	1,289,478	-	(120,787)	
Culture and Recreation	624,728	-	-	-	(624,728)	
Conservation of Natural Resources	1,471,906	821,797	170,920	-	(479,189)	
Interest	218,535	-	-	-	(218,535)	
Total Governmental Activities	52,960,219	5,893,372	16,965,431	5,642,422	(24,458,994)	
COMPONENT UNIT *						
Housing and Redevelopment Authority	1,195,638	550,306	435,500	48,077	-	\$ (161,755)
Total Reporting Entity	<u>\$ 54,155,857</u>	<u>\$ 6,443,678</u>	<u>\$ 17,400,931</u>	<u>\$ 5,690,499</u>	(24,458,994)	(161,755)
GENERAL REVENUES						
Property Taxes					22,237,494	129,621
Wheelage Taxes					381,657	-
Transportation sales and use tax					2,068,240	-
Wind Production Taxes					1,739,084	-
Mortgage Registry and Deed Tax					18,024	-
Payments in Lieu of Tax					63,105	-
Grants and Contributions not Restricted for a Particular Purpose					6,799,313	-
Unrestricted Investment Earnings					1,577,966	11,947
Miscellaneous					694,548	17,772
Gain on the Sale of Capital Assets					63	-
Total General Revenues					<u>35,579,494</u>	<u>159,340</u>
CHANGE IN NET POSITION					11,120,500	(2,415)
Net Position - Beginning of Year, As Previously Reported					153,692,983	2,677,795
Restatement (See Note 1.E.)					(9,422)	-
Net Position - Beginning of Year, As Restated					<u>153,683,561</u>	<u>2,677,795</u>
NET POSITION - END OF YEAR					<u>\$ 164,804,061</u>	<u>\$ 2,675,380</u>

* The statement of activities for the Component Unit is for the year ended September 30, 2020.

**MOWER COUNTY
AUSTIN, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2020**

ASSETS	General	Road and Bridge	Social Services
Cash and Pooled Investments	\$ 28,943,131	\$ 7,635,954	\$ 6,659,787
Petty Cash and Change Funds	1,140	30	400
Taxes Receivable - Delinquent	275,354	63,149	106,406
Special Assessments Receivable - Current	24,382	-	-
Special Assessments Receivable - Delinquent	35,041	-	-
Special Assessments Receivable - Noncurrent	48,086	-	-
Accounts Receivable	52,334	797	375,203
Accrued Interest Receivable	168,772	-	-
Loans Receivable	-	-	-
Due from Other Governments	1,290,463	2,121,599	1,648,584
Inventories	-	497,641	-
Prepaid Items	-	255,314	-
Restricted Cash - Temporary	-	-	-
Total Assets	\$ 30,838,703	\$ 10,574,484	\$ 8,790,380
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ 485,102	\$ 161,609	\$ 285,364
Salaries Payable	410,230	97,337	269,526
Contracts Payable	-	324,259	-
Due to Other Governments	85,480	74,350	103,237
Total Liabilities	980,812	657,555	658,127
DEFERRED INFLOWS OF RESOURCES			
Unavailable Taxes	198,463	47,063	77,533
Unavailable Special Assessments	98,430	-	-
Unavailable Grants	-	-	347,692
Unavailable Other	-	25,234	86,036
Unavailable State Aid Allotments	-	1,564,749	-
Property Taxes Levied for Subsequent Year	102,284	21,941	38,926
Total Deferred Inflows of Resources	399,177	1,658,987	550,187

See accompanying Notes to Basic Financial Statements.

**MOWER COUNTY
AUSTIN, MINNESOTA
BALANCE SHEET (CONTINUED)
GOVERNMENTAL FUNDS
DECEMBER 31, 2020**

Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ 3,409,376	\$ 1,834,947	\$ 48,483,195
-	-	1,570
2,602	26,703	474,214
-	189,705	214,087
-	4,605	39,646
-	-	48,086
-	-	428,334
-	-	168,772
-	947,875	947,875
-	16,257	5,076,903
-	-	497,641
-	-	255,314
-	29,836	29,836
<u>\$ 3,411,978</u>	<u>\$ 3,049,928</u>	<u>\$ 56,665,473</u>

\$ 31,922	\$ 3,518	\$ 967,515
-	-	777,093
-	-	324,259
-	5,346	268,413
<u>31,922</u>	<u>8,864</u>	<u>2,337,280</u>

2,547	203,261	528,867
-	10,041	108,471
-	-	347,692
-	16,257	127,527
-	-	1,564,749
-	5,744	168,895
<u>2,547</u>	<u>235,303</u>	<u>2,846,201</u>

See accompanying Notes to Basic Financial Statements.

**MOWER COUNTY
AUSTIN, MINNESOTA
BALANCE SHEET (CONTINUED)
GOVERNMENTAL FUNDS
DECEMBER 31, 2020**

	General	Road and Bridge	Social Services
FUND BALANCES			
Nonspendable For:			
Inventories	\$ -	\$ 497,641	\$ -
Prepaid Items	-	255,314	-
Restricted For:			
Law Library	70,812	-	-
Recorder Equipment	54,988	-	-
Canteen	116,418	-	-
Road Repair	-	445,283	-
BWSR Grant	-	29,296	-
Host Fees	122,214	-	-
Debt Service	-	-	-
Attorney Forfeited Property	68,091	-	-
Sheriff's Conceal	106,696	-	-
Missing Heirs	15,755	-	-
DARE	25,382	-	-
Program Base	-	37,855	-
Land Records	398,715	-	-
Sewer Improvements	-	-	-
Ditch Projects	-	-	-
Recorder's Security Deposit	4,697	-	-
Aquatic Invasive Species	-	24,544	-
Cafeteria Plan	4,559	657	3,146
SCORE	56,982	-	-
Riparian Aid	-	500,836	-
Economic Development	791,869	-	-
Committed:			
Wind Tower	3,000	-	-
Capital Projects	-	-	-
Assigned For:			
Veteran Van	4,205	-	-
Economic Development	1,500,000	-	-
Fuel Tank	-	17,983	-
Compensated Absences	940,053	216,779	500,358
Medical Insurance Claims	7,468,771	-	-
5 Year Capital Improvement Plan	48,086	1,863,180	-
Veteran Grant	10,000	-	-
Human Services Operations	-	-	7,078,562
Road and Bridge Operations	-	3,368,273	-
Sales Tax Carryover	-	1,000,301	-
Sewer Improvements	-	-	-
Unassigned	17,647,421	-	-
Total Fund Balance	<u>29,458,714</u>	<u>8,257,942</u>	<u>7,582,066</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 30,838,703</u>	<u>\$ 10,574,484</u>	<u>\$ 8,790,380</u>

See accompanying Notes to Basic Financial Statements.

**MOWER COUNTY
AUSTIN, MINNESOTA
BALANCE SHEET (CONTINUED)
GOVERNMENTAL FUNDS
DECEMBER 31, 2020**

Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 497,641
-	-	255,314
-	-	70,812
-	-	54,988
-	-	116,418
-	-	445,283
-	-	29,296
-	-	122,214
-	583,327	583,327
-	-	68,091
-	-	106,696
-	-	15,755
-	-	25,382
-	-	37,855
-	-	398,715
-	902,978	902,978
-	427,237	427,237
-	-	4,697
-	-	24,544
-	-	8,362
-	-	56,982
-	-	500,836
-	-	791,869
-	-	3,000
3,377,509	-	3,377,509
-	-	4,205
-	-	1,500,000
-	-	17,983
-	-	1,657,190
-	-	7,468,771
-	-	1,911,266
-	-	10,000
-	-	7,078,562
-	-	3,368,273
-	-	1,000,301
-	892,219	892,219
-	-	17,647,421
<u>3,377,509</u>	<u>2,805,761</u>	<u>51,481,992</u>
<u>\$ 3,411,978</u>	<u>\$ 3,049,928</u>	<u>\$ 56,665,473</u>

See accompanying Notes to Basic Financial Statements.

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**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, 2020**

FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 51,481,992

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. 149,230,045

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. 2,677,306

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	\$ (13,504,694)	
Deferred Outflows of Resources - Pension Related	3,015,247	
Deferred Inflows of Resources - Pension Related	<u>(2,580,028)</u>	(13,069,475)

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	(23,031,836)	
Deferred Outflows of Resources - OPEB Related	5,491,226	
Deferred Inflows of Resources - OPEB Related	<u>(574,692)</u>	(18,115,302)

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.

Notes from Direct Borrowing	(1,101,132)	
Deferred Outflows of Resources - Loss on Refunding	724,083	
General Obligation Bonds Payable	(5,285,000)	
Premiums on Bonds and Notes Issued	(32,187)	
Accrued Interest Payable	(49,328)	
Compensated Absences	<u>(1,656,941)</u>	<u>(7,400,505)</u>

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 164,804,061

**MOWER COUNTY
AUSTIN, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2020**

	General	Road and Bridge	Social Services
REVENUES			
Taxes	\$ 14,371,185	\$ 3,836,434	\$ 5,052,883
Transit Sales and Use Tax	-	2,043,006	-
Special Assessments	862,586	-	-
Licenses and Permits	94,502	145,089	-
Intergovernmental	9,910,432	9,717,474	9,395,513
Charges for Services	1,074,921	101,507	1,351,331
Fines and Forfeits	36,962	-	-
Gifts and Contributions	-	500	-
Interest on Investments	1,575,544	-	1,768
Miscellaneous	1,493,830	837,683	541,166
Total Revenues	<u>29,419,962</u>	<u>16,681,693</u>	<u>16,342,661</u>
EXPENDITURES			
CURRENT			
General Government	11,108,525	-	-
Public Safety	11,418,787	-	-
Highways and Streets	-	12,651,219	-
Sanitation	1,044,028	-	-
Human Services	-	-	13,269,426
Health	-	-	2,231,343
Culture and Recreation	502,791	-	-
Conservation	372,559	-	-
Total Current	<u>24,446,690</u>	<u>12,651,219</u>	<u>15,500,769</u>
INTERGOVERNMENTAL			
Highways and Streets	-	575,245	-
CAPITAL OUTLAY			
General Government	411,406	-	-
Public Safety	511,870	-	-
Highways and Streets	-	513,523	-
Sanitation	15,039	-	-
Human Services	-	-	7,438
Culture and Recreation	757	-	-
Conservation	-	464,802	-
Total Capital Outlay	<u>939,072</u>	<u>978,325</u>	<u>7,438</u>
DEBT SERVICE			
Principal	-	-	-
Interest	22	-	-
Total Debt Service	<u>22</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>25,385,784</u>	<u>14,204,789</u>	<u>15,508,207</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	4,034,178	2,476,904	834,454
OTHER FINANCING SOURCES (USES)			
Transfers In	-	36,288	340,958
Transfers Out	(377,246)	-	-
Proceeds from Loan	-	-	-
Proceeds from the Sale of Capital Assets	1,617	63	-
Total Other Financing Sources (Uses)	<u>(375,629)</u>	<u>36,351</u>	<u>340,958</u>
NET CHANGE IN FUND BALANCES	3,658,549	2,513,255	1,175,412
Fund Balance - Beginning of Year, As Previously Reported	25,809,587	5,622,480	6,406,654
Change in Accounting Principle	(9,422)	-	-
Fund Balance - Beginning of Year, as Restated	<u>25,800,165</u>	<u>5,622,480</u>	<u>6,406,654</u>
Change in Inventories	-	122,207	-
FUND BALANCE - END OF YEAR	<u>\$ 29,458,714</u>	<u>\$ 8,257,942</u>	<u>\$ 7,582,066</u>

See accompanying Notes to Basic Financial Statements.

**MOWER COUNTY
AUSTIN, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES (CONTINUED)
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2020**

Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ 365,794	\$ 744,564	\$ 24,370,860
-	-	2,043,006
-	510,437	1,373,023
-	-	239,591
-	10,075	29,033,494
-	-	2,527,759
-	-	36,962
-	-	500
-	643	1,577,955
-	1,628	2,874,307
<u>365,794</u>	<u>1,267,347</u>	<u>64,077,457</u>
-	-	11,108,525
-	-	11,418,787
-	-	12,651,219
-	-	1,044,028
-	-	13,269,426
-	-	2,231,343
-	-	502,791
-	619,016	991,575
-	<u>619,016</u>	<u>53,217,694</u>
-	-	575,245
120,285	-	531,691
-	-	511,870
17,979	-	531,502
-	-	15,039
-	-	7,438
12,088	-	12,845
-	-	464,802
<u>150,352</u>	<u>-</u>	<u>2,075,187</u>
-	828,182	828,182
-	123,420	123,442
-	<u>951,602</u>	<u>951,624</u>
<u>150,352</u>	<u>1,570,618</u>	<u>56,819,750</u>
215,442	(303,271)	7,257,707
-	-	377,246
-	-	(377,246)
-	371,418	371,418
-	-	1,680
-	<u>371,418</u>	<u>373,098</u>
215,442	68,147	7,630,805
3,162,067	2,737,614	43,738,402
-	-	(9,422)
<u>3,162,067</u>	<u>2,737,614</u>	<u>43,728,980</u>
-	-	122,207
<u>\$ 3,377,509</u>	<u>\$ 2,805,761</u>	<u>\$ 51,481,992</u>

See accompanying Notes to Basic 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, 2020**

NET CHANGE IN FUND BALANCE - TOTAL GOVERNMENTAL FUNDS \$ 7,630,805

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	\$ 7,739,284	
Net Book Value of Capital Assets Disposed	(11,762)	
Current Year Depreciation	<u>(4,659,410)</u>	3,068,112

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		744
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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.		1,023,159
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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		(371,418)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces liabilities in the statement of net position.		
Principal Repayments:		
Notes from Direct Borrowing	223,182	
Capital Lease	2,270	
General Obligation Bonds	<u>605,000</u>	830,452

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	3,783	
Amortization of Premiums and Discounts	4,544	
Change in Accrued Compensated Absences	(418,203)	
Change in Other Postemployment Benefits Payable	(5,046,301)	
Change in Deferred Outflow of Resources - OPEB Related	4,184,491	
Change in Deferred Inflow of Resources - OPEB Related	191,565	
Change in Deferred Outflow of Resources - Loss on Refunding	(103,440)	
Change in Inventories	<u>122,207</u>	<u>(1,061,354)</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES		<u>\$ 11,120,500</u>
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**MOWER COUNTY
AUSTIN, MINNESOTA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2020**

	Private-Purpose Trust Fund	Custodial Funds
ASSETS		
Cash and Pooled Investments	\$ 122,823	\$ 1,162,673
Due From Other Governments	-	26,608
Taxes For Other Governments	-	1,210,218
	<u>\$ 122,823</u>	<u>\$ 2,399,499</u>
LIABILITIES		
Due to Others	\$ -	\$ 83
Due to Other Governments	-	795,064
	<u>\$ -</u>	<u>\$ 795,147</u>
NET POSITION		
Restricted for:		
Individuals, Organizations, and Other Governments	\$ 122,823	\$ 1,604,352
	<u>\$ 122,823</u>	<u>\$ 1,604,352</u>

See accompanying Notes to Basic Financial Statements.

**MOWER COUNTY
AUSTIN, MINNESOTA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED DECEMBER 31, 2020**

	Private-Purpose Trust Fund	Custodial Funds
ADDITIONS		
Contributions - Individuals	\$ 694,248	\$ 526,765
Investment Earnings:		
Property Tax Collections for Other Governments	-	30,826,083
Recoveries	-	174,628
License and Fees Collected for State	-	1,307,050
Total Additions	694,248	32,834,526
DEDUCTIONS		
Beneficiary Payments to Individuals	646,737	493,045
Payments of Property Tax to Other Governments	-	30,735,902
Payments to Other Entities	-	1,481,678
Total Deductions	646,737	32,710,625
Net Increase in Fiduciary Net Position	47,511	123,901
Change in Accounting Principle	75,312	1,480,451
Fiduciary Net Position - Beginning of Year, as Restated	75,312	1,480,451
FIDUCIARY NET POSITION - END OF YEAR	\$ 122,823	\$ 1,604,352

See accompanying Notes to Basic Financial Statements.

**MOWER COUNTY
AUSTIN, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Mower County's (County) financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) for the year ended December 31, 2020. 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, 2020. 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 th Street Austin, Minnesota 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, 2020**

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, 2020**

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 types:

The Social Welfare Private-purpose trust funds are used to report trust agreements other than pension or investment trusts, under which principal and income benefit individuals, private organizations, or other governments. The Social Welfare Fund accounts for the activity related to income received and payments made on behalf of individuals for whom the County is responsible to assist.

Custodial funds are custodial in nature. These funds are used for a variety of purposes such as: to account for the collection and disbursement of taxes on behalf of local governments within the County; as an agent for family connections collaborative, as an agent for the civil process, as an agent for estate recoveries, as an agent for state revenue payments, and as an agent for the inmates of the Mower County Jail.

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.

**MOWER COUNTY
AUSTIN, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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, 2020, 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.

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 \$1,910,322 at December 31, 2020. 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.

**MOWER COUNTY
AUSTIN, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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)

3. Receivables and Payables (Continued)

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.

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.

**MOWER COUNTY
AUSTIN, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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)

6. Capital Assets (Continued)

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 to 5
Cars and Light Trucks	3 to 10
Furniture and Equipment	5 to 10
Telephone/Communication Equipment	5 to 20
Land Improvements	5 to 20
Heavy Equipment	10 to 20
Building Improvements and Buildings	20 to 50

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.

**MOWER COUNTY
AUSTIN, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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)

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.

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.

**MOWER COUNTY
AUSTIN, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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. 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.

11. 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.

12. 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, 2020**

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, 2020, the required minimum fund balance is \$15,981,803.

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 \$6,967,937 of restricted net position, of which \$3,191,130 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, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Restatement for a Change in Accounting Principle

During the year ended December 31, 2020, the County adopted GASB No. 84, *Fiduciary Activities*, which established criteria for identifying and reporting fiduciary activities. The implementation of this statement has resulted in changing the presentation of the financial statements by including accruals and net position to custodial funds not previously required and reporting a private-purpose trust fund. This pronouncement requires a restatement of December 31, 2019, net position of the governmental activities, fund balance of the General Fund, and net position of the fiduciary activities as follows:

	<u>Governmental Activities</u>	<u>General Fund</u>	<u>Private-Purpose Trust Funds</u>	<u>Custodial Funds</u>
Net Position/Fund Balance, January 1, 2020 as Previously Reported	\$ 153,692,983	\$ 25,809,587	\$ -	\$ -
Change in Accounting Principle	<u>(9,422)</u>	<u>(9,422)</u>	<u>75,312</u>	<u>1,480,451</u>
Net Position/Fund Balance, January 1, 2020 as Restated	<u>\$ 153,683,561</u>	<u>\$ 25,800,165</u>	<u>\$ 75,312</u>	<u>\$ 1,480,451</u>

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, 2020:

	<u>Actual</u>	<u>Budget</u>	<u>Excess</u>
General Fund	\$ 25,385,784	\$ 22,773,519	\$ 2,612,265
Sewer Improvements	642,669	431,000	211,669
Ditch Fund	199,529	198,161	1,368

The excess of expenditures over budget was funded by greater than anticipated revenues and existing fund balance.

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, 2020**

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, 2020, 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, 2020**

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, 2020, the County had the following investments:

Investment Type	Reported Amount	Maturity			
		Less Than 2 Years	2-5 Years	5-10 Years	10+ Years
Municipal Bonds	\$ 22,036,248	\$ 3,747,530	\$ 12,008,807	\$ 6,279,911	\$ -
Money Market Mutual Fund	5,923,078	5,923,078	-	-	-
Asset Backed Securities	789,677	14	257,022	-	532,641
MAGIC Fund	15,096,097	15,096,097	-	-	-
Negotiable Certificates of Deposit	5,808,429	3,245,458	2,562,971	-	-
Total	\$ 49,653,529	\$ 28,012,177	\$ 14,828,800	\$ 6,279,911	\$ 532,641

**MOWER COUNTY
AUSTIN, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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, 2020:

<u>Investment Type</u>	<u>Rating</u>	<u>Amount</u>
Money Market Mutual Fund	NR	\$ 5,923,078
Municipal Bonds	AAA - Aaa	4,944,682
Municipal Bonds	Aa3 - AA	16,000,469
Municipal Bonds	A+ - A-	794,915
Municipal Bonds	BBB-	106,793
Municipal Bonds	NR	189,389
Negotiable Certificates of Deposit	NR	5,808,429
Asset Backed Securities	NR	789,677
Counties (MAGIC) Fund	NR	15,096,097

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, 2020, none of the County's investments were subject to custodial credit risk.

**MOWER COUNTY
AUSTIN, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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:

Municipal Bonds	\$ 22,036,248	44.4 %
Money Market Mutual Fund	5,923,078	11.9
Asset Backed Securities	789,677	1.6
Negotiable Certificates of Deposit	5,808,429	11.7
MN Association of Governments Investing for Counties (MAGIC) Fund	15,096,097	30.4
Total	\$ 49,653,529	

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, 2020 consisted of:

Deposits	\$ 144,998
Petty Cash and Change Funds	1,570
Investments	49,653,529
Total	\$ 49,800,097

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

Cash and Pooled Investments	\$ 48,483,195
Petty Cash and Change Funds	1,570
Restricted Cash	29,836
Fiduciary Fund Cash and Investments	1,285,496
Total	\$ 49,800,097

**MOWER COUNTY
AUSTIN, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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, 2020**

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
Investments by Fair Value Level				
Municipal Bonds	\$ -	\$ 22,036,248	\$ -	\$ 22,036,248
Asset Backed Securities	-	789,677	-	789,677
Negotiable Certificates of Deposit	-	5,808,429	-	5,808,429
Total Investments by Fair Value Level	\$ -	\$ 28,634,354	\$ -	28,634,354
Investments Measured at Amortized Cost				
MAGIC Portfolio External Investment Pool				15,096,097
Money Market Mutual Funds				5,923,078
			Total investments measured at amortized cost	21,019,175
			Total Investments	49,653,529
Deposits, Petty Cash, and Cash on Hand				146,568
			Total Cash and Investments	\$ 49,800,097

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 reasonably practical.

**MOWER COUNTY
AUSTIN, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

2. Receivables

Receivables as of December 31, 2020, 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	\$ 474,214	\$ -
Special Assessments	301,819	48,086
Accounts	428,334	-
Interest	168,772	-
Loans	947,875	873,142
Due from Other Governments	5,076,903	-
Total Governmental Activities, Net	\$ 7,397,917	\$ 921,228

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 10 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, 2020:

	Beginning Balance	Additional Loans Made	Collections	Ending Balance
Sewer Improvement Loans	\$ 730,662	\$ 405,487	\$ 188,274	\$ 947,875
Total	\$ 730,662	\$ 405,487	\$ 188,274	\$ 947,875

**MOWER COUNTY
AUSTIN, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

4. Capital Assets

Capital asset activity for the year ended December 31, 2020 was as follows:

	Beginning Balance	Additions & Transfers	Deletions & Transfers	Ending Balance
Governmental Activities				
Capital Assets, Not Being Depreciated				
Land	\$ 5,898,842	\$ 147,292	\$ -	\$ 6,046,134
Right of Way	10,557,355	44,325	-	10,601,680
Construction in Progress	2,804,287	6,232,995	5,419,226	3,618,056
Total Capital Assets, Not Depreciated	19,260,484	6,424,612	5,419,226	20,265,870
Capital Assets Being Depreciated				
Buildings	33,605,515	125,965	-	33,731,480
Buildings Improvements	4,301,893	58,568	-	4,360,461
Improvements Other Than Building	1,274,802	-	-	1,274,802
Machinery, Furniture, Equipment, and Vehicles	11,354,209	1,257,796	469,714	12,142,291
Software	554,212	-	22,212	532,000
Infrastructure	151,281,564	5,291,569	28,217	156,544,916
Total Capital Assets Being Depreciated	202,372,195	6,733,898	520,143	208,585,950
Less: Accumulated Depreciation for				
Buildings	9,792,271	677,408	-	10,469,679
Buildings Improvements	1,150,730	168,911	-	1,319,641
Improvements Other Than Building	504,266	56,619	-	560,885
Machinery, Furniture, Equipment, and Vehicles	7,747,468	774,093	461,870	8,059,691
Software	439,712	67,730	22,212	485,230
Infrastructure	55,836,299	2,914,649	24,299	58,726,649
Depreciation	75,470,746	4,659,410	508,381	79,621,775
Total Capital Assets, Depreciated, Net	126,901,449	2,074,488	11,762	128,964,175
Governmental Activities Capital Assets, Net	<u>\$ 146,161,933</u>	<u>\$ 8,499,100</u>	<u>\$ 5,430,988</u>	<u>\$ 149,230,045</u>

**MOWER COUNTY
AUSTIN, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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	\$	830,221
Public Safety		334,116
Highways and Streets, Including		
Infrastructure		3,338,921
Sanitation		32,313
Culture and Recreation		121,937
Conservation of Natural Resources		<u>1,902</u>
Depreciation Expense - Governmental Activities	\$	<u><u>4,659,410</u></u>

B. Interfund Receivables, Payables, and Transfers

Interfund Transfers for the year ended December 31, 2020 consisted of the following:

Transfer	Amount	Reason
Transfer from the General Fund to the Social Services Fund	\$ 340,958	CARES Expenses
Transfer from the General Fund to the Road and Bridge Fund	<u>36,288</u>	CARES Expenses
Total Interfund Transfers	<u><u>\$ 377,246</u></u>	

C. Liabilities

1. Construction Commitments

The County has active construction projects as of December 31, 2020. The projects include the following:

Governmental Activities	Original Contract Amount	Remaining Commitment
Roads and Bridges	\$ 6,542,912	\$ 1,226,905

**MOWER COUNTY
AUSTIN, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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. The total premiums paid for retirees for the year ended December 31, 2020 was \$1,236,179. 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 custodial 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, 2020**

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, 2020, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefit Payments	176	
Active Plan Members	266	
Total	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="border-top: 1px solid black; border-bottom: 3px double black;">442</td> </tr> </table>	442
442		

c) Actuarial Methods and Assumptions

The County's OPEB liability was measured as of January 1, 2020, and the total OPEB liability was determined by an actuarial valuation as of January 1, 2020.

The total OPEB liability was determined by an actuarial valuation as of January 1, 2020, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.5%
Salary	Service graded table
Health Care Trend Rates	6.50% Decreasing to 5.00% over 6 Years then to 4.00% over the next 48 years

Mortality rates were based on the Pub-2010 public retirement plans headcount-weighted mortality tables (general, safety) with MP-2019 Generational Improvement Scale. The actuarial assumptions used in the January 1, 2020 valuation were based on the PERA 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 2.90%. 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 3.80% to 2.90%.
- The health care trend rates, mortality tables, and salary increase rates were updated.

**MOWER COUNTY
AUSTIN, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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, 2020	\$ 17,985,535
Changes for the Year:	
Service Cost	366,379
Interest	672,685
Changes in Assumptions	1,528,157
Differences between Expected and Actual Experience	3,790,653
Benefit Payments	(1,311,573)
Net Change in Total OPEB Liability	5,046,301
Balance as of December 31, 2020	\$ 23,031,836

Of the \$23,031,836 total OPEB liability, \$1,242,066 is due within one year. 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 (1.90%)	Discount Rate (2.90%)	1% Increase (3.90%)
Total OPEB Liability	\$ 20,629,785	\$ 23,031,836	\$ 25,893,840

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 (5.50% decreasing to 4.00% then 3.00%) or 1% higher (7.50% decreasing to 6.00% then 5.00%) than the current healthcare costs trend rates:

Description	1% Decrease (5.50% Decreasing to 4.00% then 3.00%)	Current Trend Rates (6.50% Decreasing to 5.00% then 4.00%)	1% Increase (7.50% Decreasing to 6.00% then 5.00%)
Total OPEB Liability	\$ 25,814,266	\$ 23,031,836	\$ 20,702,365

**MOWER COUNTY
AUSTIN, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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, 2020, the County recognized OPEB expense of \$1,911,262. In addition, the County reported deferred outflows and inflows of resources from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Assumption Changes	\$ 1,222,525	\$ 574,692
Liability Loss	3,032,522	-
Employer Contributions	1,236,179	-
Total	<u>\$ 5,491,226</u>	<u>\$ 574,692</u>

\$1,236,179 reported as deferred outflows of resources related to OPEB resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended December 31, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be amortized over four years and will be recognized in OPEB expense as follows:

<u>Year Ending December 31.</u>	<u>Amount</u>
2021	\$ 872,198
2022	872,199
2023	872,199
2024	1,603,758

3. Long-Term Debt

Direct Borrowing

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, 2020**

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.

Debt Summary

Types of Indebtedness	Final Maturity	Installment Amounts	Interest Rates (%)	Original Issues Amount	Outstanding Balance December 31, 2020
Notes from Direct Borrowings:					
2011 Septic Loans	2027	\$2,500 - \$5,400	0%	\$ 52,500	\$ 20,538
2012 Septic Loans	2027	\$2,500 - \$5,400	-	409,619	139,669
2013 Septic Loans	2027	\$2,500 - \$5,400	-	281,512	125,738
2014 Septic Loans	2027	\$2,500 - \$5,400	-	325,000	161,395
2015 Septic Loans	2027	\$2,500 - \$9,140	-	220,500	109,383
2016 Septic Loans	2027	\$2,500 - \$9,140	-	304,500	44,341
2019 Septic Loans	2031	\$1,050 - \$14,040	-	168,000	128,652
2020 Septic Loans	2032	\$1,045 - \$105,740	-	371,418	371,418
Total Notes from Direct Borrowings				2,133,049	1,101,134
Bonds:					
General Obligation Taxable:					
Capital Improvement Plan Bonds, 2012A	2028	\$615,000 - \$715,000	1.5%-2.7%	9,955,000	5,285,000
Total Long-Term Debt				<u>\$ 12,088,049</u>	<u>\$ 6,386,134</u>

**MOWER COUNTY
AUSTIN, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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, 2020 were as follows:

Year Ending December 31,	Notes from Direct Borrowings		Bonds	
	Principal	Interest	Principal	Interest
2021	\$ 74,128	\$ -	\$ 615,000	\$ 113,006
2022	207,994	-	625,000	101,688
2023	192,030	-	640,000	89,350
2024	164,475	-	650,000	75,800
2025	129,748	-	665,000	61,169
2026-2030	307,358	-	2,090,000	83,176
2031-2032	25,399	-	-	-
Totals	<u>\$ 1,101,132</u>	<u>\$ -</u>	<u>\$ 5,285,000</u>	<u>\$ 524,189</u>

Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2020 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Notes from direct borrowings	\$ 952,898	\$ 371,416	\$ 223,182	\$ 1,101,132	\$ 74,128
Bonds Payable	5,890,000	-	605,000	5,285,000	615,000
Unamortized Premium	36,731	-	4,544	32,187	-
Leases Payable	2,270	-	2,270	-	-
Compensated Absences	1,238,738	1,640,122	1,221,919	1,656,941	104,400
Long-Term Liabilities	<u>\$ 8,120,637</u>	<u>\$ 2,011,538</u>	<u>\$ 2,056,915</u>	<u>\$ 8,075,260</u>	<u>\$ 793,528</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, 2020**

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 of Minnesota (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

The General Employees Retirement Plan covers certain full time and part-time employees of the County. General Employees Plan members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

2. Public Employees Police and Fire Plan

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 Police and Fire Plan also covers police officers and firefighters belonging to local relief associations that elected to merge with and transfer assets and administration to PERA.

3. Local Employees Correctional Plan

The Correctional Plan 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, 2020**

NOTE 4 PENSION PLANS (CONTINUED)

B. Benefits Provided (Continued)

1. General Employees Retirement Plan 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% for each of the first 10 years of service and 1.7% for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7% 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.

Benefit increases are provided to benefit recipients each January. The postretirement increase is 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. 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. Police and Fire Plan 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 10 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 10 years up to 100% after 20 years of credited service. The annuity accrual rate is 3% of average salary for each year of service. For Police and Fire Plan members who were first hired prior to July 1, 1989, a full annuity is available when age plus years of service equal at least 90.

**MOWER COUNTY
AUSTIN, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 4 PENSION PLANS (CONTINUED)

B. Benefits Provided (Continued)

2. Police and Fire Plan Benefits (Continued)

Benefit increases are provided to benefit recipients each January. 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. 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. Correctional Plan 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 10 years of credited service. The annuity accrual rate is 1.9% of average salary for each year of service in that plan. For Correctional Plan members who were first hired prior to July 1, 1989, a full annuity is available when age plus years of service equal at least 90.

Benefit increases are provided to benefit recipients each January. 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. 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. General Employees Retirement Fund Contributions

Coordinated Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2020 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, 2020, were \$987,757. The County's contributions were equal to the required contributions as set by state statute.

**MOWER COUNTY
AUSTIN, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 4 PENSION PLANS (CONTINUED)

C. Contributions (Continued)

2. Police and Fire Fund Contributions

Police and Fire member's contribution rates increased from 11.3% of their annual covered salary to 11.8% and employer rates increased from 16.95% to 17.70% on January 1, 2020. The County's contributions to the Police and Fire Fund for the year ended December 31, 2020, were \$324,659. The County's contributions were equal to the required contributions as set by state statute.

3. Correctional Fund 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 2020. The County's contributions to the Correctional Fund for the year ended December 31, 2020 were \$169,611. The County's contributions were equal to the required contributions as set by state statute.

D. Pension Costs

1. General Employees Plan Pension Costs

At December 31, 2020, the County reported a liability of \$11,073,609 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. The state of Minnesota is considered a nonemployer 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 \$341,479. The net pension liability was measured as of June 30, 2020, 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, 2019 through June 30, 2020, relative to the total employer contributions received from all of PERA's participating employers. The County's proportionate share was 0.185% at the end of the measurement period and 0.174% for the beginning of the period.

County's Proportionate Share of the Net Pension Liability	\$ 11,073,609
State of Minnesota's Proportionate Share of the Net Pension Liability Associated with the County	341,479
Total	<u>\$ 11,415,088</u>

**MOWER COUNTY
AUSTIN, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 4 PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

1. General Employees Plan Pension Costs (Continued)

For the year ended December 31, 2020, the County recognized pension expense of \$652,908 for its proportionate share of the General Employees Plan's pension expense. In addition, the County recognized \$29,719 as grant revenue for its proportionate share of the state of Minnesota's pension expense for the annual \$16 million contribution.

At December 31, 2020, the County reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 100,964	\$ 41,897
Changes in Actuarial Assumptions	-	410,541
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	191,304	-
Changes in Proportion and Differences Between County Contributions and Proportionate Share of Contributions	609,061	-
County Contributions Subsequent to the Measurement Date	525,152	-
Total	<u>\$ 1,426,481</u>	<u>\$ 452,438</u>

The \$525,152 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2021. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expenses Amount
2021	\$ (365,588)
2022	172,359
2023	374,577
2024	267,543

**MOWER COUNTY
AUSTIN, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 4 PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

2. Police and Fire Plan Pension Costs

At December 31, 2020, the County reported a liability of \$2,189,376 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2020, 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, 2019 through June 30, 2020, relative to the total employer contributions received from all of PERA's participating employers. The County's proportionate share was 0.166% at the end of the measurement period and 0.166% for the beginning of the period.

The state of Minnesota contributed \$13.5 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2020. The contribution consisted of \$4.5 million in direct state aid that does meet the definition of a special funding situation and \$9.0 million in supplemental state aid that does not meet the definition of a special funding situation. The \$4.5 million direct state was paid on October 1, 2019. Thereafter, by October 1 of each year, the state will pay \$9 million to the Police and Fire Fund until full funding is reached or July 1, 2048, whichever is earlier. The \$9 million in supplemental state aid will continue until the fund is 90% funded, or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90% funded, whichever occurs later.

The state of Minnesota is included as a nonemployer contributing entity in the Police and Fire Retirement Plan Schedule of Employer Allocations and Schedule of Pension Amounts by Employer, Current Reporting Period Only (pension allocation schedules) for the \$4.5 million in direct state aid. Police and Fire Plan employers need to recognize their proportionate share of the state of Minnesota's pension expense (and grant revenue) under GASB 68 special funding situation accounting and financial reporting requirements. For the year ended December 31, 2020, the County recognized pension expense of \$286,593 for its proportionate share of the Police and Fire Plan's pension expense. The County recognized \$15,867 as grant revenue for its proportionate share of the state of Minnesota's pension expense for the contribution of \$4.5 million to the Police and Fire Fund.

The state of Minnesota is not included as a nonemployer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the \$9 million in supplemental state aid. The County recognized \$14,949 for the year ended December 31, 2020 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.

**MOWER COUNTY
AUSTIN, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 4 PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

2. Police and Fire Plan Pension Costs (Continued)

County's Proportionate Share of the Net Pension Liability		\$ 2,189,376
State of Minnesota's Proportionate Share of the Net Pension Liability Associated with the County		51,574
Total		<u>\$ 2,240,950</u>

At December 31, 2020, the County reported its proportionate share of the Police and Fire Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 96,739	\$ 103,972
Changes in Actuarial Assumptions	733,705	1,365,436
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	66,501	-
Changes in Proportion and Differences Between County Contributions and Proportionate Share of Contributions	231,294	79,741
County Contributions Subsequent to the Measurement Date	177,275	-
Total	<u>\$ 1,305,514</u>	<u>\$ 1,549,149</u>

The \$177,275 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expenses Amount
2021	\$ (136,011)
2022	(578,492)
2023	157,171
2024	135,740
2025	682

**MOWER COUNTY
AUSTIN, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 4 PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

3. Correctional Plan Pension Costs

At December 31, 2020, the County reported a liability of \$241,709 for its proportionate share of the Correctional Plan's net pension liability. The net pension liability was measured as of June 30, 2020, 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, 2019 through June 30, 2020, relative to the total employer contributions received from all of PERA's participating employers. The County's proportionate share was 0.891% at the end of the measurement period and 0.821% for the beginning of the period.

For the year ended December 31, 2020, the County recognized pension expense of -\$384,130 for its proportionate share of the Correctional Plan's pension expense.

At December 31, 2020, 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	\$ 2,267	\$ 88,948
Changes in Actuarial Assumptions	-	489,493
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	45,990	-
Changes in Proportion and Differences Between County Contributions and Proportionate Share of Contributions	143,427	-
County Contributions Subsequent to the Measurement Date	91,568	-
Total	<u>\$ 283,252</u>	<u>\$ 578,441</u>

**MOWER COUNTY
AUSTIN, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 4 PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

3. Correctional Plan Pension Costs (Continued)

The \$91,568 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Pension Expenses Amount</u>
2021	\$ (491,725)
2022	20,399
2023	40,963
2024	43,606

4. Summary

The aggregate amount of net position liability, deferred outflows of resources, deferred inflows of resources, and pension expense for the County's defined benefit pension plans are summarized below. These liabilities are typically liquidated by the individual activity in which the employees costs are associated. The table below includes the County's portion of each plan.

<u>Description</u>	<u>General Employees Fund</u>	<u>Police and Fire Fund</u>	<u>Correctional Fund</u>	<u>Total</u>
Net Pension Liability	\$ 11,073,609	\$ 2,189,376	\$ 241,709	\$ 13,504,694
Deferred Outflows of Resources Related to Pensions	1,426,481	1,305,514	283,252	3,015,247
Deferred Inflows of Resources Related to Pensions	452,438	1,549,149	578,441	2,580,028
Pension Expense	682,627	302,460	(384,130)	600,957

**MOWER COUNTY
AUSTIN, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 4 PENSION PLANS (CONTINUED)

E. Actuarial Assumptions

The total pension liability in the June 30, 2020, actuarial valuation was determined using an individual entry-age normal actuarial cost method and the following actuarial assumptions:

	Employees Fund	Police and Fire Fund	Correctional Fund
Inflation	2.25% per Year	2.50% per Year	2.50% per Year
Active Member Payroll Growth	3.00% per Year	3.25% per Year	3.25% 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 were based on Pub-2010 General Employee Mortality table for the General Employees Plan and RP 2014 tables for the Police and Fire and the Correctional Plans 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 and 2.0% per year for the Correctional Plan. For the Police and Fire Plan, cost of living benefit increases for retirees are 1.0% per year as set by state statute.

Actuarial assumptions used in the June 30, 2020 valuation were based on the results of actuarial experience studies. The most recent four-year experience study for the General Employees Plan was completed in 2019. The assumption changes were adopted by the Board and became effective with the July 1, 2020 actuarial valuation. The four-year experience study used for the Police and Fire Plan was completed in 2016. The five-year experience study used 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. Inflation and investment return assumptions for the Police and Fire Plan and the Correctional Plan are based on the General Employees Retirement Plan experience study completed in 2019. The most recent four-year experience studies for the Police and Fire Plan and the Correctional Plan were completed in 2020. The recommended assumptions for those plans were adopted by the Board and will be effective with the July 1, 2021 actuarial valuations if approved by the Legislature.

The following changes in actuarial assumptions and plan provisions occurred in 2020:

General Employees Fund

Changes in Actuarial Assumptions:

- The price inflation assumption was decreased from 2.50% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.00%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.

**MOWER COUNTY
AUSTIN, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 4 PENSION PLANS (CONTINUED)

E. Actuarial Assumptions (Continued)

General Employees Fund (Continued)

Changes in Actuarial Assumptions (Continued):

- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years two through five and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions:

- Augmentation for current privatized members was reduced to 2.0% for the period July 1, 2020 through December 31, 2023 and 0.0% after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

Police and Fire Fund

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

Correctional Fund

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

**MOWER COUNTY
AUSTIN, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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	35.5 %	5.10 %
International Equity	17.5	5.30
Private Markets	25.0	5.90
Fixed Income	20.0	0.75
Cash	2.0	-
Totals	<u>100 %</u>	

F. Discount Rate

The discount rate used to measure the total pension liability in 2020 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's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

	<i>Net Pension Liability (Asset) at Different Discount Rates</i>					
	General Employees Fund		Police and Fire Fund		Correctional Fund	
1% Lower	6.50%	\$ 17,747,154	6.50%	\$ 4,363,741	6.50%	\$ 1,502,201
Current Discount Rate	7.50%	11,073,609	7.50%	2,189,376	7.50%	241,709
1% Higher	8.50%	5,568,470	8.50%	390,470	8.50%	(767,504)

**MOWER COUNTY
AUSTIN, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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; 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 5% 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 2% of employer contributions and twenty-five hundredths of 1% (0.25%) of the assets in each member's account annually.

Total contributions made by the County during fiscal year 2020 were:

	Contribution Amount		Percentage of Covered Payroll		Required Rates
	Employee	Employer	Employee	Employer	
2020	\$ 5,327	\$ 5,327	5.0 %	5.0 %	5.0 %

**MOWER COUNTY
AUSTIN, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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 2020. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

The Property and Casualty Division of MCIT is self-sustaining and the County pays an annual premium to cover current and future losses. 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.

**MOWER COUNTY
AUSTIN, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
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NOTE 7 SUMMARY OF SIGNIFICANT CONTINGENCIES AND OTHER ITEMS (CONTINUED)

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. There is no accumulation of significant financial resources or fiscal stress related to this entity.

During 2020, 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.

**MOWER COUNTY
AUSTIN, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
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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 2020, Mower County paid \$138,881 to the Cooperative.

2. Southeast Minnesota Emergency Medical Services (EMS)

The EMS provides various health services to several counties. During 2020, the County paid \$6,300 to Southeast Minnesota Emergency Medical Services.

3. Southeast Minnesota Recyclers Exchange (SEMREX)

The County paid \$1,933 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 2020, the County paid \$8,699 to the Task Force.

6. Workforce Development, Inc.

Workforce Development, Inc. provides various job training services to member counties. During 2020, the County paid \$540,655 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 2020.

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 \$6,000 to the Board during 2020.

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.

**MOWER COUNTY
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NOTES TO FINANCIAL STATEMENTS
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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 2020.

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.

**MOWER COUNTY
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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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	\$ 713,296
Investments - Restricted	615,051
Total Cash and Investments	<u>\$ 1,328,347</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, 2020, 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;

**MOWER COUNTY
AUSTIN, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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, 2020, the HRA had the following restricted investments:

	At Estimated Market Value
Held in Escrow at the MHFA	\$ 615,051
Replacement Reserve Colonial	18,169

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 \$11,947 for the year ended September 30, 2020.

**MOWER COUNTY
AUSTIN, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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	\$	658,250
Tenant Deposit Cash		36,877
Restricted Investments		633,220
Total		\$ 1,328,347

Capital Assets

HRA capital asset activity for the year ended September 30, 2020 was as follows:

	Beginning Balance	Increases	Transfers / Decreases	Ending Balance
Governmental Activities:				
Capital Assets, Being Depreciated:				
Equipment	\$ 3,120	\$ 4,894	\$ -	\$ 8,014
Accumulated Depreciation for:				
Equipment	3,120	-	-	3,120
Total Capital Assets, Being Depreciated, Net	\$ -	\$ 4,894	\$ -	\$ 4,894

**MOWER COUNTY
AUSTIN, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 8 COMPONENT UNIT DISCLOSURES (CONTINUED)

B. Detailed Notes on All Funds (Continued)

1. Assets (Continued)

Capital Assets (Continued)

	Beginning Balance	Increases	Transfers / Decreases	Ending Balance
Business-Type Activities:				
Capital Asset, Not Being Depreciated:				
Land	\$ 42,304	\$ -	\$ -	\$ 42,304
Capital Assets, Being Depreciated:				
Land Improvements	381,332	17,477	-	398,809
Buildings	4,567,306	139,365	57	4,706,728
Furnishings	607,354	1,136	-	608,490
Maintenance Equipment	43,938	2,102	-	46,040
Total Capital Assets Being Depreciated	5,599,930	160,080	57	5,760,067
Accumulated Depreciation for:				
Land Improvements	340,088	2,006	-	342,094
Buildings	3,409,276	125,103	57	3,534,436
Furnishings	439,125	16,467	(4,456)	451,136
Maintenance Equipment	51,960	4,963	4,456	61,379
Total Accumulated Depreciation	4,240,449	148,539	57	4,389,045
Total Capital Assets, Being Depreciated, Net	1,359,481	11,541	-	1,371,022
Business-Type Activities Capital Assets, Net	\$ 1,401,785	\$ 11,541	\$ -	\$ 1,413,326

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

Business-Type Activities	
Housing	<u>\$ 148,539</u>

**MOWER COUNTY
AUSTIN, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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, 2020 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	\$ 4,992	\$ 4,992
Mortgage Payable	2024	8.75	123,000	27,304	6,221
		Total	<u>\$ 998,870</u>	<u>\$ 32,296</u>	<u>\$ 11,213</u>

Debt Service Requirements

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

Year Ending December 31,	Mortgages Payable	
	Principal	Interest
2021	\$ 11,213	\$ 2,329
2022	6,788	1,555
2023	7,407	937
2024	6,888	268
Totals	<u>\$ 32,296</u>	<u>\$ 5,089</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, 2020:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Mortgages Payable	\$ 96,067	\$ -	\$ 63,771	\$ 32,296	\$ 11,213
Compensated Absences	43,550	26,735	23,493	46,792	15,000
Long-Term Liabilities	<u>\$ 139,617</u>	<u>\$ 26,735</u>	<u>\$ 87,264</u>	<u>\$ 79,088</u>	<u>\$ 26,213</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, 2020**

NOTE 10 SUBSEQUENT EVENTS

Due to the uncertainty related to COVID-19's impact on County operations, the County will receive grant dollars of \$7,781,574, which will be paid half in 2021 and half in 2022 from the federal government as a part of the American Rescue Plan Act (ARPA) of 2021. These funds are available to the County for a range of allowable uses through December 31, 2024 and will support the County during this uncertain time.

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, 2020**

	Measurement Date <u>December 31, 2020</u>	Measurement Date <u>December 31, 2019</u>	Measurement Date <u>December 31, 2018</u>
Total OPEB Liability			
Service Cost	\$ 366,379	\$ 285,206	\$ 306,095
Interest	672,685	621,512	622,653
Changes in Assumptions	1,528,157	(957,822)	-
Differences between Expected and Actual Experience	3,790,653	-	-
Benefit Payments	<u>(1,311,573)</u>	<u>(1,015,436)</u>	<u>(870,637)</u>
Net Change in Total OPEB Liability	5,046,301	(1,066,540)	58,111
Total OPEB Liability - Beginning	<u>17,985,535</u>	<u>19,052,075</u>	<u>18,993,964</u>
Total OPEB Liability - Ending	<u><u>\$ 23,031,836</u></u>	<u><u>\$ 17,985,535</u></u>	<u><u>\$ 19,052,075</u></u>
Covered Employee Payroll	\$ 17,196,126	\$ 16,146,520	\$ 15,676,233
Agency's OPEB Liability as a Percentage of Covered Employee Payroll	133.9%	111.4%	121.5%

Note 1: The County implemented GASB Statement No. 75 in 2018. The above table will be expanded to 10 years of information as the information becomes available.

Note 2: No assets are accumulated in a trust.

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**MOWER COUNTY
AUSTIN, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED DECEMBER 31, 2020**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 14,746,797	\$ 14,746,797	\$ 14,371,185	\$ (375,612)
Special Assessments	763,709	763,709	862,586	98,877
Licenses and Permits	69,725	69,725	94,502	24,777
Intergovernmental	3,759,062	3,759,062	9,910,432	6,151,370
Charges for Services	1,040,083	1,040,083	1,074,921	34,838
Fines and Forfeits	36,000	36,000	36,962	962
Investments Earnings	875,000	875,000	1,575,544	700,544
Miscellaneous	1,552,866	1,552,866	1,493,830	(59,036)
Total Revenues	<u>22,843,242</u>	<u>22,843,242</u>	<u>29,419,962</u>	<u>6,576,720</u>
EXPENDITURES				
CURRENT				
GENERAL GOVERNMENT				
Commissioners	287,952	287,952	270,861	17,091
Courts	131,000	131,000	137,415	(6,415)
Law Library	39,874	39,874	37,565	2,309
County Administration	540,092	540,092	498,679	41,413
County Auditor-Treasurer	422,553	422,553	332,240	90,313
County Assessor	699,393	710,643	693,919	16,724
Elections	472,471	472,471	291,254	181,217
Auditing	80,000	80,000	80,315	(315)
Information Systems	930,169	1,110,669	1,067,071	43,598
Attorney	1,402,823	1,402,823	1,355,274	47,549
Recorder	591,747	591,747	397,009	194,738
Building and Plant	856,994	856,994	835,672	21,322
Veterans Service	225,131	225,131	182,871	42,260
Other General Government	1,423,662	1,225,412	4,928,380	(3,702,968)
Total General Government	<u>8,103,861</u>	<u>8,097,361</u>	<u>11,108,525</u>	<u>(3,011,164)</u>
PUBLIC SAFETY				
Sheriff	3,393,107	3,393,107	2,535,998	857,109
E911	188,131	188,131	920,512	(732,381)
Coroner	121,250	121,250	120,086	1,164
County Jail	3,924,345	3,924,345	3,466,139	458,206
County Jail Canteen	42,500	42,500	25,880	16,620
Law Enforcement Center	1,596,981	1,596,981	1,526,770	70,211
Community Corrections	2,701,744	2,701,744	2,670,426	31,318
Sentence to Serve	70,100	70,100	71,311	(1,211)
Civil/Bailiff	182,786	182,786	79,575	103,211
Other Public Safety	-	-	2,090	(2,090)
Total Public Safety	<u>12,220,944</u>	<u>12,220,944</u>	<u>11,418,787</u>	<u>802,157</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, 2020**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
EXPENDITURES (Continued)				
CURRENT (Continued)				
SANITATION				
Solid Waste	\$ 1,014,559	\$ 1,014,559	\$ 1,044,028	\$ (29,469)
CULTURE AND RECREATION				
Historical Society	60,653	60,653	60,653	-
Senior Citizens	53,400	53,400	58,400	(5,000)
Regional Library	286,580	286,580	283,096	3,484
Other	82,054	82,054	100,642	(18,588)
Total Culture and Recreation	482,687	482,687	502,791	(20,104)
CONSERVATION OF NATURAL RESOURCES				
County Extension	195,065	195,065	172,966	22,099
Soil and Water Conservation	162,000	162,000	162,000	-
Fairgrounds	30,000	30,000	30,000	-
Other	-	-	7,593	(7,593)
Total Conservation of Natural Resources	387,065	387,065	372,559	14,506
ECONOMIC DEVELOPMENT				
Grow Austin	115,000	115,000	-	115,000
Development Corporation	50,553	50,553	-	50,553
Total Economic Development	165,553	165,553	-	165,553
CAPITAL OUTLAY				
General Government	122,850	129,350	411,406	(282,056)
Public Safety	270,500	270,500	511,870	(241,370)
Sanitation	2,000	2,000	15,039	(13,039)
Culture and Recreation	3,500	3,500	757	2,743
Total Capital Outlay	398,850	405,350	939,072	(533,722)
DEBT SERVICE				
Interest	-	-	22	(22)
Total Expenditures	22,773,519	22,773,519	25,385,784	(2,612,265)
EXCESS OF REVENUES OVER (UNDER)				
EXPENDITURES	69,723	69,723	4,034,178	3,964,455

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, 2020**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
OTHER FINANCING SOURCES (USES)				
Transfer Out	\$ -	\$ -	\$ (377,246)	\$ (377,246)
Proceeds from the Sale of Capital Assets	2,000	2,000	1,617	(383)
Total Other Financing Sources (Uses)	<u>2,000</u>	<u>2,000</u>	<u>(375,629)</u>	<u>(377,629)</u>
NET CHANGE IN FUND BALANCE	<u>\$ 71,723</u>	<u>\$ 71,723</u>	3,658,549	<u>\$ 3,586,826</u>
Fund Balance - Beginning of Year, as Previously Reported			25,809,587	
Change in Accounting Principle			<u>(9,422)</u>	
Fund Balance - Beginning of Year, as Restated			<u>25,800,165</u>	
FUND BALANCE - END OF YEAR			<u>\$ 29,458,714</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, 2020**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 3,944,010	\$ 3,944,010	\$ 3,836,434	\$ (107,576)
Transit Sales and Use Tax	1,500,000	1,500,000	2,043,006	543,006
Licenses and Permits	60,500	60,500	145,089	84,589
Intergovernmental	8,447,040	8,447,040	9,717,474	1,270,434
Charges for Services	55,000	55,000	101,507	46,507
Gifts and Contributions	-	-	500	500
Miscellaneous	316,000	316,000	837,683	521,683
Total Revenues	<u>14,322,550</u>	<u>14,322,550</u>	<u>16,681,693</u>	<u>2,359,143</u>
EXPENDITURES				
CURRENT				
HIGHWAY AND STREETS				
Administration	798,843	839,728	800,242	39,486
Maintenance	3,112,132	2,999,132	2,781,994	217,138
Construction	8,273,638	8,273,638	7,920,368	353,270
Equipment and Maintenance Shops	908,348	908,348	976,959	(68,611)
Buildings and Grounds	215,780	199,780	171,656	28,124
Total Current	<u>13,308,741</u>	<u>13,220,626</u>	<u>12,651,219</u>	<u>569,407</u>
INTERGOVERNMENTAL				
Highways and Streets	-	-	575,245	(575,245)
CAPITAL OUTLAY				
Highway and Streets	450,000	825,690	513,523	312,167
Conservation	449,545	449,545	464,802	(15,257)
Total Capital Outlay	<u>899,545</u>	<u>1,275,235</u>	<u>978,325</u>	<u>296,910</u>
Total Expenditures	<u>14,208,286</u>	<u>14,495,861</u>	<u>14,204,789</u>	<u>291,072</u>
EXCESS OF REVENUES OVER (UNDER)				
EXPENDITURES	114,264	(173,311)	2,476,904	2,650,215
OTHER FINANCING SOURCES (USES)				
Transfer In	-	-	36,288	36,288
Proceeds from the Sale of Capital Assets	-	-	63	63
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>36,351</u>	<u>36,351</u>
NET CHANGE IN FUND BALANCE	<u>\$ 114,264</u>	<u>\$ (173,311)</u>	2,513,255	<u>\$ 2,686,566</u>
Fund Balance - Beginning of Year			5,622,480	
CHANGE IN INVENTORIES			<u>122,207</u>	
FUND BALANCE - END OF YEAR			<u>\$ 8,257,942</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, 2020**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 5,137,737	\$ 5,137,737	\$ 5,052,883	\$ (84,854)
Intergovernmental	8,224,998	8,224,998	9,395,513	1,170,515
Charges for Services	2,328,901	2,328,901	1,351,331	(977,570)
Investments Earnings	1,150	1,150	1,768	618
Miscellaneous	611,300	611,300	541,166	(70,134)
Total Revenues	<u>16,304,086</u>	<u>16,304,086</u>	<u>16,342,661</u>	<u>38,575</u>
EXPENDITURES				
CURRENT				
HUMAN SERVICES				
Income Maintenance	5,359,409	5,359,409	4,765,621	593,788
Social Services	8,684,525	8,684,525	8,503,805	180,720
Total Human Services	<u>14,043,934</u>	<u>14,043,934</u>	<u>13,269,426</u>	<u>774,508</u>
HEALTH				
Health	2,254,152	2,254,152	2,231,343	22,809
CAPITAL OUTLAY				
Human Services	<u>6,000</u>	<u>6,000</u>	<u>7,438</u>	<u>(1,438)</u>
Total Expenditures	<u>16,304,086</u>	<u>16,304,086</u>	<u>15,508,207</u>	<u>795,879</u>
EXCESS OF REVENUES OVER EXPENDITURES				
	-	-	834,454	834,454
OTHER FINANCING SOURCES (USES)				
Transfers In	<u>-</u>	<u>-</u>	<u>340,958</u>	<u>340,958</u>
NET CHANGE IN FUND BALANCE				
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,175,412</u>	<u>\$ 1,175,412</u>
Fund Balance - Beginning of Year			<u>6,406,654</u>	
FUND BALANCE - END OF YEAR			<u><u>\$ 7,582,066</u></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, 2020**

	Measurement Date June 30, 2020	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
GERF						
County's Proportion of the Net Pension Liability	0.185%	0.174%	0.173%	0.168%	0.171%	0.168%
County's Proportionate Share of the Net Pension Liability	\$ 11,073,609	\$ 9,642,185	\$ 9,608,426	\$ 10,725,009	\$ 13,916,830	\$ 8,685,902
State's Proportionate Share of the Net Pension Liability	\$ 341,479	\$ 299,654	\$ 315,207	\$ 134,847	\$ 181,823	\$ -
Total Proportionate Share of the Net Pension Liability	\$ 11,415,088	\$ 9,941,839	\$ 9,923,633	\$ 10,859,856	\$ 14,098,653	\$ 8,685,902
County's Covered Payroll	\$ 13,170,093	\$ 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	84.08%	78.13%	83.29%	99.10%	131.03%	82.92%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	79.06%	80.23%	79.53%	75.90%	68.90%	78.20%
PEPFF						
County's Proportion of the Net Pension Liability	0.166%	0.166%	0.152%	0.145%	0.157%	0.162%
County's Proportionate Share of the Net Pension Liability	\$ 2,189,376	\$ 1,771,496	\$ 1,621,229	\$ 1,957,673	\$ 6,300,683	\$ 1,840,699
State's Proportionate Share of the Net Pension Liability	\$ 51,574	\$ -	\$ -	\$ -	\$ -	\$ -
Total Proportionate Share of the Net Pension Liability	\$ 2,240,950	\$ 1,771,496	\$ 1,621,229	\$ 1,957,673	\$ 6,300,683	\$ 1,840,699
County's Covered Payroll	\$ 2,004,068	\$ 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	109.25%	98.63%	101.75%	131.68%	415.36%	122.16%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	87.19%	89.26%	88.84%	85.43%	63.90%	86.60%
PECF						
County's Proportion of the Net Pension Liability	0.891%	0.821%	0.769%	0.720%	0.730%	0.730%
County's Proportionate Share of the Net Pension Liability	\$ 241,709	\$ 113,600	\$ 126,478	\$ 2,052,007	\$ 2,666,792	\$ 112,858
County's Covered Payroll	\$ 1,938,411	\$ 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	12.47%	6.60%	8.18%	142.51%	193.77%	8.37%

Note: Information is required to be presented for 10 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, 2020**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
GERF							
Contractually Required Contribution	\$ 1,035,258	\$ 943,286	\$ 898,428	\$ 832,621	\$ 790,373	\$ 726,621	\$ 692,722
Contributions in Relation to the Contractually Required Contribution	<u>(1,035,258)</u>	<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>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's Covered Payroll	\$ 13,803,440	\$ 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%	7.50%	7.25%
PEPFF							
Contractually Required Contribution	\$ 351,107	\$ 301,699	\$ 274,991	\$ 242,328	\$ 242,618	\$ 233,183	\$ 207,479
Contributions in Relation to the Contractually Required Contribution	<u>(351,107)</u>	<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>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's Covered Payroll	\$ 1,983,655	\$ 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	17.70%	16.95%	16.20%	16.20%	16.20%	16.20%	15.30%
PECF							
Contractually Required Contribution	\$ 181,006	\$ 158,109	\$ 141,043	\$ 129,428	\$ 122,853	\$ 114,921	\$ 115,046
Contributions in Relation to the Contractually Required Contribution	<u>(181,006)</u>	<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>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's Covered Payroll	\$ 2,068,640	\$ 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%	8.75%

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

**MOWER COUNTY
AUSTIN, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2020**

I. BUDGETARY INFORMATION

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

II. EXPENDITURES IN EXCESS OF BUDGET

The following fund had expenditures in excess of budget at the fund level for the year ended December 31, 2020:

	<u>Actual</u>	<u>Budget</u>	<u>Excess</u>
General Fund	\$ 25,385,784	\$ 22,773,519	\$ 2,612,265

**MOWER COUNTY
AUSTIN, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
DECEMBER 31, 2020**

III. 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

2020

Changes in Actuarial Assumptions

- The price inflation assumption was decreased from 2.50% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.00%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions

- Augmentation for current privatized members was reduced to 2.0% for the period July 1, 2020 through December 31, 2023 and 0.0% after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

2019

Changes in Actuarial Assumptions

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

**MOWER COUNTY
AUSTIN, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
DECEMBER 31, 2020**

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

A. General Employees Fund (Continued)

2019 (Continued)

Changes in Plan Provisions

- 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

Changes in Actuarial Assumptions

- 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.

Changes in Plan Provisions

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00% 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. Contribution stabilizer provisions were repealed.
- Postretirement benefit increases were changed from 1.00% per year with a provision to increase to 2.50% upon attainment of 90.00% funding ratio to 50.00% of the Social Security Cost of Living Adjustment, not less than 1.00% and not more than 1.50% beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017

Changes in Actuarial Assumptions

- 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.

**MOWER COUNTY
AUSTIN, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
DECEMBER 31, 2020**

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

A. General Employees Fund (Continued)

2017 (Continued)

Changes in Plan Provisions

- The State's contribution for the Minneapolis Employees Retirement Fund equals \$16,000,000 in 2017 and 2018, and \$6,000,000 thereafter.
- The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from \$21,000,000 to \$31,000,000 in calendar years 2019 to 2031. The state's contribution changed from \$16,000,000 to \$6,000,000 in calendar years 2019 to 2031.

2016

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015

Changes in Actuarial Assumptions

- The assumed post-retirement benefit increase rate was changed from 1.00% per year through 2030 and 2.50% per year thereafter to 1.00% per year through 2035 and 2.50% per year thereafter.

Changes in Plan Provisions

On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increase the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised; the State's contribution of \$6.0 million, which meets the special funding situation definition, was due September 2015.

B. Police and Fire Fund

2020

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

**MOWER COUNTY
AUSTIN, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
DECEMBER 31, 2020**

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

B. Police and Fire Fund (Continued)

2019

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2018

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- Postretirement benefit increases were changed from 1.0% for all years, with no trigger.
- An end date of July 1, 2048 was added to the existing \$9.0 million state contribution.
- New 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.
- Member contributions were changed 10.80% to 11.30% of pay, effective January 1, 2019 and 11.80% of pay, effective January 1, 2020.
- Employer contributions were changed from 16.20% to 16.95% of pay, effective January 1, 2019 and 17.70% of pay, January 1, 2020.
- 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

Changes in Actuarial Assumptions

- 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.

**MOWER COUNTY
AUSTIN, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
DECEMBER 31, 2020**

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

C. Police and Fire Fund (Continued)

2017 (Continued)

Changes in Actuarial Assumptions (Continued)

- 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.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2016

Changes in Actuarial Assumptions

- The assumed post-retirement benefit increase rate was changed from 1.00% per year through 2037 and 2.50% thereafter to 1.00% per year for all future years.
- The assumed investment return was changed from 7.90% to 7.50%.
- The single discount rate changed from 7.90% to 5.60%.
- The assumed future salary increased, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015

Changes in Actuarial Assumptions

- The assumed postretirement benefit increase rate was changed from 1.0% per year through 2030 and 2.50% thereafter to 1.00% per year through 2037 and 2.50% per year thereafter.

Changes in Plan Provisions

- The postretirement benefit increase to be paid after the attainment of the 90.00% funding threshold was changed from inflation up to 2.50%, to a fixed rate of 2.50%.

**MOWER COUNTY
AUSTIN, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
DECEMBER 31, 2020**

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

C. Correctional Fund

2020

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2019

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2018

Changes in Actuarial Assumptions

- 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.

Changes in Plan Provisions

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00% 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.
- Postretirement benefit increases were changed from 2.50% per year with a provision to reduce to 1.00% if the funding status declines to a certain level, to 100% of the Social Security Cost of Living Adjustment, not less than 1.00% and not more than 2.50%, beginning January 1, 2019. If the funding status declines to 85.00% for two consecutive years or 80.00% for one year, the maximum increase will be lowered to 1.50%.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

**MOWER COUNTY
AUSTIN, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
DECEMBER 31, 2020**

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

C. Correctional Fund (Continued)

2017

Changes in Actuarial Assumptions

- 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.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2016

Changes in Actuarial Assumptions

- The assumed investment return was changed from 7.90% to 7.50%. The single discount rate changed from 7.90% to 5.31%.
- The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015

Changes in Actuarial Assumptions

- There have been no changes since the prior valuation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

**MOWER COUNTY
AUSTIN, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
DECEMBER 31, 2020**

IV. OTHER POSTEMPLOYMENT BENEFITS

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

2020

- The discount rate was changed from 3.80% to 2.90%.

2019

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

SUPPLEMENTARY INFORMATION

**MOWER COUNTY
AUSTIN, MINNESOTA
DESCRIPTION OF FUNDS
DECEMBER 31, 2020**

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.

FIDUCIARY FUNDS

Private-Purpose Trust Funds

The Social Welfare Fund is used to account for the activity related to income received and payments made on behalf of individuals for whom the County is responsible to assist in accordance with Minn. Stat. § 256.8.

Custodial Funds

The Taxes and Penalties Fund accounts for the collection and distribution of property taxes and penalties to the various taxing districts.

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

The State Revenue Fund is used for the collection of fees on behalf of the State.

The Civil Process Fund is used to account for the receipts and disbursements of funds related to civil process.

The Estate Recoveries Fund is used to hold the State's portion of estates from deceased parties within the County until such a time they can be analyzed and disbursed properly.

The Jail Inmate Fund is used to account for the receipts and disbursements of funds related to county inmates.

**MOWER COUNTY
AUSTIN, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2020**

ASSETS	Ditch	Sewer Improvements	Bond Fund	Total Nonmajor Governmental Funds
Cash and Pooled Investments	\$ 434,554	\$ 969,021	\$ 431,372	\$ 1,834,947
Taxes Receivable - Delinquent	-	-	26,703	26,703
Special Assessments Receivable - Current	181,000	8,705	-	189,705
Special Assessments Receivable - Delinquent	24	4,581	-	4,605
Loans Receivable	-	947,875	-	947,875
Due from Other Governments	16,257	-	-	16,257
Restricted Investments - Temporary	-	29,836	-	29,836
Total Assets	\$ 631,835	\$ 1,960,018	\$ 458,075	\$ 3,049,928
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 1,971	\$ 1,547	\$ -	\$ 3,518
Due to Other Governments	5,346	-	-	5,346
Total Liabilities	7,317	1,547	-	8,864
Unavailable Taxes	181,000	-	22,261	203,261
Unavailable Special Assessments	24	10,017	-	10,041
Unavailable Other	16,257	-	-	16,257
Property Taxes Levied for Subsequent Year	-	-	5,744	5,744
Total Deferred Inflows of Resources	197,281	10,017	28,005	235,303
FUND BALANCES				
Restricted For:				
Ditch Projects	427,237	-	-	427,237
Sewer Improvements	-	902,978	-	902,978
Debt Service	-	153,257	430,070	583,327
Assigned For:				
Sewer Improvements	-	892,219	-	892,219
Total Fund Balance	427,237	1,948,454	430,070	2,805,761
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 631,835	\$ 1,960,018	\$ 458,075	\$ 3,049,928

**MOWER COUNTY
AUSTIN, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2020**

	Ditch	Sewer Improvements	Bond Fund	Total Nonmajor Governmental Funds
REVENUES				
Taxes	\$ -	\$ -	\$ 744,564	\$ 744,564
Special Assessments	79,073	431,364	-	510,437
Intergovernmental	-	-	10,075	10,075
Interest on Investments	-	643	-	643
Miscellaneous	1,628	-	-	1,628
Total Revenues	<u>80,701</u>	<u>432,007</u>	<u>754,639</u>	<u>1,267,347</u>
EXPENDITURES				
CURRENT				
Conservation	199,529	419,487	-	619,016
DEBT SERVICE				
Principal	-	223,182	605,000	828,182
Interest	-	-	123,420	123,420
Total Debt Service	<u>-</u>	<u>223,182</u>	<u>728,420</u>	<u>951,602</u>
Total Expenditures	<u>199,529</u>	<u>642,669</u>	<u>728,420</u>	<u>1,570,618</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(118,828)	(210,662)	26,219	(303,271)
OTHER FINANCING SOURCES (USES)				
Proceeds from Loan	-	371,418	-	371,418
NET CHANGE IN FUND BALANCES	(118,828)	160,756	26,219	68,147
Fund Balance - Beginning of Year	<u>546,065</u>	<u>1,787,698</u>	<u>403,851</u>	<u>2,737,614</u>
FUND BALANCE - END OF YEAR	<u>\$ 427,237</u>	<u>\$ 1,948,454</u>	<u>\$ 430,070</u>	<u>\$ 2,805,761</u>

**MOWER COUNTY
AUSTIN, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
DITCH FUND
YEAR ENDED DECEMBER 31, 2020**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Special Assessments	\$ 86,000	\$ 86,000	\$ 79,073	\$ (6,927)
Miscellaneous	-	-	1,628	1,628
Total Revenues	<u>86,000</u>	<u>86,000</u>	<u>80,701</u>	<u>(5,299)</u>
EXPENDITURES				
CURRENT				
CONSERVATION OF NATURAL RESOURCES				
Other	<u>139,778</u>	<u>198,161</u>	<u>199,529</u>	<u>(1,368)</u>
NET CHANGE IN FUND BALANCE	<u>\$ (53,778)</u>	<u>\$ (112,161)</u>	(118,828)	<u>\$ (6,667)</u>
Fund Balance - Beginning of Year			<u>546,065</u>	
FUND BALANCE - END OF YEAR			<u>\$ 427,237</u>	

**MOWER COUNTY
AUSTIN, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
SEWER IMPROVEMENT FUND
YEAR ENDED DECEMBER 31, 2020**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Special Assessments	\$ 160,000	\$ 160,000	\$ 431,364	\$ 271,364
Investments Earnings	-	-	643	643
Total Revenues	<u>160,000</u>	<u>160,000</u>	<u>432,007</u>	<u>272,007</u>
EXPENDITURES				
CURRENT				
CONSERVATION OF NATURAL RESOURCES				
Other	168,000	168,000	419,487	(251,487)
DEBT SERVICE				
Principal	<u>263,000</u>	<u>263,000</u>	<u>223,182</u>	<u>39,818</u>
Total Expenditures	<u>431,000</u>	<u>431,000</u>	<u>642,669</u>	<u>(211,669)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from Loan	<u>-</u>	<u>-</u>	<u>371,418</u>	<u>371,418</u>
NET CHANGE IN FUND BALANCE	<u>\$ (271,000)</u>	<u>\$ (271,000)</u>	160,756	<u>\$ 431,756</u>
Fund Balance - Beginning of Year			<u>1,787,698</u>	
FUND BALANCE - END OF YEAR			<u>\$ 1,948,454</u>	

**MOWER COUNTY
AUSTIN, MINNESOTA
COMBINING STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS – CUSTODIAL FUNDS
DECEMBER 31, 2020**

	Taxes and Penalties	Family Collections	State Revenue
ASSETS			
Cash and Cash Equivalents	\$ 643,738	\$ 362,733	\$ 149,436
Due from Other Governments	-	26,608	-
Taxes For Other Governments	1,210,218	-	-
Total Assets	1,853,956	389,341	149,436
LIABILITIES			
Due to Others	-	83	-
Due to Other Governments	643,738	-	149,436
Total Liabilities	643,738	83	149,436
NET POSITION			
Restricted for:			
Individuals, Organizations, and Other Governments	\$ 1,210,218	\$ 389,258	\$ -

**MOWER COUNTY
AUSTIN, MINNESOTA
COMBINING STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS – CUSTODIAL FUNDS (CONTINUED)
DECEMBER 31, 2020**

<u>Civil Process</u>	<u>Estate Recoveries</u>	<u>Jail Inmate</u>	<u>Total Custodial Funds</u>
\$ 1,929	\$ 1,890	\$ 2,947	\$ 1,162,673
-	-	-	26,608
-	-	-	1,210,218
<u>1,929</u>	<u>1,890</u>	<u>2,947</u>	<u>2,399,499</u>
-	-	-	83
-	1,890	-	795,064
<u>-</u>	<u>1,890</u>	<u>-</u>	<u>795,147</u>
<u>\$ 1,929</u>	<u>\$ -</u>	<u>\$ 2,947</u>	<u>\$ 1,604,352</u>

**MOWER COUNTY
AUSTIN, MINNESOTA
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS – CUSTODIAL FUNDS
YEAR ENDED DECEMBER 31, 2020**

	Custodial Funds		
	Taxes and Penalties	Family Collections	State Revenue
ADDITIONS			
Contributions:			
Individuals	\$ -	\$ 285,157	\$ -
Property Tax Collections for Other Governments	30,826,083	-	-
Recoveries	-	-	-
License and Fees Collected for State	-	-	1,307,050
Total Additions	<u>30,826,083</u>	<u>285,157</u>	<u>1,307,050</u>
DEDUCTIONS			
Beneficiary Payments to Individuals	-	246,891	-
Payments of Property Tax to Other Governments	30,735,902	-	-
Payments to Other Entities	-	-	1,307,050
Total Deductions	<u>30,735,902</u>	<u>246,891</u>	<u>1,307,050</u>
NET INCREASE (DECREASE) IN FIDUCIARY NET POSITION	90,181	38,266	-
Fiduciary Net Position - Beginning of Year	-	-	-
Change in Accounting Principle as Previously Reported	1,120,037	350,992	-
Fiduciary Net Position - Beginning of Year, as Restated	<u>1,120,037</u>	<u>350,992</u>	<u>-</u>
FIDUCIARY NET POSITION - END OF YEAR	<u>\$ 1,210,218</u>	<u>\$ 389,258</u>	<u>\$ -</u>

**MOWER COUNTY
AUSTIN, MINNESOTA
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS – CUSTODIAL FUNDS (CONTINUED)
YEAR ENDED DECEMBER 31, 2020**

Custodial Funds			
Civil Process	Estate Recoveries	Jail Inmate	Total Custodial Funds
\$ 77,957	\$ -	\$ 163,651	\$ 526,765
-	-	-	30,826,083
-	174,628	-	174,628
-	-	-	1,307,050
<u>77,957</u>	<u>174,628</u>	<u>163,651</u>	<u>32,834,526</u>
82,522	-	163,632	493,045
-	-	-	30,735,902
-	174,628	-	1,481,678
<u>82,522</u>	<u>174,628</u>	<u>163,632</u>	<u>32,710,625</u>
(4,565)	-	19	123,901
-	-	-	-
<u>6,494</u>	<u>-</u>	<u>2,928</u>	<u>1,480,451</u>
<u>6,494</u>	<u>-</u>	<u>2,928</u>	<u>1,480,451</u>
<u>\$ 1,929</u>	<u>\$ -</u>	<u>\$ 2,947</u>	<u>\$ 1,604,352</u>

**MOWER COUNTY
AUSTIN, MINNESOTA
SCHEDULE OF INTERGOVERNMENTAL REVENUE
YEAR ENDED DECEMBER 31, 2020**

	<u>Governmental Funds</u>
SHARED REVENUE	
STATE	
Highway Users Tax	\$ 9,110,593
County Program Aid	2,559,774
PERA Rate Reimbursement	37,566
Disparity Reduction Aid	181,867
Police Aid	215,011
Enhanced 911	118,766
Market Value Credit	300,033
Riparian Protection Aid	133,523
Aquatic Invasive Species	<u>12,178</u>
Total Shared Revenue	12,669,311
REIMBURSEMENT FOR SERVICES	
STATE	
Minnesota Department of Human Services	2,820,822
PAYMENTS	
LOCAL	
Payments in Lieu of Taxes	63,105
GRANTS	
STATE	
Minnesota Department/Board of:	
Corrections	422,674
Health	420,824
Human Services	1,694,380
Soil and Water Resources	117,192
Secretary of State	30,594
Finance	791,869
Veteran's Affairs	10,000
Natural Resources	224,308
Public Safety	1,612
Local	4,100
Pollution Control Agency	<u>213,362</u>
Total State	3,930,915
FEDERAL	
Department of:	
Agriculture	642,659
Election Assistance	32,217
Transportation	2,734
Homeland Security	4,030
Health and Human Services	3,960,383
Treasury	<u>4,907,318</u>
Total Federal	<u>9,549,341</u>
Total State and Federal Grants	<u>13,480,256</u>
Total Intergovernmental Revenue	<u><u>\$ 29,033,494</u></u>

**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, 2020, and the related notes to the financial statements, which collectively comprise Mower County's basic financial statements, and have issued our report thereon dated September 13, 2021.

The County's financial statements include the operations of the Mower County Housing and Redevelopment Authority (HRA) for the year ended September 30, 2020. 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Mower County's internal control. Accordingly, we do not express an opinion on the effectiveness of Mower County's internal control.

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2020-001 to 2020-003 that we consider to be material weaknesses.

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

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
September 13, 2021

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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, 2020. 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 \$483,577 in federal awards during the year ended September 30, 2020. 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, 2020.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2020-004. Our opinion on each major federal program is not modified with respect to these matters.

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

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 deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2020-004 and 2020-005 to be a significant deficiencies.

Mower County's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Mower County's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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
September 13, 2021

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**MOWER COUNTY
AUSTIN, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2020**

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? yes X none reported

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes X no
- Significant deficiency(ies) identified? X yes 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>
21.019	COVID-19 Coronavirus Relief Fund
93.558	Temporary Assistance for Needy Families (TANF)
93.778	Medical Assistance Program (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, 2020**

**FINANCIAL STATEMENT FINDINGS
MATERIAL WEAKNESSES**

2020-001 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 – Finding 2019-001.

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, 2020**

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

2020-002 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, adjustments to prepaid items, 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 2019-002.

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, 2020**

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

2020-003 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 the two internal cash tracking systems at the end of each calendar month.

Condition and Context: The reconciliations for 2020 were not completed as of year-end in a timely manner. The County has made improvements in this area but the reconciliations are still not completed timely.

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 2019-003.

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, 2020**

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2020-004 ELIGIBILITY

Federal Agency: U.S. Department of Health and Human Services
Federal Program Title: Temporary Assistance for Needy Families (TANF)
CFDA Number: 93.558
Pass-Through Agency: Minnesota Department of Human Services
Pass-Through Numbers: 1901TANF
Compliance Requirement Affected: Eligibility
Award Period: Year-Ended December 31, 2020

Type of Finding: Significant Deficiency in Internal Control over Compliance and Other Matters

Criteria: TANF requirements allow for individuals who have been convicted of a felony within the past 10 years to still receive TANF benefits. TANF requirements also state that each individual applying for TANF assistance state in writing whether the individual or any member of their household has been convicted of such a felony involving a controlled substance. The state requires that these individuals be set up so that the related payments are made directly to the vendors.

Condition and Context: During our testing, two out of 60 casefiles did not answer the question regarding if the applicant had been convicted of a felony within the past 10 years. If they had been convicted of a felony, they were not set up on vendor payments in accordance with the prescribed state control procedures. The statistically valid sample size was based on guidance from chapter 11 of the AICPA Audit Guide, *Government Auditing Standards and Single Audits*.

Questioned Costs: None.

Cause: The lack of casefile reviews resulted in two applications missing the felony question being completed.

Possible Effect: The omission of setting up the applicant on vendor payments does not impact federal eligibility compliance requirements.

Repeat Finding: No.

Recommendation: We recommend the County set up vendor payments for those clients that were convicted of a drug felony within the past 10 years. In addition, the county could consider implementing additional training for case workers and a casefile review system.

Views of responsible officials: There is no disagreement with the audit finding. The county has implemented additional training and designed a review form to document casefile reviews.

**MOWER COUNTY
AUSTIN, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
DECEMBER 31, 2020**

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

2020-005 CASEFILE REVIEW

Federal Agency: U.S. Department of Health and Human Services
Federal Program Title: Temporary Assistance for Needy Families (TANF)
CFDA Number: 93.558
Pass-Through Agency: Minnesota Department of Human Services
Pass-Through Numbers: 1901TANF
Compliance Requirement Affected: Eligibility
Award Period: Year-Ended December 31, 2020

Type of Finding: Significant Deficiency in Internal Control over Compliance

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

Condition and Context: During our testing of the TANF through inquiry and our statistically valid sample, it was noted there were no documented reviews 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: No.

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 designed a review form to document casefile reviews.

**MOWER COUNTY
AUSTIN, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
DECEMBER 31, 2020**

OTHER ITEMS FOR CONSIDERATION – MINNESOTA LEGAL COMPLIANCE

2020-006 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 2020 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: Yes – Finding 2019-007.

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 publication of official proceedings of its sessions or a summary in a qualified newspaper.

**MOWER COUNTY
AUSTIN, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
DECEMBER 31, 2020**

SUMMARY OF PRIOR AUDIT FINDINGS

Audit period: December 31, 2019.

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

2019 – 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 2020-001.

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.

2019 – 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 2020-002.

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.

**MOWER COUNTY
AUSTIN, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
DECEMBER 31, 2020**

SUMMARY OF PRIOR AUDIT FINDINGS (CONTINUED)

FINANCIAL STATEMENT FINDINGS (CONTINUED)

2019 – 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 2020-003.

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 the two internal cash tracking systems each month and the County document the review of these monthly reconciliations by the finance director.

2019 – 004 UNAUTHORIZED BANK SIGNERS

Condition: Standard internal control suggest bank account authorizations be updated when employees terminate form a position at the County.

Status: Resolved.

2019 – 005 BUDGET RECONCILIATION

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

Status: Resolved.

SINGLE AUDIT FINDING

2019 – 006 CASEFILE REVIEW- MEDICAL ASSISTANCE

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

Status: Resolved.

**MOWER COUNTY
AUSTIN, MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2020**

Federal Grantor Pass Through Agency Grant Program Title (Program or Cluster Title)	Federal CFDA Number	Pass-Through Grant Number	Expenditures	Passed to Subrecipients
U.S. Department of Agriculture				
Passed Through Minnesota Department of Human Services State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (Part of SNAP Cluster)	10.561	192MN101S2514	\$ 347,379	\$ -
Passed Through Minnesota Department of Health WIC Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	202MN004W1003	<u>273,356</u>	<u>-</u>
Total Department of Agriculture			620,735	-
U.S. Election Assistance Commission				
Passed Through Minnesota Secretary of State COVID-19 2018 HAVA Election Security Grants	90.404	EAC201908MNCOVID	32,217	-
U.S. Department of Transportation				
Passed Through City of Austin State and Community Highway Safety (Part of Highway Safety Cluster Total \$1,704)	20.600	A-ENFRC21-2021- AUSTINPD-039	500	-
National Priority Safety Programs (Part of Highway Safety Cluster Total \$1,704)	20.616	A-ENFRC21-2021- AUSTINPD-039	1,204	-
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	A-ENFRC21-2021- AUSTINPD-039	<u>2,734</u>	<u>-</u>
Total Department of Transportation			4,438	-
U.S. Department of Treasury				
Passed Through Minnesota Department of Revenue COVID-19 Coronavirus Relief Fund	21.019	SLT0016	4,907,318	1,648,596
U.S. Department of Health and Human Services				
Passed Through Minnesota Department of Health Public Health Emergency Preparedness	93.069	NU90TP922026	31,959	-
Early Hearing Detection and Intervention	93.251	H61MC00035	450	-
Early Hearing Detection and Intervention Information System (EHDI-IS) Surveillance Program	93.314	NU50DD00096	75	-
Immunization Cooperative Agreements	93.268	Not Provided	1,175	-
Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families 93.558 \$595,655)	93.558	1901MNTANF	46,407	-
Maternal and Child Health Services Block Grant to the States	93.994	BO33847	44,842	-

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)
YEAR ENDED DECEMBER 31, 2020**

Federal Grantor Pass Through Agency Grant Program Title (Program or Cluster Title)	Federal CFDA Number	Pass-Through Grant Number	Expenditures	Passed to Subrecipients
U.S. Department of Health and Human Services (Continued)				
Passed Through Minnesota Department of Human Services MaryLee Allen Promoting Safe and Stable Families Program	93.556	2001MNFPS	\$ 17,848	\$ -
Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families 93.558 \$595,655)	93.558	1901MNTANF	549,248	549,248
Child Support Enforcement	93.563	2001MNCEST, 2001MNCSES	984,037	-
Refugee and Entrant Assistance State/Replacement Designee Administered Programs	93.566	2001MNRCSA	3,417	-
Child Care Mandatory and Matching Funds of the Child Care and Development Fund (CCDF Cluster)	93.596	2001MNCCDF	16,309	-
Community-Based Child Abuse Prevention Grants	93.590	2001MNBCAP	12,355	-
Stephanie Tubbs Jones Child Welfare Services Program	93.645	2001MNCWSS	10,684	-
Foster Care Title IV-E	93.658	2001MNFOS	390,297	-
Maternal, Infant, and Early Childhood Home Visiting Grant	93.870	X10MC29483	172,388	-
Social Services Block Grant	93.667	2001MNSOSR	258,652	-
John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674	2001MNCILP	1,500	-
Children's Health Insurance Program	93.767	2005MN5021	791	-
Medical Assistance Program (Part of Medicaid Cluster)	93.778	2005MN5ADM, 2005MN5MAP	1,347,755	-
Total Department of Health and Human Services			3,890,189	549,248
U.S. Department of Homeland Security				
Passed Through Minnesota Department of Public Safety Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	DR-4531-MN	4,030	-
Total Cash Type Federal Awards			<u>\$ 9,458,927</u>	<u>\$ 2,197,844</u>

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

CCDF Cluster	\$ 16,309
Medicaid Cluster	1,347,755
SNAP Cluster	347,379
Highway Safety Cluster	1,704

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, 2020**

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, 2020. 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 Requirements 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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* for all awards with the exception of CFDA 21.019, which follows criteria determined by the Department of Treasury for allowability costs. Under these principles, certain types of expenditures are not allowable or are limited as to reimbursement. 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	\$ 9,549,341
Revenues included on the Schedule of Intergovernmental Revenue that are not considered Federal Grant Expenditures (Prior Year Deferred Inflows of Resources)	(290,908)
Expenditures above, not included as revenues on the Schedule of Intergovernmental Revenues (Current Year Deferred Inflows of Resources)	200,494
Expenditures per Schedule of Expenditures of Federal Awards	\$ 9,458,927



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 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, 2020, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated September 13, 2021.

The County's financial statements include the operations of the Mower County Housing and Redevelopment Authority (HRA), for the year ended September 30, 2020. 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, we noted the Mower County failed to comply with provisions of the miscellaneous provisions of *Minnesota Legal Compliance Audit Guide for Counties*, promulgated by the state auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters, as described in the schedule of findings and questioned costs as item 2020-006. Also, 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, and claims and disbursements sections of *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. 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 County's written response to the legal compliance finding identified in our audit are described in the schedule of findings and questioned costs. The County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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
September 13, 2021

