

**NOBLES COUNTY  
WORTHINGTON, MINNESOTA**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEAR ENDED DECEMBER 31, 2019**





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WORTHINGTON, MINNESOTA  
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DECEMBER 31, 2019**

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## **INTRODUCTORY SECTION**





**NOBLES COUNTY  
 WORTHINGTON, MINNESOTA  
 ORGANIZATION  
 DECEMBER 31, 2019**

Office	Name	Term Expires
<b>Commissioners</b>		
1 <sup>st</sup> District	Justin Ahlers**	December 31, 2020
2 <sup>nd</sup> District	Gene Metz	December 31, 2022
3 <sup>rd</sup> District	Matt Widboom*	December 31, 2020
4 <sup>th</sup> District	Robert Demuth	December 31, 2020
5 <sup>th</sup> District	Donald Linssen	December 31, 2022
<b>Officers</b>		
<b>Elected</b>		
Attorney	Joseph Sanow	December 31, 2022
Auditor-Treasurer	Joyce Jacobs	December 31, 2022
County Judge	Gordon Moore	December 31, 2022
Recorder	Thelma Yager	December 31, 2022
Sheriff	Kent Wilkening	December 31, 2022
<b>Appointed</b>		
County Administrator	Tom Johnson	Indefinite
Assessor	Valerie Ruesch	December 31, 2019
Court Administrator	Lori Klein	Indefinite
Coroner	Dr. Michael McGee****	December 31, 2019
Highway Engineer	Stephen Schnieder	May 31, 2024

\* = Chair 2019

\*\* = Vice-Chair 2019

\*\*\*\*Contracted with Ramsey County

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## **FINANCIAL SECTION**





## INDEPENDENT AUDITORS' REPORT

Board of County Commissioners  
Nobles County  
Worthington, Minnesota

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

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

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

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

### ***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 statement 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 of 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, each major fund, and the aggregate remaining fund information of Nobles County, as of December 31, 2019, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of changes in the total OPEB liability and related ratios, schedule of the County's proportionate share of the net pension liability, schedule of pension contributions, and budgetary comparison information 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*

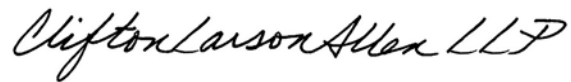
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Nobles County's basic financial statements. The supplementary information consisting of combining and individual nonmajor fund financial statements, the combining statement of changes in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

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

Board of County Commissioners  
Nobles County

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated July 29, 2020, on our consideration of Nobles County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Nobles 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 Nobles County's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

**CliftonLarsonAllen LLP**

Brainerd, Minnesota  
July 29, 2020

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## **REQUIRED SUPPLEMENTARY INFORMATION**



**NOBLES COUNTY  
WORTHINGTON, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2019**

This section of the Nobles County's (the County) annual financial report presents our discussion and analysis of the County's financial performance during the fiscal year that ended December 31, 2019. Since this information is designed to focus on current year activities, resulting changes and currently known facts, it should be read in conjunction with the County's financial statements.

**FINANCIAL HIGHLIGHTS**

- Net position is \$82,155,906 of which \$71,052,871 is the net investment in capital assets and \$9,379,388 is restricted for specific purposes.
- Governmental revenues totaled \$36,640,164 and were \$502,505 more than expenditures in 2019 primarily due to wind taxes collected and not spent during 2019.
- Governmental funds combined fund balances totaled \$31,811,731 at December 31, 2019. This was an increase of \$747,682 over fund balance at December 31, 2018.
- The General Fund's fund balance increased by \$281,404 during 2019 with revenues over budget by \$500,819 and expenditures over budget by \$263,506.

**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:

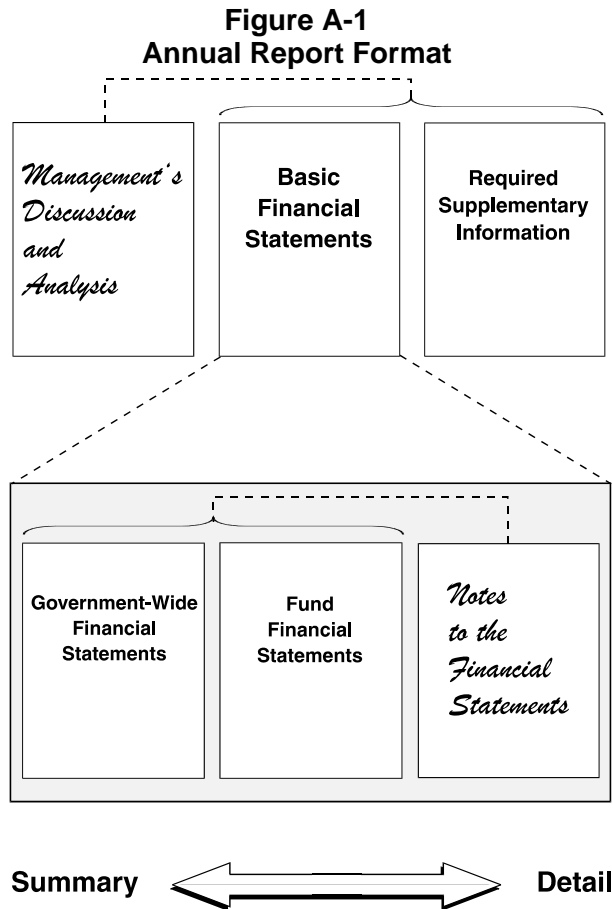
- The first two statements are County-wide financial statements which provide both short-term and long-term information about the County's overall financial status.
- The remaining statements are fund financial statements which focus on individual parts of the County, reporting the County's operations in more detail than the County-wide statements.
  - The governmental funds statements tell how basic services such as general government, human 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.

**NOBLES COUNTY  
WORTHINGTON, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2019**

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

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

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



**NOBLES COUNTY  
 WORTHINGTON, MINNESOTA  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 YEAR ENDED DECEMBER 31, 2019**

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

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

Figure A-2  
 Major Features of the County's Government-Wide and Fund Financial Statements

<b>Type of Statements</b>	<b>Government-Wide</b>	<b>Governmental Funds</b>	<b>Fiduciary Funds</b>
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 balances.	Agency funds do not provide an operating statement.
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 and deferred outflows of resources and 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 and deferred outflows of resources and liabilities and deferred inflows of resources, both short-term and long-term, Agency's 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 revenues and expenses during the year for trust funds, regardless of when cash is received or paid. Agency funds do not report revenues and expenditures.

**County-Wide Statements**

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

**NOBLES COUNTY  
WORTHINGTON, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2019**

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

**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.
- 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.

**Fund Financial Statements**

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

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

The County has two kinds of funds:

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

**NOBLES COUNTY  
 WORTHINGTON, MINNESOTA  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 YEAR ENDED DECEMBER 31, 2019**

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

**Net Position**

The County's total net position was \$82,155,906 on December 31, 2019 (see Table A-1).

Table A-1  
 The County's Net Position

	Governmental Activities	
	2019	2018
Current and Other Assets	\$ 35,420,728	\$ 36,150,582
Capital Assets	79,895,881	80,595,764
Total Assets	115,316,609	116,746,346
Deferred Outflows of Resources	1,879,629	3,398,828
Current Liabilities	2,142,597	2,008,659
Long-Term Liabilities	29,142,798	31,931,441
Total Liabilities	31,285,395	33,940,100
Deferred Inflows of Resources	3,754,937	4,957,498
Net Position		
Net Investment in Capital Assets	71,052,871	70,290,325
Restricted	9,186,251	11,693,701
Unrestricted	1,916,784	(736,450)
Total Net Position	\$ 82,155,906	\$ 81,247,576

**NOBLES COUNTY  
 WORTHINGTON, MINNESOTA  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 YEAR ENDED DECEMBER 31, 2019**

**CHANGE IN NET POSITION**

The County-wide total revenues were \$34,732,359 for the year ended December 31, 2019 (an increase of \$1,191,663). This increase is primarily attributable to an increase in intergovernmental revenues (specifically capital grants and contributions). Property taxes and operating and capital grants and contributions accounted for 75% of total revenue for the year (see Table A-2).

Table A-2  
 Change in Net Position

	Governmental Activities		Total % Change
	2019	2018	
<b>REVENUES</b>			
<u>Program Revenues</u>			
Charges for Services	\$ 3,748,321	\$ 4,552,665	(17.7)%
Operating Grants and Contributions	11,336,500	11,072,249	2.4
Capital Grants and Contributions	1,206,302	197,303	511.4
<u>General Revenues</u>			
Property Taxes	13,537,240	13,302,944	1.8
Other	4,903,996	4,415,535	11.1
Total Revenues	<u>34,732,359</u>	<u>33,540,696</u>	3.6
<b>EXPENSES</b>			
General Government	8,043,134	7,270,879	10.6
Public Safety	5,116,501	4,684,372	9.2
Highways and Streets	9,405,828	10,589,440	(11.2)
Sanitation	359,561	390,384	(7.9)
Human Services	7,106,437	7,125,126	(0.3)
Health	920,506	1,158,791	(20.6)
Culture and Recreation	999,424	913,078	9.5
Conservation of Natural Resources	1,017,215	584,897	73.9
Economic Development	122,618	604,101	(79.7)
Buildings and Plant	228,839	28,685	697.8
Interest	503,966	544,863	(7.5)
Total Expenses	<u>33,824,029</u>	<u>33,894,616</u>	(0.2)
<b>CHANGE IN NET POSITION</b>	908,330	(353,920)	(356.6)
Net Position - Beginning of Year	81,247,576	81,601,496	(0.4)
<b>NET POSITION - END OF YEAR</b>	<u>\$ 82,155,906</u>	<u>\$ 81,247,576</u>	1.1

Total revenues exceeded expenses, increasing net position \$908,330 over last year. The net change is primarily due wind tax revenue exceeding expenses.



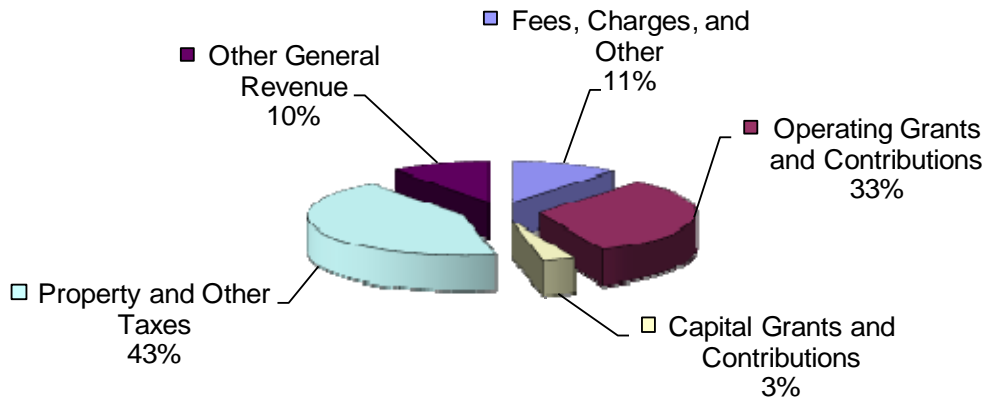
**NOBLES COUNTY  
 WORTHINGTON, MINNESOTA  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 YEAR ENDED DECEMBER 31, 2019**

**CHANGE IN NET POSITION (CONTINUED)**

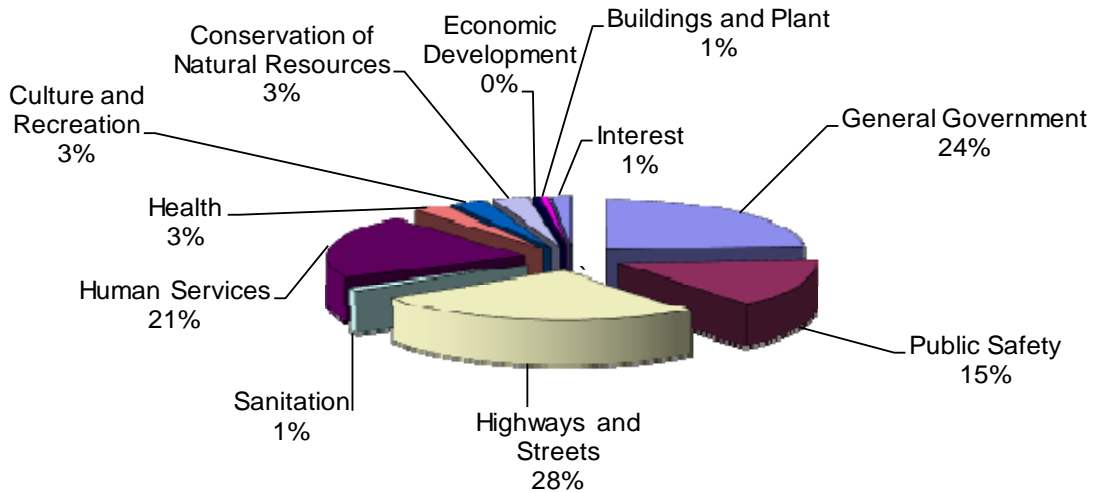
The County-wide cost of all governmental activities this year was \$33,824,029.

- Some of the cost was paid by the users of the County's programs (\$3,748,321).
- The federal and state governments subsidized certain programs with grants and contributions (\$12,542,802).
- The remainder of the County's governmental activities costs (\$17,532,906) was paid for by taxpayers. This portion of governmental activities was paid from the combination of \$14,954,834 in property and other taxes, \$1,473,082 of state aid, and \$2,013,320 in investment earnings and other general revenues.

**Governmental Activities Revenues by Source 2019**



**Governmental Activities Expenses by Type 2019**



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**NOBLES COUNTY  
WORTHINGTON, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2019**

**CHANGE IN NET POSITION (CONTINUED)**

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

Table A-3  
Expenses and Net (Revenue) Cost of Services

	Total Cost of Services		Percentage Change	Net (Revenue) Cost of Services		Percentage Change
	2019	2018		2019	2018	
<b>GOVERNMENTAL ACTIVITIES</b>						
General Government	\$ 8,043,134	\$ 7,270,879	10.6 %	\$ 6,787,382	\$ 6,074,848	11.7 %
Public Safety	5,116,501	4,684,372	9.2	4,198,221	3,432,498	22.3
Highways and Streets	9,405,828	10,589,440	(11.2)	804,734	3,186,031	(74.7)
Sanitation	359,561	390,384	(7.9)	(680,326)	(695,315)	2.2
Human Services	7,106,437	7,125,126	(0.3)	3,491,244	3,566,328	(2.1)
Health	920,506	1,158,791	(20.6)	430,629	214,459	100.8
Culture and Recreation	999,424	913,078	9.5	865,875	806,603	7.3
Conservation of Natural Resources	1,017,215	584,897	73.9	779,724	309,298	152.1
Economic Development	122,618	604,101	(79.7)	122,618	604,101	(79.7)
Buildings and Plant	228,839	28,685	697.8	228,839	28,685	697.8
Interest	503,966	544,863	(7.5)	503,966	544,863	(7.5)
Total	<u>\$ 33,824,029</u>	<u>\$ 33,894,616</u>	(0.2)	<u>\$ 17,532,906</u>	<u>\$ 18,072,399</u>	(3.0)

**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 \$31,811,731. Revenues for the County's governmental funds were \$36,640,164, while total expenditures were \$36,137,659.

The General Fund includes the primary operations of the County in providing services to citizens. The General Fund's fund balance increased by \$281,404 during 2019 with revenues over budget by \$500,819 and expenditures over budget by \$263,506.

The Public Works Fund increased its fund balance from \$9,537,350 in 2018 to \$10,722,526 in 2019. The increase is due to intergovernmental revenue exceeding current year construction costs. Of the total fund balance, 10.49% is set aside for resource conservation and development.

The Family Services Fund revenues were under budget during 2019 by \$826,346 and expenditures were under budget during 2019 by \$928,497 resulting in a fund balance decrease of \$254,958 during 2019. The decrease was a result of providing mandatory programs to citizens in need of assistance and elimination of federally funded grant programs in 2019.

The Debt Service Fund expenditures exceeded revenues by \$919,804, which is due to planned spend down of fund balance that accumulated due to transfers from other funds in prior years.

**NOBLES COUNTY  
 WORTHINGTON, MINNESOTA  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 YEAR ENDED DECEMBER 31, 2019**

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

The following schedule presents a summary of General Fund Revenues:

Table A-4  
 General Fund Revenues

Fund	Year Ended		Change	Percent
	2019	2018	(Decrease)	
Taxes	\$ 7,992,670	\$ 7,535,261	\$ 457,409	6.1 %
Intergovernmental	1,928,930	1,696,356	232,574	13.7
Charges for Services	1,248,395	1,559,684	(311,289)	(20.0)
Gifts and Contributions	11,600	7,708	3,892	50.5
Interest on Investments	474,210	353,343	120,867	34.2
Miscellaneous and Other	978,972	997,569	(18,597)	(1.9)
Total General Fund Revenues	<u>\$ 12,634,777</u>	<u>\$ 12,149,921</u>	<u>\$ 484,856</u>	4.0

General fund revenues increased by \$484,856, or 4.0%, from the previous year due primarily to increases in tax revenues, intergovernmental revenue, and interest on investments. Intergovernmental revenue increased due to additional county program aid received in 2019. Interest on investment revenue increased due to fluctuations in the market value of investments.

The following schedule presents a summary of general fund expenditures:

Table A-5  
 General Fund Expenditures

	Year Ended		Change	Percent
	December 31, 2019	December 31, 2018	Increase (Decrease)	
General Government	\$ 6,999,736	\$ 5,746,419	\$ 1,253,317	21.8 %
Public Safety	4,760,217	4,600,149	160,068	3.5
Conservation of Natural Resources	147,967	140,333	7,634	5.4
Economic Development	122,618	604,101	(481,483)	(79.7)
Intergovernmental	245,794	366,951	(121,157)	(33.0)
Capital Outlay	194,709	207,368	(12,659)	(6.1)
Debt Service	111,057	65,344	45,713	70.0
Total Expenditures	<u>\$ 12,582,098</u>	<u>\$ 11,730,665</u>	<u>\$ 851,433</u>	7.3

General Fund expenditures increased by \$851,433 or 7.3%, from the previous year due to increased general governmental expenditures offset by decreases in economic development and intergovernmental expenditures. General government expenditures increased due to increased payroll costs and a \$500,000 contribution to the Nobles County Historical Society in 2019 to rehabilitate the armory. Intergovernmental expenditures decreased due to the county contributing to the county's providing technology joint venture in 2018 with no similar contributions in 2019. Economic development expenditures decreased due to a \$500,000 payment to Lismore Telephone in 2018 that did not recur in 2019.

**NOBLES COUNTY  
 WORTHINGTON, MINNESOTA  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 YEAR ENDED DECEMBER 31, 2019**

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

**General Fund Budgetary Highlights**

The Nobles County Board of Commissioners, over the course of a budget year, may amend/revise the County's budget; in 201, the County Board of Commissioners made no budgetary amendments/revisions.

- General Fund actual revenues were over budget by \$500,819. Intergovernmental revenues exceeded budget by \$700,324 as market value credits, police aid, county program aid, and PERA aid came in higher than anticipated. Interest on investments revenue exceeded budget by \$218,210 due to better than anticipated investment returns. Charges for services were less than budget by \$282,714 due to declines in jail inmate counts.
- Actual expenditures were over budget by 263,506. Expenditures exceeded budget due to a \$500,000 unbudgeted payment to the Nobles County Historical Society in 2019. Several department expenditures came in under budget including County Commissioners, Law Library, Finance, Assessor, Data Processing, Central Services, Planning and Zoning, Civil Defense, Extension, Economic Development and Attorney.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

An annual levy is made to fund the bond payments for all previous bond issues.

**CAPITAL ASSETS**

By the end of 2019, the County had invested approximately \$136,400,000 in a broad range of capital assets including land, buildings, equipment, and infrastructure (see Table A-6). (More detailed information about capital assets can be found in Note 2.A.4 to the financial statements). Total depreciation expense for the year was \$3,736,187.

Table A-6  
 The County's Capital Assets

	Governmental Activities		Percent Change
	2019	2018	
Land	\$ 1,328,750	\$ 1,348,750	(1.5)%
Construction-in-Progress	353,258	96,690	265.4
Improvements Other than Buildings	2,211,501	1,853,563	19.3
Buildings	30,168,662	30,106,628	0.2
Machinery and Equipment	9,783,596	10,025,966	(2.4)
Infrastructure	92,587,066	90,954,669	1.8
Less: Accumulated Depreciation	(56,536,952)	(53,790,502)	5.1
Total	<u>\$ 79,895,881</u>	<u>\$ 80,595,764</u>	(0.9)

**NOBLES COUNTY  
 WORTHINGTON, MINNESOTA  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 YEAR ENDED DECEMBER 31, 2019**

**LONG-TERM DEBT**

At year-end, the County had \$20,292,374 in debt outstanding, including the current portion of long-term debt and compensated absences.

- The County's governmental activities total debt decreased \$2,688,331 or 11.7%, due primarily to scheduled bond principal payments.

Table A-7  
 The County's Long Term Debt

	2019	2018	Percentage Change
<b>GOVERNMENTAL ACTIVITIES</b>			
General Obligation Bonds - Net of Premiums	\$ 19,495,831	\$ 22,269,575	(12.5)%
Loans Payable	583,027	576,883	1.1
Capital Lease Payable	213,516	134,247	59.0
Total	\$ 20,292,374	\$ 22,980,705	(11.7)

More detailed information on the County's long-term debt can be found in Note 2.C.2 to the financial statements.

**FACTORS BEARING ON THE COUNTY'S FUTURE**

The County is dependent on the State of Minnesota for a significant portion of its revenue and for the costs of mandated services.

**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 Amy Dykstra, Finance Director, P.O. Box 757, Worthington, Minnesota 56187.

## **BASIC FINANCIAL STATEMENTS**





**NOBLES COUNTY  
 WORTHINGTON, MINNESOTA  
 STATEMENT OF NET POSITION  
 DECEMBER 31, 2019**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and Investments	\$ 28,517,736
Taxes Receivable - Delinquent	114,142
Special Assessments Receivable	170,060
Accounts Receivable - Net	121,069
Loans Receivable	3,491,125
Accrued Interest Receivable	74,514
Due from Other Governments	2,785,659
Inventory	113,640
Prepaid Items	32,783
Nondepreciable Capital Assets:	
Land	1,328,750
Construction-in-Progress	353,258
Depreciable Capital Assets - Net of Accumulated Depreciation:	
Building	14,860,162
Improvements Other than Buildings	1,047,231
Machinery, Vehicles, Furniture, and Equipment	3,447,551
Infrastructure	58,858,929
Total Assets	115,316,609
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension Related	1,687,455
Other Postemployment Benefit Related	192,174
Total Deferred Outflows of Resources	1,879,629
<b>LIABILITIES</b>	
Accounts Payable	627,103
Salaries Payable	464,292
Contracts Payable	446,254
Accrued Interest Payable	187,407
Due to Other Governments	417,541
Noncurrent Liabilities:	
Due Within One Year	3,065,458
Due in More than One Year	18,380,533
Other Postemployment Benefits Payable	375,805
Net Pension Liability	7,321,002
Total Liabilities	31,285,395
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pension Related	3,631,045
Other Postemployment Benefit Related	123,892
Total Deferred Inflows of Resources	3,754,937
<b>NET POSITION</b>	
Net Investment in Capital Assets	71,052,871
Restricted For:	
General Government	545,816
Highways and Streets	905,744
Public Safety	564,259
Conservation	1,589,989
Economic Development	18,925
Debt Service	5,561,518
Unrestricted	1,916,784
Total Net Position	\$ 82,155,906

See accompanying Notes to Financial Statements.

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**NOBLES COUNTY  
 WORTHINGTON, MINNESOTA  
 STATEMENT OF ACTIVITIES  
 YEAR ENDED DECEMBER 31, 2019**

	Program Revenues				Net (Expense) Revenue and Changes in Net Position
<b>FUNCTIONS/PROGRAMS</b>	Expenses	Fees, Charges, Fines, and Other	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>GOVERNMENTAL ACTIVITIES</b>					
General Government	\$ 8,043,134	\$ 925,365	\$ 330,387	\$ -	\$ (6,787,382)
Public Safety	5,116,501	651,884	266,396	-	(4,198,221)
Highways and Streets	9,405,828	928,860	6,465,932	1,206,302	(804,734)
Sanitation	359,561	919,881	120,006	-	680,326
Human Services	7,106,437	32,868	3,582,325	-	(3,491,244)
Health	920,506	53,823	436,054	-	(430,629)
Culture and Recreation	999,424	57,075	76,474	-	(865,875)
Conservation of Natural Resources	1,017,215	178,565	58,926	-	(779,724)
Economic Development	122,618	-	-	-	(122,618)
Buildings and Plant	228,839	-	-	-	(228,839)
Interest	503,966	-	-	-	(503,966)
Total Governmental Activities	\$ 33,824,029	\$ 3,748,321	\$ 11,336,500	\$ 1,206,302	(17,532,906)
<b>GENERAL REVENUES</b>					
Property Taxes					13,537,240
Mortgage Registry and Deed Tax					25,466
Wheelage Tax					226,586
Wind Energy Tax					928,364
Payments in Lieu of Tax					237,178
Grants and Contributions not Restricted for a Particular Purpose					1,473,082
Investment Earnings					474,210
Miscellaneous					1,539,110
Total General Revenues					18,441,236
<b>CHANGE IN NET POSITION</b>					908,330
Net Position - Beginning of Year					81,247,576
<b>NET POSITION - END OF YEAR</b>					\$ 82,155,906

See accompanying Notes to Financial Statements.

**NOBLES COUNTY  
 WORTHINGTON, MINNESOTA  
 BALANCE SHEET  
 GOVERNMENTAL FUNDS  
 DECEMBER 31, 2019**

	General	Public Works	Family Services
<b>ASSETS</b>			
Cash and Pooled Investments	\$ 10,750,115	\$ 9,573,347	\$ 1,544,214
Undistributed Cash in Agency Funds	106,147	19,489	41,739
Petty Cash and Change Funds	2,175	150	100
Taxes Receivable			
Taxes Receivable - Delinquent	63,451	7,784	27,938
Special Assessments Receivable:			
Delinquent	-	8,162	-
Noncurrent	-	-	-
Accounts Receivable	15,729	53,828	51,512
Loans Receivable	404,760	511,365	-
Accrued Interest Receivable	74,514	-	-
Due from Other Funds	225,346	88	-
Due from Other Governments	385,156	1,890,312	394,112
Inventory	-	113,640	-
Prepaid Items	31,771	1,012	-
Total Assets	\$ 12,059,164	\$ 12,179,177	\$ 2,059,615
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts Payable	\$ 339,033	\$ 46,496	\$ 155,278
Salaries Payable	223,511	73,970	146,575
Contracts Payable	-	446,254	-
Due to Other Funds	-	-	189,434
Due to Other Governments	202,490	15,490	83,511
Total Liabilities	765,034	582,210	574,798
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable Revenue - Tax Related	63,451	7,784	27,938
Unavailable Revenue - Special Assessment Related	-	8,162	-
Unavailable Revenue - Grant Related	-	-	22,200
Unavailable Revenue - Loans Receivable Related	404,760	511,365	-
Unavailable Revenue - State Aid Allotment Related	-	347,130	-
Unavailable Revenue - Charges for Services Related	84,150	-	-
Total Deferred Inflows of Resources	552,361	874,441	50,138

See accompanying Notes to Financial Statements.

Debt Service Fund	Other Governmental Funds	Total Governmental Funds
\$ 3,176,793	\$ 3,291,920	\$ 28,336,389
416	11,076	178,867
-	55	2,480
8,698	6,271	114,142
-	296	8,458
-	161,602	161,602
-	-	121,069
2,575,000	-	3,491,125
-	-	74,514
-	-	225,434
88,307	27,772	2,785,659
-	-	113,640
-	-	32,783
<u>\$ 5,849,214</u>	<u>\$ 3,498,992</u>	<u>\$ 35,646,162</u>

\$ -	\$ 86,296	\$ 627,103
-	20,236	464,292
-	-	446,254
-	36,000	225,434
100,289	15,761	417,541
<u>100,289</u>	<u>158,293</u>	<u>2,180,624</u>
8,698	6,271	114,142
-	161,898	170,060
-	-	22,200
-	-	916,125
-	-	347,130
-	-	84,150
<u>8,698</u>	<u>168,169</u>	<u>1,653,807</u>

**NOBLES COUNTY  
 WORTHINGTON, MINNESOTA  
 BALANCE SHEET (CONTINUED)  
 GOVERNMENTAL FUNDS  
 DECEMBER 31, 2019**

	General	Public Works	Family Services
<b>FUND BALANCES</b>			
Nonspendable:			
Inventory	\$ -	\$ 113,640	\$ -
Prepaid Items	31,771	1,012	-
Restricted:			
Missing Heirs	1,000	-	-
Law Library	74,423	-	-
Recorder's Compliance Fund	334,877	-	-
Recorder's Technology Fund	63,989	-	-
Attorney Forfeiture	71,527	-	-
Sheriff's Contingency	5,663	-	-
Handgun Permit	141,354	-	-
Canteen Fund	117,909	-	-
E-911	284,209	-	-
Highway Allotments	-	47,249	-
Debt Service	-	-	-
Resource Conservation and Development	-	1,124,798	-
Shop with Cop	13,423	-	-
Sheriff's Contingency	1,701	-	-
Donations	-	-	-
Capital Projects	-	-	-
Ditch	-	-	-
Committed:			
Public Works	-	9,435,827	-
Family Services	-	-	354,918
Building	-	-	-
Library	-	-	-
Property Forfeiture	-	-	-
Assigned:			
Capital Equipment	-	-	27,947
Out-of-Home Placements	-	-	1,051,814
Future Revolving Loans	244,611	-	-
Unassigned	9,355,312	-	-
Total Fund Balances	<u>10,741,769</u>	<u>10,722,526</u>	<u>1,434,679</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 12,059,164</u>	<u>\$ 12,179,177</u>	<u>\$ 2,059,615</u>

See accompanying Notes to Financial Statements.

Debt Service Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 113,640
-	-	32,783
-	-	1,000
-	-	74,423
-	-	334,877
-	-	63,989
-	-	71,527
-	-	5,663
-	-	141,354
-	-	117,909
-	-	284,209
-	-	47,249
5,740,227	-	5,740,227
-	-	1,124,798
-	-	13,423
-	-	1,701
-	18,925	18,925
-	165,603	165,603
-	303,293	303,293
-	-	9,435,827
-	-	354,918
-	1,971,011	1,971,011
-	421,733	421,733
-	291,965	291,965
-	-	27,947
-	-	1,051,814
-	-	244,611
-	-	9,355,312
5,740,227	3,172,530	31,811,731
\$ 5,849,214	\$ 3,498,992	\$ 35,646,162

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**NOBLES COUNTY  
 WORTHINGTON, MINNESOTA  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET  
 POSITION – GOVERNMENTAL ACTIVITIES  
 YEAR ENDED DECEMBER 31, 2019**

<b>TOTAL FUND BALANCES FOR GOVERNMENTAL FUNDS</b>	<b>\$ 31,811,731</b>
Total net position reported for governmental activities in the statement of net position is 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.	79,895,881
Other long-term assets (deferred inflows of resources) are not available to pay for current-period expenditures and, therefore, are unavailable in the governmental funds.	1,653,807
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.	
Deferred Outflows of Resources Related to Pensions and OPEB	1,879,629
Deferred Inflows of Resources Related to Pensions and OPEB	(3,754,937)
Long-term liabilities, including bonds payable and net pension liabilities, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	
Refunding Bonds	\$ (1,235,000)
General Obligation State Aid Bonds	(7,880,000)
General Obligation Capital Improvement Plan Bonds	(6,155,000)
General Obligation Tax Abatement Bonds	(2,435,000)
Net Pension Liability	(7,321,002)
Capital Leases	(213,516)
Lease Revenue Refunding Bond	(1,285,000)
Loans Payable	(583,027)
Compensated Absences	(1,153,617)
Other Postemployment Benefits Payable	(375,805)
Accrued Interest Payable	(187,407)
Unamortized Premium on Bonds	(505,831)
	(29,330,205)
<b>TOTAL NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<b><u><u>\$ 82,155,906</u></u></b>

See accompanying Notes to Financial Statements.

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

	General	Public Works	Family Services
<b>REVENUES</b>			
Taxes	\$ 7,992,670	\$ 1,090,830	\$ 3,311,173
Special Assessments	-	-	-
Licenses and Permits	74,149	224,709	2,760
Intergovernmental	1,928,930	9,097,049	3,788,757
Charges for Services	1,248,395	1,556,581	190,370
Fines and Forfeits	12,510	-	-
Gifts and Contributions	11,600	-	-
Interest on Investments	474,210	-	-
Miscellaneous	892,313	23,795	624,289
Total Revenues	12,634,777	11,992,964	7,917,349
<b>EXPENDITURES</b>			
<b>CURRENT</b>			
General Government	6,999,736	-	-
Public Safety	4,760,217	-	-
Highways and Streets	-	8,682,091	-
Sanitation	-	342,549	-
Human Services	-	-	7,077,431
Community Health	-	-	903,876
Culture and Recreation	-	159,084	-
Conservation of Natural Resources	147,967	564,881	-
Economic Development	122,618	-	-
Buildings and Plant	-	-	-
<b>INTERGOVERNMENTAL</b>	245,794	528,326	191,000
<b>CAPITAL OUTLAY</b>	194,709	477,995	-
<b>DEBT SERVICE</b>			
Principal	106,235	75,352	-
Interest	4,822	-	-
Administrative (Fiscal) Charges	-	-	-
Total Expenditures	12,582,098	10,830,278	8,172,307
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	52,679	1,162,686	(254,958)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	43,221	-	-
Transfers Out	-	(37,183)	-
Proceeds from Capital Lease	185,504	-	-
Loan Proceeds	-	81,496	-
Proceeds from Sale of Assets	-	48,100	-
Total Other Financing Sources (Uses)	228,725	92,413	-
<b>NET CHANGE IN FUND BALANCES</b>	281,404	1,255,099	(254,958)
Fund Balances - Beginning of Year	10,460,365	9,537,350	1,689,637
<b>DECREASE IN INVENTORY</b>	-	(69,923)	-
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 10,741,769</u>	<u>\$ 10,722,526</u>	<u>\$ 1,434,679</u>

See accompanying Notes to Financial Statements.

Debt Service Fund	Other Governmental Funds	Total Governmental Funds
\$ 976,431	\$ 1,448,735	\$ 14,819,839
-	107,260	107,260
-	-	301,618
1,109,300	53,326	15,977,362
-	3,885	2,999,231
-	-	12,510
-	8,840	20,440
6,168	-	480,378
286,516	94,613	1,921,526
<u>2,378,415</u>	<u>1,716,659</u>	<u>36,640,164</u>
-	57,493	7,057,229
-	-	4,760,217
-	-	8,682,091
-	-	342,549
-	-	7,077,431
-	-	903,876
-	571,846	730,930
-	362,803	1,075,651
-	-	122,618
-	11,472	11,472
-	-	965,120
-	251,143	923,847
2,695,000	-	2,876,587
566,551	-	571,373
36,668	-	36,668
<u>3,298,219</u>	<u>1,254,757</u>	<u>36,137,659</u>
(919,804)	461,902	502,505
-	-	43,221
-	(6,038)	(43,221)
-	-	185,504
-	-	81,496
-	-	48,100
-	(6,038)	315,100
(919,804)	455,864	817,605
6,660,031	2,716,666	31,064,049
-	-	(69,923)
<u>\$ 5,740,227</u>	<u>\$ 3,172,530</u>	<u>\$ 31,811,731</u>

**NOBLES COUNTY  
 WORTHINGTON, MINNESOTA  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 TO THE STATEMENT OF ACTIVITIES  
 GOVERNMENTAL ACTIVITIES  
 YEAR ENDED DECEMBER 31, 2019**

**NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS** \$ 817,605

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

Governmental funds report capital outlays 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 Asset Adjustments	\$ 3,052,042	
Net Book Value of Capital Asset Disposals	(15,738)	
Current Year Depreciation	<u>(3,736,187)</u>	(699,883)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds. (1,630,637)

Governmental funds report pension contributions as expenditures when made. However, in the statement of activities, pension expense is the cost of benefits earned, adjusted for member contributions, the recognition of changes in deferred outflows and inflows of resources related to pensions, and the investment experience. (246,257)

OPEB expenses reported in the statement of activities do not require the use of current financial resources and are therefore not reported as expenditures in the governmental funds. (24,627)

The issuance of long-term debt (e.g., bonds payable, loans payable) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are amortized in the statement of activities.

Loan Proceeds	(81,496)	
Capital Lease Proceeds	<u>(185,504)</u>	(267,000)

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

Principal Repayments		
Refunding Bonds	910,000	
State Aid Road Bonds	860,000	
Capital Improvement Plan Bonds	385,000	
Tax Abatement Bonds	140,000	
Lease Revenue Refunding Bonds	400,000	
Capital Leases	106,235	
Loans	<u>75,352</u>	2,876,587

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	19,163	
Amortization of Bond Premiums	78,744	
Change in Compensated Absences	54,558	
Change in Inventory	<u>(69,923)</u>	82,542

**CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES** \$ 908,330

**NOBLES COUNTY  
WORTHINGTON, MINNESOTA  
STATEMENT OF FIDUCIARY NET POSITION  
AGENCY FUNDS  
DECEMBER 31, 2019**

**ASSETS**

Cash and Pooled Investments	<u>\$ 438,112</u>
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**LIABILITIES**

Due to Others	\$ 35,361
Due to Other Governments	<u>402,751</u>
Total Liabilities	<u>\$ 438,112</u>

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**NOBLES COUNTY  
WORTHINGTON, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Nobles County (the County) financial statements are prepared in accordance with generally accepted accounting principles (GAAP). 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**

Nobles County was established May 23, 1857, and is an organized county having the powers, duties, and privileges granted counties by Minnesota Statutes Chapter 373. As required by accounting principles generally accepted in the United States of America, these financial statements present Nobles County 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 had 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 is not required to include any component units. The County is governed by a five-member Board of County Commissioners (the Board) 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.

Joint Ventures

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

**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; 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.

**NOBLES COUNTY  
WORTHINGTON, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

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

B. Basic Financial Statements (Continued)

1. Government-Wide Statements (Continued)

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 Public Works Special Revenue Fund is used to account for restricted intergovernmental revenues and other revenues and expenditures of the County Highway Department which is responsible for the construction and maintenance of roads, bridges, and other projects affecting roadways and to account for environmental issues.

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

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, principal, interest, and related costs of general long-term debt.



**NOBLES COUNTY  
WORTHINGTON, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

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

B. Basic Financial Statements (Continued)

2. Fund Financial Statements (Continued)

Additionally, the County reports the following fund type:

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

C. Measurement Focus and Basis of Accounting

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Nobles 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.

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

**NOBLES COUNTY  
WORTHINGTON, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

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

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

1. Cash and Pooled Investments

The County has defined cash and cash equivalents 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 cash equivalent because the funds can deposit or effectively withdraw cash at any time without prior notice or penalty.

The cash balances of substantially all funds are pooled and invested by the Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value based on market prices. 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.

Nobles 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 amortized cost.

2. Undistributed Cash in Agency Funds

Undistributed cash in agency funds, consists of the January 2020 tax settlement which has been collected at the County prior to December 31, 2019 but is not settled out of the taxes and penalties agency fund until January 2020.

3. Receivables and Payables

Activity 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 other outstanding balances between funds are reported as "due to/from other funds."

**NOBLES COUNTY  
WORTHINGTON, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

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

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

3. Receivables and Payables (Continued)

All receivables are shown net of an allowance for uncollectibles which is calculated on a case-by-case basis. As of December 31, 2019 the allowance for doubtful accounts is \$439,886.

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

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

4. Inventory and Prepaid Items

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories in the Public Works Fund are recorded as expenditures when purchased rather than when consumed. Inventories at the government-wide level are recorded as expenses when consumed.

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

5. 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 \$5,000 and an estimated useful life in excess of three years, except for land, which uses a threshold of \$1. Such assets are recorded at historical cost if purchased or constructed.

**NOBLES COUNTY  
 WORTHINGTON, MINNESOTA  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2019**

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

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

5. Capital Assets (Continued)

Donated capital assets are recorded at acquisition value at the date of donation. In the case of the initial capitalization of general infrastructure reported in governmental activities, the County chose to include all such items acquired since 1980. The County was able to record the capital assets at historic cost dating back to 1980.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset's lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Property, plant, and equipment of the Primary Government are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	30 - 40
Improvements Other than Buildings	5 - 20
Infrastructure	20 - 80
Machinery and Equipment	3 - 20

6. 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 pension and OPEB related deferred outflows of resources can be found in Note 3 and 5.

7. Compensated Absences

The liability for compensated absences reported in financial statements consists of unpaid, accumulated annual 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.

8. Unearned Revenue

Governmental funds and the government-wide financial statements report revenue for resources that have been received, but not yet earned.

**NOBLES COUNTY  
WORTHINGTON, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

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

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

9. Deferred Inflows of Resources

The County's 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 inflow until a future event occurs. The County reports deferred inflows of resources related to pensions and other postemployment benefit plans.

The unavailable revenue 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. Unavailable revenue is reported in the governmental funds balance sheet.

10. Long-Term Obligations

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

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

11. Pensions

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

**NOBLES COUNTY  
WORTHINGTON, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

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

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

12. Fund Balance

In the fund financial statements, governmental funds report nonspendable portions of fund balance related to prepaids, inventories, long-term receivables, and corpus of 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 County Commissioners (the highest level of authority). Assigned fund balances are established and modified by the Board of County Commissioners or their designee. The Board, as part of the adoption of the accounting standards statement, has designated the County Auditor-Treasurer as the responsible party in determining assigned fund balance. 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.

It is the County's Policy that at the end of each fiscal year, the County will maintain an unassigned portion of fund balance for cash flow in a range of 35-50% of the General Fund's operating expenditures.

13. Net Position

Fund equity is classified as net position in the government-wide financial statements and is displayed in three components. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement for those assets. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. All other net position is displayed as unrestricted. When an expense is incurred for purposes for which both restricted and unrestricted net position is available, it is the County's policy to use restricted first, then, unrestricted net position.

14. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make 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.

**NOBLES COUNTY  
WORTHINGTON, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

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

E. Revenues

Imposed Nonexchange Transactions

Imposed nonexchange transactions result from assessments by governments on nongovernmental entities and individuals. Property taxes, fines and penalties, and property forfeitures are imposed nonexchange transactions. Revenues from property taxes are recognized in the period for which the taxes were levied, to the extent they are collected in the current period or soon enough thereafter to be used to pay liabilities of the current period. Property taxes receivable but not available are reported as unavailable revenue and will be recognized as revenue in the fiscal year that they become available. Fines and penalties and property forfeitures are recognized in the period received.

In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, revenues for nonexchange transactions are recognized based on the principal characteristics of the revenue. Exchange transactions are recognized as revenue when the exchange occurs. The modified accrual basis of accounting is used by all governmental fund types. Under this basis, revenues are not recognized in the financial statements unless it is available to finance current expenditures.

Intergovernmental

Government-mandated nonexchange transactions occur when a government at one level provides resources to a government at another level and requires that government to use them for a specific purpose. The provider government establishes purpose restrictions and also may establish time requirements. Federal and state grants mandating the County perform particular programs are government-mandated nonexchange transactions. Revenues are recognized when eligibility and time requirements are met, usually when the corresponding expenditures is incurred.

Voluntary nonexchange transactions result from legislative or contractual agreements, such as grants, entitlements, appropriations, and donations. The provider may establish purpose restrictions or eligibility requirements. Revenues are recognized in the year to which they apply according to the statute or contract. Gifts and contributions from individuals are also considered voluntary nonexchange transactions and are generally recognized when received.

Tax credits paid by the state are included in intergovernmental revenues and are recognized as revenue in the fiscal year that they become available. Subject to the availability criterion, state-aid highway allotments for highway maintenance and construction are recognized as revenue in the year of allotment.

Exchange Transactions

Special assessments levied against benefiting properties are recognized under the modified accrual basis when available to finance current expenditures. Other revenues, such as licenses and permits, charges for services, and investment income, are recognized as revenue when earned.

**NOBLES COUNTY  
 WORTHINGTON, MINNESOTA  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2019**

**NOTE 2 DETAILED NOTES ON ALL FUNDS**

A. Assets

1. Deposits and Investments

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

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

**TOTAL CASH AND INVESTMENTS**

Primary Government	
Cash and Pooled Investments	\$ 28,517,736
Agency Funds	
Cash and Pooled Investments	
Taxes and Penalties Fund	402,751
Jail Inmate Account	27,974
Social Welfare Fund	1,747
Sheriff's Trust Account	<u>5,640</u>
Total Agency Funds	<u>438,112</u>
Total Cash and Investments	<u><u>\$ 28,955,848</u></u>

**FUND FINANCIAL STATEMENTS**

Governmental Funds	
Cash and Pooled Investments	\$ 28,336,389
Undistributed Cash in Agency Funds	178,867
Petty Cash and Change Funds	2,480
Agency Funds	
Cash and Pooled Investments	<u>438,112</u>
Total Cash and Pooled Investments	<u><u>\$ 28,955,848</u></u>

**DEPOSITS**

Checking	\$ 2,268,067
Money Market Savings	2,400,999
Certificates of Deposit	5,500,000

**INVESTED IN MAGIC FUND**

18,784,302

**PETTY CASH**

2,480

Total Cash and Investments \$ 28,955,848



**NOBLES COUNTY  
WORTHINGTON, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

A. Assets (Continued)

1. Deposits and Investments (Continued)

a. Deposits

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

Authorized collateral includes: U.S. government treasury bills, notes, or bonds, issues of U.S. government agency; general obligation of the state or local government rated "A" or better; revenue obligations of the state or local government rated "AA" or better; irrevocable standby letters of credit issue by the 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 department of a commercial bank or other financial institution not owned or controlled by the depository.

Custodial Credit Risk: In the case of deposits, custodial credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned to it. The County does not have a deposit policy for custodial credit risk and follows Minnesota Statutes for deposits. As of December 31, 2019, all of the County's bank deposits were covered by federal depository insurance or by collateral in accordance with Minnesota Statutes.

b. Investments

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

- (1) securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as "high risk" by Minnesota Statutes §118A.04, subd. 6;
- (2) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;
- (3) general obligations of the State of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;

**NOBLES COUNTY  
WORTHINGTON, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

A. Assets (Continued)

1. Deposits and Investments (Continued)

b. Investments (Continued)

- (4) bankers' acceptances of United States banks;
- (5) commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less; and
- (6) with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

Interest Rate Risk: Is the risk that changes in the market interest rates will adversely affect the fair value of an investment. It is the County policy to minimize its exposure to interest rate risk by investing in both shorter and longer-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

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. At December 31, 2019, the County had no investments required to be rated.

Custodial Credit Risk: 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. It is the County's policy to limit County investments to those approved in its investment policy and to obtain necessary documentation (e.g., broker certification forms and documentation of perfected security interests in pledged collateral) from the financial institutions, broker/dealers, intermediaries and advisors, as applicable, with which the County will do business. County investments were not subject to custodial credit risk as of December 31, 2019.

**NOBLES COUNTY  
 WORTHINGTON, MINNESOTA  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2019**

**NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

A. Assets (Continued)

1. Deposits and Investments (Continued)

b. Investments (Continued)

Concentration of Credit Risk: Is the risk of loss that may be caused by the County's investment in a single issuer. It is the County's policy that U.S. Treasury securities, U.S. Agency securities, and obligations backed by U.S. Treasury and/or U.S. Agency securities, may be held without limit.

At December 31, 2019, the County had the following investments:

	Less Than One Year
MN Association of Governments Investing for Counties (MAGIC) Fund Portfolio	\$ 18,784,302

c. Fair Value Measurement

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 of withdrawal or postpone the date of payment if the Trustees determine that there is an emergency that makes the sale of a Portfolio's securities or determination of its new asset value not reasonably practical.

**NOBLES COUNTY  
 WORTHINGTON, MINNESOTA  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2019**

**NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

A. Assets (Continued)

2. Receivables

Receivables as of December 31, 2019, for the County's 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	\$ 114,142	\$ -
Special Assessments	170,060	-
Accounts	121,069	-
Interest	74,514	-
Loans	3,491,125	3,090,467
Due from Other Governments	2,785,659	-
Total Governmental Activities	\$ 6,756,569	\$ 3,090,467

3. Operating Leases Receivable

During 2008, the County entered into an operating lease with the State of Minnesota Department of Employment and Economic Development effective originally September 1, 2008 through August 31, 2012 and amended through November 30, 2017 for the rental of space for a workforce center. The amendment was amended again in 2018 for a ten year period effective July 1, 2018 through June 30, 2028. During 2019, the County recorded rental revenue of \$24,321 related to this agreement. Future minimum lease payments are as follows:

Year Ending December 31,	
2020	\$ 26,050
2021	26,513
2022	26,976
2023	27,440
2024	27,903
2025-2028	101,251
Total	\$ 236,133

**NOBLES COUNTY  
 WORTHINGTON, MINNESOTA  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2019**

**NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

A. Assets (Continued)

3. Operating Leases Receivable (Continued)

During 2018, the County entered into an operating lease with Southwest Minnesota Private Industry Council, Inc. effective July 1, 2018 through June 30, 2023 for the rental of space within the Nobles County Government Center. During 2019, the County recorded rental revenue of \$32,505 related to this agreement. Future minimum lease payments are as follows:

Year Ending December 31,	
2020	\$ 33,406
2021	34,007
2022	34,608
2023	17,454
Total	\$ 119,475

The County entered into a lease agreement with the City of Worthington for the law enforcement center. The lease payments are pledged for the 2009 Jail Lease Revenue Refunding Bonds. The County recorded rental revenue of \$199,385 in 2019. Future minimum lease payments are as follows:

Year Ending December 31,	
2020	\$ 199,975
2021	199,972
2022	197,288
Total	\$ 597,235

**NOBLES COUNTY  
WORTHINGTON, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

A. Assets (Continued)

4. Capital Assets

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

	Beginning Balance	Additions	Deletions	Ending Balance
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital Assets, Not Being Depreciated				
Land	\$ 1,348,750	\$ -	\$ 20,000	\$ 1,328,750
Construction-in-Process	96,690	2,218,334	1,961,766	353,258
Total Capital Assets, Not Being Depreciated	1,445,440	2,218,334	1,981,766	1,682,008
Capital Assets, Being Depreciated				
Buildings	30,106,628	80,903	18,869	30,168,662
Improvements Other than Buildings	1,853,563	357,938	-	2,211,501
Machinery and Equipment	10,025,966	744,236	986,606	9,783,596
Infrastructure	90,954,669	1,632,397	-	92,587,066
Total Capital Assets, Being Depreciated	132,940,826	2,815,474	1,005,475	134,750,825
Less Accumulated Depreciation for				
Buildings	14,372,765	954,411	18,676	15,308,500
Improvements Other than Buildings	1,102,963	61,307	-	1,164,270
Machinery, Furniture, and Equipment	6,410,774	896,332	971,061	6,336,045
Infrastructure	31,904,000	1,824,137	-	33,728,137
Total Accumulated Depreciation	53,790,502	3,736,187	989,737	56,536,952
Total Capital Assets, Being Depreciated, Net	79,150,324	(920,713)	15,738	78,213,873
Governmental Activities Capital Assets, Net	<u>\$ 80,595,764</u>	<u>\$ 1,297,621</u>	<u>\$ 1,997,504</u>	<u>\$ 79,895,881</u>

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

Governmental Activities	
General Government	\$ 1,273,747
Public Safety	115,348
Highways and Streets, Including Depreciation of Infrastructure Assets	2,317,651
Sanitation	9,451
Culture and Recreation	16,747
Conservation of Natural Resources	3,243
Total Depreciation Expense - Governmental Activities	<u>\$ 3,736,187</u>

**NOBLES COUNTY  
 WORTHINGTON, MINNESOTA  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2019**

**NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**B. Interfund Receivables, Payables, and Transfers**

1. Due To/From Other Funds

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

Receivable Fund	Payable Fund	Amount
General Fund	Family Services Fund	\$ 189,434
General Fund	Ditch Special Revenue Fund	36,000
Total Due to General Fund		<u>\$ 225,434</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services (postage, copies, and fuel) are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All balances are expected to be liquidated in the subsequent year.

2. Transfer In/Out

The following transfers occurred between funds during 2019:

	Amount	Description
Transfers to General Fund from		
Ditch Special Revenue Fund	\$ 6,038	Repair Assessments
Public Works Fund	37,183	Balance of planning and zoning department
Total Transfers to General Fund	<u>\$ 43,221</u>	

**C. Liabilities**

1. Payables

Payables at December 31, 2019, were as follows:

Accounts	\$ 627,103
Salaries	464,292
Contracts	446,254
Due to Other Governments	417,541
Total Payables	<u>\$ 1,955,190</u>

**NOBLES COUNTY  
WORTHINGTON, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

C. Liabilities (Continued)

2. Long-Term Debt

Types of Indebtedness	Final Maturity	Installment Amounts	Interest Rates (%)	Original Issues Amount	Outstanding Balance December 31, 2019
2017A G.O. Capital Improvement Plan Bonds	2033	\$385,000 - \$510,000	2.00 - 3.00	\$ 6,540,000	\$ 6,155,000
2017B Taxable G.O. Tax Abatement Bonds	2033	\$140,000 - \$205,000	2.50 - 3.25	2,575,000	2,435,000
2016A General Obligation State Aid Road Bonds	2027	\$765,000- \$1,090,000	3.00	9,505,000	7,880,000
2014 G.O. Refunding Bonds	2021	\$305,000 - \$940,000	0.40 - 2.00	5,695,000	1,235,000
2009B Jail Lease Revenue Refunding Bonds	2022	\$250,000 - \$455,000	2.00 - 3.75	4,125,000	1,285,000
Add: Unamortized Premium				-	505,831
Total Bonds Outstanding, Net				<u>\$ 28,440,000</u>	<u>\$ 19,495,831</u>

3. Debt Service Requirements

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

Year Ending December 31	General Obligation Refunding Bonds		Lease Revenue Refunding Bonds	
	Principal	Interest	Principal	Interest
2020	\$ 930,000	\$ 15,400	\$ 415,000	\$ 39,354
2021	305,000	3,050	430,000	24,348
2022	-	-	440,000	8,250
Total	<u>\$ 1,235,000</u>	<u>\$ 18,450</u>	<u>\$ 1,285,000</u>	<u>\$ 71,952</u>

Year Ending December 31	Loans Payable - Direct Borrowing		General Obligation State Aid Bonds	
	Principal	Interest	Principal	Interest
2020	\$ 83,670	-	\$ 885,000	\$ 223,125
2021	86,883	-	915,000	196,125
2022	88,502	-	940,000	168,300
2023	83,742	-	970,000	139,650
2024	66,688	-	995,000	255,000
2025-2029	167,465	-	3,175,000	-
2030	6,077	-	-	-
Total	<u>\$ 583,027</u>	<u>\$ -</u>	<u>\$ 7,880,000</u>	<u>\$ 982,200</u>



**NOBLES COUNTY  
 WORTHINGTON, MINNESOTA  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2019**

**NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

C. Liabilities (Continued)

3. Debt Service Requirements (Continued)

Year Ending December 31	G.O. Capital Improvement Plan Bonds		G.O. Tax Abatement Bonds	
	Principal	Interest	Principal	Interest
2020	\$ 385,000	\$ 149,825	\$ 150,000	\$ 69,288
2021	395,000	142,025	150,000	65,538
2022	400,000	134,075	155,000	61,725
2023	405,000	126,025	155,000	57,850
2024	410,000	487,225	160,000	220,556
2025-2029	2,200,000	182,912	875,000	80,613
2030-2033	1,960,000	-	790,000	-
Total	<u>\$ 6,155,000</u>	<u>\$ 1,222,087</u>	<u>\$ 2,435,000</u>	<u>\$ 555,570</u>

Year Ending December 31	Capital Lease	
	Principal	Interest
2020	\$ 99,460	\$ 8,397
2021	66,791	4,686
2022	47,265	1,927
Total	<u>\$ 213,516</u>	<u>\$ 15,010</u>

4. Loans Payable

The County started a program that resulted in entering into several agreements with the Minnesota Department of Agriculture, in 2012, and the Minnesota Pollution Control Agency, in 2013, 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 \$889 to \$13,500 with 0% interest and final maturity of 2030. The loans are repaid with the proceeds that are collected on the related loans receivable in the Public Works funds.

As of December 31, 2019, the County has \$31,535 of loan proceeds available to be drawn down from the State of Minnesota.

**NOBLES COUNTY  
 WORTHINGTON, MINNESOTA  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2019**

**NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

C. Liabilities (Continued)

5. Capital Lease

In 2018, the County financed the acquisition of computers and software totaling \$83,841 using a capital lease with an effective interest rate of 4.3% payable annually in installments of \$22,286 through 2021.

In 2019, the County financed the acquisition of computers and printers totaling \$77,506 using a capital lease with an effective interest rate of 4.02% payable annually in installments of \$22,538 through 2022.

In 2019, the County financed the acquisition of computers and printers totaling \$107,998 using a capital lease with an effective interest rate of 4.11% payable annually in installments of \$28,654 through 2022.

The assets acquired through capital leases that meet the County's capitalization threshold are as follows:

	Governmental Activities
Asset:	
Machinery and Equipment	\$ 197,897
Less: Accumulated Depreciation	<u>(170,610)</u>
Total	<u><u>\$ 27,287</u></u>

**NOBLES COUNTY  
WORTHINGTON, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

C. Liabilities (Continued)

6. Changes in Long-Term Liabilities

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>GOVERNMENTAL ACTIVITIES</b>					
Bonds Payable					
G.O. Refunding Bonds	\$ 2,145,000	\$ -	\$ 910,000	\$ 1,235,000	\$ 930,000
G.O. State Aid Bonds	8,740,000	-	860,000	7,880,000	885,000
G.O. Capital Improvement Plan Bonds	6,540,000	-	385,000	6,155,000	385,000
Taxable G.O. Tax Abatement Bonds	2,575,000	-	140,000	2,435,000	150,000
Lease Revenue Refunding	1,685,000	-	400,000	1,285,000	415,000
Plus: Premium on Bonds	584,575	-	78,744	505,831	-
Total Bonds Payable	22,269,575	-	2,773,744	19,495,831	2,765,000
Capital Leases	134,247	185,504	106,235	213,516	99,460
Loans Payable - Direct Borrowing	576,883	81,496	75,352	583,027	83,670
Compensated Absences	1,208,175	886,257	940,815	1,153,617	117,328
Governmental Activity Long-Term Liabilities	<u>\$ 24,188,880</u>	<u>\$ 1,153,257</u>	<u>\$ 3,896,146</u>	<u>\$ 21,445,991</u>	<u>\$ 3,065,458</u>

Compensated absences and other postemployment benefits are typically liquidated in the General Fund and applicable Special Revenue Funds. Bonding and capital lease payments are made from the General Fund, Public Works Fund and Debt Service Fund.

**NOBLES COUNTY  
WORTHINGTON, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**NOTE 3 DEFINED BENEFIT PENSION PLANS**

A. Plan 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

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

2. Public Employees Police and Fire Plan

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 Government 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.

**NOBLES COUNTY  
WORTHINGTON, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**NOTE 3 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

B. Benefits Provided (Continued)

1. General Employee 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 percent of average salary for each of the first 10 years of service and 1.7 percent of average salary for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7 percent of average salary for all years of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

Annuities, disability benefits, and survivor benefits are increased effective every January 1. Beginning January 1, 2019, the postretirement increase will be equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under 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 percent after five years up to 100 percent after ten years of credited service. Benefits for Police and Fire Plan members first hired after June 30, 2014, vest on a prorated basis from 50 percent after ten years up to 100 percent after twenty years of credited service. The annuity accrual rate is 3 percent of average salary for each year of service. A full, unreduced pension is earned when members are age 55 and vested, or for members who were first hired prior to July 1, 1989, when age plus years of service equal at least 90.

**NOBLES COUNTY  
WORTHINGTON, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**NOTE 3 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

B. Benefits Provided (Continued)

2. Police and Fire Plan Benefits (Continued)

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

3. Correctional Plan Benefits

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

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

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 Fund Contributions

Coordinated Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2019 and the County was required to contribute 7.50% for Coordinated Plan members. The County's contributions to the General Employees Fund for the year ended December 31, 2019 were \$591,243. The County's contributions were equal to the required contributions as set by state statute.

**NOBLES COUNTY  
 WORTHINGTON, MINNESOTA  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2019**

**NOTE 3 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

C. Contributions (Continued)

2. Police and Fire Fund Contributions

Plan members contribution rates increased from 10.8 percent of pay to 11.3 percent and employer rates increased from 16.2 percent to 16.95 percent on January 1, 2019. The County's contributions to the Police and Fire Fund for the year ended December 31, 2019 were \$171,186. 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 2019. The County's contributions to the Correctional Fund for the year ended December 31, 2019 were \$110,905. The County's contributions were equal to the required contributions as set by state statute.

D. Pension Costs

1. General Employees Retirement Plan Pension Costs

At December 31, 2019, the County reported a liability of \$6,219,873 for its proportionate share of the General Employee Plan's net pension liability. The County's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million to the fund in 2019. The State of Minnesota is considered a 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 \$193,158, for a total net pension liability of \$6,413,031 associated with the County. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2018, through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers.

At June 30, 2019, the County's proportion share was .1125% which was a decrease of .0017% from its proportion measured as of June 30, 2018.

County's Proportionate Share of the Net Pension Liability	\$ 6,219,873
State's Proportionate Share of the Net Pension Liability	193,158
Total	\$ 6,413,031

**NOBLES COUNTY  
 WORTHINGTON, MINNESOTA  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2019**

**NOTE 3 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

D. Pension Costs (Continued)

1. General Employees Retirement Plan Pension Costs (Continued)

For the year ended December 31, 2019, the County recognized pension expense of \$809,531 for its proportionate share of the General Employees Plan pension expense. In addition, the County recognized an additional \$14,466 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Plan.

At December 31, 2019, the County reported its proportionate share of the General Employees Retirement Plan 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	\$ 172,376	\$ -
Changes in Actuarial Assumptions	-	488,886
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	630,457
Changes in Proportion and Differences Between County Contributions and Proportionate Share of Contributions	28,241	88,526
County Contributions Subsequent to the Measurement Date	292,430	-
Total	<u>\$ 493,047</u>	<u>\$ 1,207,869</u>

\$292,430 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, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	Pension Expense
2020	\$ (334,608)
2021	(531,703)
2022	(150,965)
2023	10,024



**NOBLES COUNTY  
 WORTHINGTON, MINNESOTA  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2019**

**NOTE 3 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

D. Pension Costs (Continued)

2. Police and Fire Plan Pension Costs

At December 31, 2019, the County reported a liability of \$1,019,888 for its proportionate share of the Police and Fire Plan net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2018, through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers.

At June 30, 2019, the County's proportion was .0958% which was an increase of .0035% from the proportion measured as of June 30, 2018. The County also recognized \$12,933 for the year ended December 31, 2019 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Fund. Legislation passed in 2013 required the State of Minnesota to begin contributing \$9 million to the Police and Fire Fund each year, starting in fiscal year 2014, until the plan is 90% funded or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90 percent funded, whichever occurs later. In addition, the state will pay \$4.5 million on October 1, 2018 and October 1, 2019 in direct state aid. Thereafter, by October 1 of each year, the state will pay \$9 million until full funding is reached or July 1, 2048, whichever is earlier.

For the year ended December 31, 2019, the County recognized pension expense of \$154,134 for its proportionate share of the Police and Fire Plan's pension expense.

At December 31, 2019, the County reported its proportionate share of the Police and Fire Plan 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	\$ 43,303	\$ 155,238
Changes in Actuarial Assumptions	846,345	1,145,021
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	212,418
Changes in Proportion and Differences Between County Contributions and Proportionate Share of Contributions	130,768	33,050
County Contributions Subsequent to the Measurement Date	86,499	-
Total	<u>\$ 1,106,915</u>	<u>\$ 1,545,727</u>

**NOBLES COUNTY  
 WORTHINGTON, MINNESOTA  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2019**

**NOTE 3 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

D. Pension Costs (Continued)

2. Police and Fire Plan Pension Costs (Continued)

\$86,499 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, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	Pension Expense
2020	\$ (47,869)
2021	(127,284)
2022	(387,885)
2023	28,372
2024	9,355

3. Correctional Plan Pension Costs

At December 31, 2019, the County reported a liability of \$81,241 for its proportionate share of the Correctional Plan's net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2018, through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers.

At June 30, 2019, the County's proportion was .5868% which was a decrease of 0.0344% from its proportion measured as of June 30, 2018.

For the year ended December 31, 2019, the County recognized pension expense of \$156,927 for its proportionate share of the Correctional Plan's pension expense.

**NOBLES COUNTY  
 WORTHINGTON, MINNESOTA  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2019**

**NOTE 3 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

D. Pension Costs (Continued)

3. Correctional Plan Pension Costs (Continued)

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

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 2,986	\$ 13,282
Changes in Actuarial Assumptions	-	721,292
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	104,539
Changes in Proportion and Differences Between County Contributions and Proportionate Share of Contributions	28,959	38,336
County Contributions Subsequent to the Measurement Date	55,548	-
Total	<u>\$ 87,493</u>	<u>\$ 877,449</u>

\$55,548 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, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	Pension Expense
2020	\$ (432,156)
2021	(375,998)
2022	(38,139)
2023	789

**NOBLES COUNTY  
WORTHINGTON, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**NOTE 3 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

D. Pension Costs (Continued)

4. Total Pension Expense

Governmental activities recognized pension expense of \$1,135,058 for the year ended December 31, 2019.

E. Actuarial Assumptions

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

Assumptions	
Inflation	2.50% per Year
Active Member Payroll Growth	3.25% per Year
Investment Rate of Return	7.50%

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

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

**NOBLES COUNTY  
WORTHINGTON, MINNESOTA  
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**NOTE 3 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

E. Actuarial Assumptions (Continued)

The following changes in actuarial assumptions occurred in 2019:

**General Employees Fund**

Changes in Actuarial Assumptions:

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

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.

**Police and Fire Plan**

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.

**Correctional Plan**

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.

**NOBLES COUNTY  
 WORTHINGTON, MINNESOTA  
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**NOTE 3 DEFINED BENEFIT 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 %
Private Markets	25.0 %	5.90
Fixed Income	20.0 %	0.75
International Equity	17.5 %	5.90
Cash Equivalents	2.0 %	-
Totals	<u>100.0 %</u>	

F. Discount Rate

The discount rate used to measure the total pension liability in 2019 was 7.50 percent. 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.

**NOBLES COUNTY  
WORTHINGTON, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**NOTE 3 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

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:

	Proportionate Share of the					
	General Employees Retirement Plan		Public Employees Police and Fire Plan		Public Employees Correctional Plan	
	Discount Rate	Net Pension Liability	Discount Rate	Net Pension Liability	Discount Rate	Net Pension Liability
1% Decrease	6.50%	\$ 10,225,136	6.50%	\$ 2,229,285	6.50%	\$ 865,876
Current	7.50	6,219,873	7.50	1,019,888	7.50	81,241
1% Increase	8.50	2,912,732	8.50	20	8.50	(546,592)

H. Pension Plan Fiduciary Net Position

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

I. Summary

The aggregate amount of net pension 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 employee's costs are associated.

Description	General Employees Fund	Police and Fire Fund	Correctional Fund	Total
Net Pension Liability	\$ 6,219,873	\$ 1,019,888	\$ 81,241	\$ 7,321,002
Deferred Outflows of Resources Related to Pensions	493,047	1,106,915	87,493	1,687,455
Deferred Inflows of Resources Related to Pensions	1,207,869	1,545,727	877,449	3,631,045
Pension Expense	823,997	154,134	156,927	1,135,058

**NOBLES COUNTY  
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**NOTE 4 DEFINED CONTRIBUTION PENSION PLAN**

Commissioners of the County are covered by the Public Employees Defined Contribution Plan, a multiple-employer deferred compensation plan administered by the Public Employees Retirement Association of Minnesota (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 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 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% of the assets in each member's account annually.

The employer's contribution amounts for the years ending December 31, 2019, 2018, and 2017 were \$6,501, \$6,354, and \$6,251, respectively, equal to the contractually required contributions for each year as set by state statute.

**NOTE 5 OTHER POSTEMPLOYMENT BENEFITS**

**A. Plan Description**

The County provides health insurance benefits for certain retired employees under a single-employer fully-insured plan. The County provides benefits for retirees as required by Minnesota Statute §471.61 subdivision 2b. Minnesota Statute §471.61 subdivision 2b grants authority to establish and amend the benefit terms and financial requirements as provided in a collective bargaining agreement or personnel policy. The County's plan is funded on a "pay-as-you-go" basis. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75. Separate stand-alone financial statements are not issued for the plan.

**B. Benefits Provided**

Active employees who retire from the County when eligible to receive a retirement benefit from the Public Employees Retirement Association (PERA) of Minnesota (or similar plan) and do not participate in any other health benefits program providing coverage similar to that herein described, will be eligible to continue coverage with respect to both themselves and their spouse/partner under the County's health benefits program. Pursuant to the provisions of the plan, retirees pay the total premium cost. Surviving spouses of retirees may continue coverage by paying the full cost of coverage.



**NOBLES COUNTY  
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**NOTE 5 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

C. Employees Covered by Benefit Terms

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

Inactive Employees or Beneficiaries Currently Receiving Benefit Payments	11
Active Plan Members	<u>173</u>
Total	<u><u>184</u></u>

There are no inactivity employees entitled to benefit payments but not yet receiving them.

D. Total OPEB Liability

The County's total OPEB liability of \$375,805 was measured as of December 31, 2019 and was determined by an actuarial valuation as of December 31, 2019.

E. Actuarial Methods and Assumptions

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of the occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The total OPEB liability in the December 31, 2019 actuarial valuation was determined using the entry age normal level % of salary method, where:

- Service cost for each individual participant, payable from the date of employment to date of retirement, is sufficient to pay for the participant's benefit at retirement; and
- Annual service cost is a constant percentage of the participant's salary that is assumed to increase according to the payroll growth.

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

Inflation	3.25%
Salary Increases	3.25%
	8.0% grading to 4.5% over 8 years
Health Care Trend Rates	

**NOBLES COUNTY  
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**NOTE 5 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

E. Actuarial Methods and Assumptions (Continued)

The discount rate as of December 31, 2019 is based on a yield for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale) tax exempt, high quality 20-year municipal bonds.

Mortality rates were based on SOA Pub-2010 General Headcount Weighted Mortality Table fully generational using Scale MP-2019 for active employees and retirees, and SOA Pub-2010 Continuing Survivor Headcount Weighted Mortality Table fully generational using Scale MP-2019 for surviving spouses.

An experience study has not been performed in recent years.

F. Changes in Total OPEB Liability

	Total OPEB Liability
Balances at January 1, 2019	\$ 321,222
Changes for the Year:	
Service Cost	24,809
Interest	13,666
Differences Between Expected and Actual Experience	(2,589)
Change in Assumptions	46,023
Benefit Payments	(27,326)
Net Changes	54,583
Balances at December 31, 2019	\$ 375,805

The following changes in actuarial assumptions have been updated since the last full valuation:

- The discount rate assumption has been updated based on the yield for 20-year-tax-exempt general obligation municipal bonds as of December 31, 2019 (measurement date). The discount rate is 4.11% as of January 1, 2019 and 3.26% as of December 31, 2019. The impact of this change is an increase in liabilities.
- Health care trend rates have been set to an initial rate of 8.0%, decreasing by 0.5% annually to an ultimate rate of 4.5%. This change caused an increase in liabilities.

**NOBLES COUNTY  
 WORTHINGTON, MINNESOTA  
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**NOTE 5 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

F. Changes in Total OPEB Liability (Continued)

- The mortality table has been updated as follows:  
 From: SOA RPH-2017 Total Dataset Fully Generational Mortality Table using Scale MP-2017; To:
  - a. Actives and Retirees: SOA Pub-2010 General Headcount Weighted Mortality Table fully generational using Scale MP-2019
  - b. Surviving Spouses: SOA Pub-2010 Continuing Survivor Headcount Weighted Mortality Table fully generational using Scale MP-2019
 The impact of the change is a slight increase in liabilities.
  
- The spousal coverage election rate assumption for future retirees changed from 0% to 10% with husbands assumed to be three years older than wives. The impact of this change is an increase in liabilities.

There have been no substantive plan provision changes since the last full valuation.

G. Sensitivity Results

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 that is 1-percentage-point lower (2.26 percent) or 1-percentage-point higher (4.26 percent) than the current discount rate:

	1% Decrease (2.26%)	Discount Rate (3.26%)	1% Increase (4.26%)
OPEB Liability	\$ 395,099	\$ 375,805	\$ 357,238

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-percentage-point lower (7.0 percent decreasing to 3.5 percent) or 1-percentage-point higher (9.0 percent decreasing to 5.5 percent) than the current healthcare cost trend rates:

	Healthcare Cost		
	1% Decrease (7.0% decreasing to 3.5% over 8 years)	Current Trend Rates (8.0% decreasing to 4.5% over 8 years)	1% Increase (9.0% decreasing to 5.5% over 8 years)
OPEB Liability	\$ 346,627	\$ 375,805	\$ 409,729

**NOBLES COUNTY  
 WORTHINGTON, MINNESOTA  
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**NOTE 5 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

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

For the year ended December 31, 2019, the County recognized OPEB expense of \$51,954. At December 31, 2019 the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 152,725	\$ 2,219
Change of Assumptions	39,449	121,673
Total	<u>\$ 192,174</u>	<u>\$ 123,892</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending December 31,</u>	<u>Future Recognition</u>
2020	\$ 13,479
2021	13,479
2022	13,479
2023	13,479
2024	8,161
Thereafter	6,205

**NOBLES COUNTY  
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**NOTE 6 RISK MANAGEMENT**

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

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at \$500,000 per claim in 2019. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

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

The Southwest/West Central Service Cooperative (Service Cooperative) is a joint powers entity which sponsors a plan to provide group employee health benefits to its participating members. All members pool premiums and losses; however, a particular member may receive increases or decreases depending on a good or bad year of claims experience. Premiums are determined annually by the Service Cooperative and are based partially on the experience of the County and partially on the experience of the group. The Service Cooperative solicits proposals from carriers and negotiates the contracts.

**NOBLES COUNTY  
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**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.

The County may be involved in various claims. Although the outcome of any claims is not presently determinable, in the opinion of the Attorney, the resolution of these matters will not have a material adverse effect on the financial condition of the government.

During 2019, counties were notified by the Minnesota Department of Human Services (DHS) that DHS made errors in the calculation of Substance Use Disorder (SUD) for Institutes of Mental Disease (IMD) claims from January 2014 to June 2019. Based on these errors, DHS is requesting Minnesota counties repay \$8.8 million back to DHS. Nobles County's share of the \$8.8 million is \$12,574. Minnesota counties have raised concerns over how the amount was calculated, the accuracy of the calculations and whether DHS has the legal/statutory authority to require the counties to repay the amounts. The Association of Minnesota Counties (AMC) has recommended counties to not repay this amount until these concerns have been addressed and after the conclusion of the 2020 Minnesota Legislative Session in hopes this matter is resolved by other means. Therefore, this amount has not been booked as a payable.

Lincoln-Pipestone Rural Water System

At December 31, 2019, the Lincoln-Pipestone Rural Water System had \$37,305,119 of general obligation bonds outstanding through 2056. The bonds were issued by some of the participating counties in the Rural Water System to finance the construction of water system expansions and improvements.

The debt is paid by the Lincoln-Pipestone Rural Water System from special assessments levied against property specially benefited by the applicable expansion, extension, or enlargement of the system and from the net revenues from time to time received in excess of the current costs of operating and maintaining the system. The bonds are general obligations of the issuing counties for which their full faith, credit, and unlimited taxing powers are pledged. The participating counties (Lac qui Parle, Lincoln, Lyon, Murray, Nobles, Pipestone, Redwood, Rock, and Yellow Medicine) have adopted board resolutions and have signed joint powers agreements to define their liability for a proportional share of the debt should the issuing counties make any debt service payments.

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

A. Contingent Liabilities (Continued)

In such a situation, each of the other counties will promptly reimburse the paying counties in proportion to the percentage of Lincoln-Pipestone Rural Water System customers located in such county, in accordance with Minnesota Statutes §116A.24, subd. 3. The outstanding bonds are reported as liabilities in the annual financial statements of the Lincoln-Pipestone Rural Water System and are reported as conduit debt or contingent liabilities in the financial statements of any of the nine participating counties due to the guarantee of indebtedness.

The total outstanding balance of bonds issued by Nobles County for the Lincoln-Pipestone Rural Water System is \$16,003,000 at December 31, 2019.

B. Joint Ventures

Lincoln-Pipestone Rural Water System

Lincoln County, along with Jackson, Lac qui Parle, Lyon, Murray, Nobles, Pipestone, Redwood, Rock, and Yellow Medicine Counties, jointly established the Lincoln-Pipestone Rural Water System pursuant to Minnesota Statutes ch. 116A. The system is responsible for storing, treating, and distributing water for domestic, commercial, and industrial use within the area it serves. The cost of providing these services is recovered through user charges. The Lincoln-Pipestone Rural Water System is governed by the District Court. The Water System's Board is solely responsible for the budgeting and financing of the Water System.

Bonds were issued by Lincoln County, Jackson County, Nobles County, and Yellow Medicine County to finance the construction of the Rural Water System. Costs assessed to municipalities and special assessments levied against benefited properties pay approximately 85% of the amount necessary to retire principal and interest on the bonds. The remainder of the funds necessary to retire the outstanding bonds and interest will be provided by appropriations from the Lincoln-Pipestone Rural Water System.

The Lincoln-Pipestone Rural Water System's 2019 financial report shows total net position of \$56,069,742, including unrestricted net position of \$8,052,891. The increase in net position for the year ended December 31, 2019, was \$1,108,041.

Complete financial statements of the Lincoln-Pipestone Rural Water System can be obtained at East Highway 14, P. O. Box 188, Lake Benton, Minnesota 56149-0188.

Southwest Regional Solid Waste Commission

The County has entered into a joint powers agreement with Cottonwood, Jackson, Lac qui Parle, Lincoln, Lyon, Murray, Pipestone, Redwood, Renville, Rock, and Yellow Medicine Counties, creating and operating the Southwest Regional Solid Waste Commission (the Commission) under the authority of Minnesota Statutes §471.59.

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

B. Joint Ventures (Continued)

Southwest Regional Solid Waste Commission (Continued)

The Commission was formed to exercise the County's authority and obligation, pursuant to Minnesota Statutes Chapters 400 and 115A, to provide for the management of solid waste in the respective counties, and provide the greatest public service benefit possible for the entire contiguous 12-county area encompassed by the counties in planning, management, and implementation of methods to deal with solid waste in Southwest Minnesota. The governing board is composed of a Board member from each of the participating counties. Financing of the Commission's solid waste management program is from appropriations from the counties, grants, and loans from the Minnesota Office of Waste Management, or from the sale of bonds or other obligations secured by revenues of the Commission. Administration and planning costs of the Commission are assessed to the counties on equal shares up to \$1,000 per county per year. The current assessment is \$400 per county per year.

The Commission is headquartered in Ivanhoe, Minnesota, where Lincoln County acts as fiscal host. A complete financial report of the Southwest Regional Solid Waste Commission can be obtained from the Lincoln County Auditor at 319 Rebecca Street, P.O. Box 29, Ivanhoe, Minnesota 56142.

City of Worthington/Nobles County Public Transportation

Nobles County participates with the City of Worthington in a joint venture to provide, cooperatively operate, administer, promote, and manage public transportation within the County and City of Worthington. The governing board consists of seven members: two County Commissioners and the County Administrator, two members of the City Council and the City Administrator, and one at-large member appointed by the aforesaid six-member board.

Financing is provided by state grants and appropriations from the members. Both the City of Worthington and Nobles County are required to contribute \$40,000 each year.

The County retains no fiscal interest and has not stake in the accumulation of resources or fiscal distress of the entity.

Current financial statements are not available.

Southwestern Minnesota Adult Mental Health Consortium Board

In November 1997, the County entered into a joint powers agreement with Big Stone, Chippewa, Cottonwood, Jackson, Kandiyohi, Lac qui Parle, McLeod, Meeker, Pipestone, Redwood, Renville, Rock, Swift, and Yellow Medicine Counties; and Lincoln, Lyon, and Murray Counties, represented by the Lincoln, Lyon, & Murray Human Services Board, creating and operating the Southwestern Minnesota Adult Mental Health Consortium Board (the Board) under the authority of Minnesota Statutes §471.59. The Board is headquartered in Windom, Minnesota, where Cottonwood County acts as fiscal host.



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

B. Joint Ventures (Continued)

Southwestern Minnesota Adult Mental Health Consortium Board (Continued)

The Board takes actions and enters into such agreements as necessary to plan and develop, within the Board's geographic jurisdiction, a system of care that will serve the needs of adults with serious and persistent mental illness. The governing board is composed of one Board member from each of the participating counties. Financing is provided by state proceeds or appropriations for the development of the system of care.

The following is a summary of the Consortium Board's annual financial report for the year ended December 31, 2019:

Total Assets	\$1,596,274
Total Liabilities	394,112
Total Net Position	1,202,162
Total Revenues	3,303,647
Total Expenditures	3,558,197
Net Change in Net Position	(254,550)

A complete financial report of the Southwestern Minnesota Adult Mental Health Consortium Board can be obtained at 2200 – 23<sup>rd</sup> Street N.E. Suite 2050, Willmar, Minnesota 56201.

Southwestern Mental Health Center, Inc.

The Southwestern mental Health Center, Inc., is a private, nonprofit agency established in 1959 by Cottonwood, Jackson, Nobles, Pipestone, and Rock Counties in southwest Minnesota. It was formed for the purpose of providing mental health services and programs to the residents of these counties.

For 2019, Nobles County paid a total of \$445,432 to Southwestern Mental Health Center, Inc., for mental health services. Complete financial statements for the Southwestern Mental Health Center, Inc., can be obtained at 216 E. Luverne Street, Luverne, Minnesota 56156.

Southwest Minnesota Regional Emergency Communications Board

The Southwest Minnesota Regional Emergency Communications Board Joint Powers board (original name of Southwest Minnesota Regional Radio Board) was established April 22, 2008, between Nobles County, the City of Marshall, the City of Worthington, and 12 other counties under authority of Minn. Stat. §§ 471.59 and 403.39. The purpose of the agreement is to formulate a regional radio board to provide for regional administration of enhancements to the Statewide Public Safety Radio and Communication System (ARMER).

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

B. Joint Ventures (Continued)

Southwest Minnesota Regional Emergency Communications Board (Continued)

Control is vested in a Joint Powers Board consisting of one County Commissioner and one City Council member for each party to the agreement. The members representing counties and cities are appointed by their respective governing bodies for the membership of that governing body. In addition, voting members of the Board include a member of the Southwest Minnesota Regional Advisory Committee, a member of the Southwest Minnesota Regional Radio System User Committee, and a member of the Southwest Minnesota Owners and Operators Committee.

Financing is provided by appropriations from member parties and by state and federal grants. During 2019, Nobles County contributed \$2,920 to the Joint Powers board. There were no audited financial statements available for the year ended December 31, 2019.

Southern Prairie Community Care

Nobles County entered into a joint powers agreement on June 26, 2012 with Chippewa, Jackson, Kandiyohi, Lincoln, Lyon, Murray, Cottonwood, Redwood, Rock, Swift, and Yellow Medicine Counties to establish the Southern Prairie Health Purchasing Alliance pursuant to the provisions of Minn. Stat. § 471.59. The purpose of the Alliance is to plan, formulate, operate, and govern a rural care delivery system to improve the health and quality of life of the citizens of member counties. The Joint Powers board is composed of one representative from each county.

Complete financial information can be obtained from Southern Prairie Community Care, 607 West Main Street, P.O. Box 513 Marshall, Minnesota 56258.

Southwest Minnesota Private Industry Council, Inc.

The Southwest Minnesota Private Industry Council, Inc., (SW MN PIC) is a private nonprofit corporation which was created through a Joint Powers Agreement on October 1, 1983, and began operation in 1985 under the Job Training Partnership Act (JTPA) authorized by Congress to administer and operate job training programs in a 14-county area of Southwestern Minnesota. These counties include Big Stone, Chippewa, Cottonwood, Jackson, Lac qui Parle, Lincoln, Lyon, Murray, Nobles, Pipestone, Redwood, Rock, Swift, and Yellow Medicine.

SW MN PIC is governed by the Chief Elected Official board which is composed of one representative from each member County. The County did not contribute to the SW-MN PIC during 2019.

Separate financial information can be obtained from the Lyon County Government Center, 607 West Main Street, Marshall, Minnesota 56258.

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

B. Joint Ventures (Continued)

Advocate Connect Educate of Southwest Minnesota (ACE SW MN)

Nobles County, in conjunction with Lincoln, Murray, Cottonwood, Redwood, and Rock counties and the Southwest Regional Development Commission, pursuant to Minn. Stat. §471.59, have formed an agreement to coordinate the delivery of volunteer services to nonprofit community service entities under the authority of the counties. Advocate Connect Educate of Southwest Minnesota's (original name of Retired and Senior Volunteer Program of Southwest Minnesota) Board comprises one voting member from each participating county and one voting member of the ACE SW MN Advisory Council. In 2019, the County made contributions of \$39,015 to the ACE SW MN. There were no audited financial statements available for the year ended December 31, 2019.

Red Rock Rural Water System

The Red Rock Rural Water System was established pursuant to Minn. Stat. Ch. 116A through a joint powers agreement pursuant to Minn. Stat. §471.59 and under the jurisdiction of the Fifth Judicial District. Brown, Cottonwood, Jackson, Lyon, Martin, Murray, Nobles, Redwood, and Watonwan Counties have agreed to guarantee their share of debt arising within each respective county. The Red Rock Rural Water System provides water for participating rural water users and cities within the water district. The cost of providing these services is recovered through user charges.

The governing body is composed of nine members appointed to three-year terms by the District Court. Each County is responsible for levying and collecting the special assessments from the benefited properties within that county. A bond issue and notes payable are shown as long-term debt in the financial statements of the Red Rock Rural Water System. During 2019, Cottonwood County issued \$1.4 million in general obligation bonds on behalf of the Red Rock Rural Water System. The nine member counties guaranteed the bonds to Cottonwood County.

Complete financial information can be obtained from the Red Rock Rural Water System, 305 West Whited Street, Jeffers, Minnesota 56145.

Plum Creek Library System

Nobles County, along with 19 cities and 8 other counties participates in the Plum Creek Library System. The Plum Creek Library System was created as a public library service on May 29, 1974, by the act of contracting with various public libraries in its region to provide expanded library service, with the additional purpose of furthering the public interest by providing the potential for extending public library services into areas without such services. The Plum Creek Library System is governed by a board of trustees which consists of two representatives from each county. One is appointed by the County Commissioners, the second from the board of the participating libraries. During 2019, Nobles County provided \$32,742 to the Plum Creek Library System.

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

B. Joint Ventures (Continued)

Plum Creek Library System (Continued)

Complete financial statements of the Plum Creek Library can be obtained at 290 South Lake Street, P.O. Box 697, Worthington, Minnesota 56187.

Buffalo Ridge Drug Task Force

The Buffalo Ridge Drug Task Force was established under the authority of the Joint Powers Act, pursuant to Minn. Stat. § 471.59, and includes Murray, Nobles, Pipestone, and Rock Counties and the Cities of Adrian, Fulda, Slayton, and Worthington. The Drug Task force provides drug enforcement services for member organizations.

Control of the Task force is vested in a Board of Directors. The Board of Directors consists of the Chief of Police and the Sheriff from each party.

Fiscal agent responsibilities for the Task Force are with the City of Worthington. During the year, Nobles County provided \$83,374 to the Task Force.

Financial information can be obtained from City of Worthington, P.O. Box 279, Worthington, MN 56187.

Rock Nobles Community Corrections

Nobles County participates with Rock County in a joint venture to provide community corrections services. Rock Nobles Community Corrections was established under the Community Corrections Act, January 1, 1979. Rock Nobles Community Corrections develops and implements humane and effective methods of prevention, control, and rehabilitation of offenders.

The governing board is composed of two County Commissioners from the participating counties and three lay members. Rock Nobles Community Corrections is headquartered in Worthington, Minnesota, with offices at the county seats of the member counties. Financing is provided by state grants and appropriations from member counties. Nobles County's contribution to Rock Nobles Community Corrections for the year ended December 31, 2019, was \$191,000.

Complete financial statements of Rock Nobles Community Corrections can be obtained at the Rock County Courthouse, 204 East Brown Street, P. O. Box 509, Luverne, Minnesota 56156-0509.

Counties Providing Technology

In 2018, 23 counties created a joint powers organization named Counties Providing Technology (CPT) for the purpose of purchasing their former software vendor, Computer Professionals Unlimited, Inc (CPU) and then provide for the development, operation and maintenance of such systems for the use and benefits of the members and other governmental units.

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

B. Joint Ventures (Continued)

Counties Providing Technology (Continued)

In 2019, the County contributed \$59,702 to Counties Providing Technology.

Complete financial information for Counties Providing Technology can be obtained from: Counties Providing Technology, 400 Colorado Avenue, Suite 303 Morris MN 56267.

Mid-State Computer Collaborative

In 2018, 29 counties created a joint powers organization named Mid-State Computer Collaborative (MSCC) for the purpose of providing an organization through which the counties may jointly provide for the following: 1. the sharing of costs of computer software and other information technology, 2. jointly negotiate contracts with vendors of products and services and 3. create an entity capable of owning technology and software licenses on behalf of all the parties.

In 2019, the County made contributions to MSCC totaling \$100. Complete financial information is not available for MSCC. Treasurer's reports can be obtained from: 325 N Sibley Avenue Litchfield, MN 55355.

C. Jointly-Governed Organizations

Okabena-Ocheda Watershed District

The Board of County Commissioners is responsible for appointing all five of the Board of Managers for the Okabena-Ocheda Watershed District, but the County's responsibility does not extend beyond making the appointments.

Kanaranzi-Little Rock Watershed District

The Board of County Commissioners is responsible for appointing a majority of the Board of Managers for the Kanaranzi-Little Rock Watershed District, but the County's responsibility does not extend beyond making the appointments.

Heron Lake Watershed District

The Board of County Commissioners is responsible for appointing two of the Board of Managers for the Heron Lake Watershed District, but the County's responsibility does not extend beyond making the appointments.

Rural Minnesota Energy Board

The Rural Minnesota Energy Board was established in 2005 to provide policy guidance on issues surrounding energy development in rural Minnesota and to foster the diversification of the economic climate in rural Minnesota. During 2019, Nobles County paid \$2,500 to the Board.

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

C. Jointly-Governed Organizations (Continued)

Region Five – Southwest Minnesota Homeland Security Emergency Management Organization

The Region Five – Southwest Minnesota Security Emergency Management Organization (SWRHSEM) was established to provide for regional coordination of planning, training, purchase of equipment, and allocating emergency services and staff in order to better respond to emergencies and natural or other disasters within the SWRHSEM region. Control is vested in the Board, which is composed of representatives appointed by each Board of County Commissioners. Nobles County's responsibility does not extend beyond this appointment.

Minnesota Criminal Justice Data Communications Network

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

Sentence to Service

Nobles County, in conjunction with other local governments, participates in the State of Minnesota's Sentence to Serve (STS) Program. STS is a project of the State Department of Administrations' Strive toward Excellence in Performance (STEP) program. STEP's goal is a statewide effort to make positive improvements in public services. It gives the courts an alternative to jail or fines for the nonviolent offenders who can work on a variety of community or state projects. Private funding, funds from the various foundation and initiative funds, as well as the Departments of Correction and Natural Resources, provide the funds needed to operate the STS program. Although the County has no operational or financial control over the STS program, Nobles County budgets for a percentage of this program.

Southwest Minnesota Immunization Information Connection

The Southwest Minnesota Immunization Information connection (SW-MIIC) Joint Powers Board promotes implementation and maintenance of a regional immunization information system to ensure age-appropriate immunizations through complete and accurate records. The County did not contribute to the SW-MIIC during 2019.

Southwest Minnesota Public Safety Board

The Southwest Minnesota Public Safety Board was established June 29, 2012, by a joint powers agreement between Lyon, Murray, Nobles, Pipestone, Redwood, and Yellow Medicine Counties, the City of Marshall and the City of Worthington under authority of Minn. Stat. §471.59. The purpose of the agreement is to formulate regional and local emergency communications recording and logging services between the parties.

**NOBLES COUNTY  
WORTHINGTON, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

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

C. Jointly-Governed Organizations (Continued)

Southwest Minnesota Public Safety Board (Continued)

Control is vested in a Joint Powers Board consisting of one County Commissioner or one City Council member for each party to the agreement and the Sheriff or Chief of Police from each party to the agreement. The members representing counties and cities shall be appointed by their respective governing bodies for the membership of that governing body. The County did not contribute to the Southwest Minnesota Public Safety Board during 2019.

Minnesota Counties Computer Cooperative

Under Minnesota Joint Powers Law, Minn. Stat. §471.59, Minnesota counties have created the Minnesota Counties Computer Cooperative (MCCC) to jointly provide for the establishment, operation, and maintenance of data processing systems, facilities, and management information systems. During the year, Nobles County expended \$17,990 to the MCCC.

D. Related Organization – Worthington Housing and Redevelopment Authority

The Board is responsible for appointing a majority of the Worthington Housing and Redevelopment Authority's governing body, but the County's responsibility does not extend beyond making the appointments.

**NOTE 8 TAX ABATEMENTS**

The County has entered into a tax abatement agreement with the City of Worthington and Independent School Districts (ISD) #518 and #2907, through a program initiated by the Nobles Home Initiative, under Minnesota Statutes §469.1813 Subdivision 8. The program is intended to encourage the construction of new owner occupied and rental residential housing units. Eligible projects are eligible to receive 100% tax abatement of the County's share of the increased real estate taxes resulting from the newly constructed housing unit for a period of five years. During 2019, the county abated taxes totaling \$27,142 related to this program.

The County is subject to tax abatements granted by Cities within the County pursuant to Minnesota Statutes §§ 469.174 to 469.1794 (Tax Increment Financing) through a pay-as-you-go note program. Tax increment financing (TIF) can be used to encourage private development, redevelopment, renovation, and renewal, growth in low-to-moderate income housing, and economic development within a City. TIF captures the increase in tax capacity and property taxes (of all taxing jurisdictions, including the County) from development or redevelopment to provide funding for the related project.

**NOBLES COUNTY  
 WORTHINGTON, MINNESOTA  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2019**

**NOTE 8 TAX ABATEMENTS (CONTINUED)**

The pay-as-you-go note provides for payment to the developer of a percentage of all property tax increment received in the prior six months. The payment reimburses the developer for certain public improvements. During 2019, there were five pay-as-you-go notes within the County, administered by the City of Worthington. The tax increment taxes collected during 2019 totaled \$201,416. The County's portion of the captured tax capacity and related property taxes was approximately 35%. There are no provisions for recapturing abated taxes.

As of December 31, 2019, the County has not made any commitments as part of the agreements other than to reduce taxes.

**NOTE 9 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

Expenditures in Excess of Budget

Actual expenditures exceeded 2019 budgets as follows:

Fund	Expenditures	Budget	Excess
Major Governmental Funds:			
General Fund	\$ 12,582,098	\$ 12,318,592	\$ 263,506
Public Works Fund	10,830,278	10,017,649	812,629
Debt Service Fund	3,298,219	3,229,895	68,324

The excess expenditures were covered by additional revenues received and available fund balance.

**NOTE 10 SUBSEQUENT EVENT**

Subsequent to year-end, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the County, COVID-19 may impact various parts of its 2020 operations and financial results including, but not limited to, costs for emergency preparedness and shortages of personnel. Management believes the County is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events occurred subsequent to year-end and are still developing.



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



**NOBLES COUNTY  
 WORTHINGTON, MINNESOTA  
 SCHEDULE OF THE COUNTY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
 LAST TEN MEASUREMENT PERIODS**

	Measurement Date June 30, 2019	Measurement Date June 30, 2018	Measurement Date June 30, 2017	Measurement Date June 30, 2016	Measurement Date June 30, 2015
<b>PERA - General Employees Retirement Plan</b>					
County's Proportion of the Net Pension Liability	0.1125%	0.1142%	0.1145%	0.1125%	0.1086%
County's Proportionate Share of the Net Pension Liability	\$ 6,219,873	\$ 6,335,348	\$ 7,309,604	\$ 9,134,442	\$ 5,628,216
State's Proportionate Share of the Net Pension Liability	\$ 193,158	\$ 207,730	\$ 91,939	\$ 119,227	\$ -
Total Proportionate Share of the Net Pension Liability	\$ 6,413,031	\$ 6,543,078	\$ 7,401,543	\$ 9,253,669	\$ 5,628,216
County's Covered Payroll	\$ 7,974,381	\$ 7,673,801	\$ 7,222,285	\$ 6,978,893	\$ 6,494,662
County's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	78.00%	82.56%	101.21%	130.89%	86.66%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	80.20%	79.50%	75.90%	68.90%	78.20%
<b>PERA - Public Employees Police and Fire Plan</b>					
County's Proportion of the Net Pension Liability	0.0958%	0.0923%	0.0860%	0.0900%	0.0900%
County's Proportionate Share of the Net Pension Liability	\$ 1,019,888	\$ 983,823	\$ 1,161,102	\$ 3,611,857	\$ 1,022,611
County's Covered Payroll	\$ 1,009,608	\$ 972,386	\$ 880,273	\$ 863,130	\$ 852,190
County's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	101.02%	101.18%	131.90%	418.46%	120.00%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	89.30%	88.80%	85.40%	63.90%	82.30%
<b>PERA - Local Government Correctional Plan</b>					
County's Proportion of the Net Pension Liability	0.5868%	0.6212%	0.5900%	0.5900%	0.5800%
County's Proportionate Share of the Net Pension Liability	\$ 81,241	\$ 102,168	\$ 1,681,506	\$ 2,155,353	\$ 89,668
County's Covered Payroll	\$ 1,254,780	\$ 1,268,775	\$ 1,172,155	\$ 1,117,383	\$ 1,038,560
County's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	6.47%	8.05%	143.45%	192.89%	8.63%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	98.20%	97.60%	67.90%	58.20%	96.90%

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.

**NOBLES COUNTY  
WORTHINGTON, MINNESOTA  
SCHEDULE OF PENSION CONTRIBUTIONS  
LAST TEN YEARS**

	2019	2018	2017	2016	2015	2014
<b>PERA - General Employees Retirement Plan</b>						
Statutorily Required Contribution	\$ 591,243	\$ 591,147	\$ 563,466	\$ 541,706	\$ 490,424	\$ 468,336
Contributions in Relation to the Statutorily Required Contribution	<u>(591,243)</u>	<u>(591,147)</u>	<u>(563,466)</u>	<u>(541,706)</u>	<u>(490,424)</u>	<u>(468,336)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's Covered Payroll	\$ 7,883,240	\$ 7,881,960	\$ 7,512,880	\$ 7,222,747	\$ 6,538,987	\$ 6,459,807
Contributions as a Percentage of Covered Payroll	7.50%	7.50%	7.50%	7.50%	7.50%	7.25%
<b>PERA - Public Employees Police and Fire Plan</b>						
Statutorily Required Contribution	\$ 171,186	\$ 164,104	\$ 148,432	\$ 138,884	\$ 141,394	\$ 120,801
Contributions in Relation to the Statutorily Required Contribution	<u>(171,186)</u>	<u>(164,104)</u>	<u>(148,432)</u>	<u>(138,884)</u>	<u>(141,394)</u>	<u>(120,801)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's Covered Payroll	\$ 1,009,947	\$ 1,012,988	\$ 916,247	\$ 857,309	\$ 872,802	\$ 789,549
Contributions as a Percentage of Covered Payroll	16.95%	16.20%	16.20%	16.20%	16.20%	15.30%
<b>PERA - Local Government Correctional Plan</b>						
Statutorily Required Contribution	\$ 110,905	\$ 110,293	\$ 107,969	\$ 100,668	\$ 92,662	\$ 89,639
Contributions in Relation to the Statutorily Required Contribution	<u>(110,905)</u>	<u>(110,293)</u>	<u>(107,969)</u>	<u>(100,668)</u>	<u>(92,662)</u>	<u>(89,639)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's Covered Payroll	\$ 1,267,486	\$ 1,260,491	\$ 1,233,931	\$ 1,150,491	\$ 1,058,994	\$ 1,024,446
Contributions as a Percentage of Covered Payroll	8.75%	8.75%	8.75%	8.75%	8.75%	8.75%

Note: Information is required to be presented for 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.*

**NOBLES COUNTY  
 WORTHINGTON, MINNESOTA  
 SCHEDULE OF CHANGES IN THE COUNTY'S TOTAL OPEB LIABILITY  
 AND RELATED RATIOS  
 LAST TEN YEARS**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>Total OPEB Liability</b>			
Service Cost	\$ 24,809	\$ 23,963	\$ 16,848
Interest	13,666	11,093	9,547
Changes of Assumptions	46,023	(9,296)	(4,259)
Differences Between Expected and Actual Experience	(2,589)	22,994	227,170
Benefit Payments	<u>(27,326)</u>	<u>(30,101)</u>	<u>(19,509)</u>
<b>Net Change in Total OPEB Liability</b>	54,583	18,653	229,797
<b>Total OPEB Liability - Beginning</b>	<u>321,222</u>	<u>302,569</u>	<u>72,772</u>
<b>Total OPEB Liability - Ending</b>	<u><u>\$ 375,805</u></u>	<u><u>\$ 321,222</u></u>	<u><u>\$ 302,569</u></u>
Covered-Employee Payroll	\$ 9,177,575	\$ 9,721,318	\$ 9,415,320
County's Total OPEB Liability as a Percentage of Covered-Employee Payroll	4.1%	3.3%	3.2%

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.

Note 1: No assets are accumulated in a trust.

**NOBLES COUNTY  
 WORTHINGTON, MINNESOTA  
 BUDGETARY COMPARISON SCHEDULE  
 GENERAL FUND  
 YEAR ENDED DECEMBER 31, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 8,196,220	\$ 8,196,220	\$ 7,992,670	\$ (203,550)
Licenses and Permits	97,760	97,760	74,149	(23,611)
Intergovernmental	1,228,606	1,228,606	1,928,930	700,324
Charges for Services	1,531,109	1,531,109	1,248,395	(282,714)
Fines and Forfeits	3,000	3,000	12,510	9,510
Gifts and Contributions	-	-	11,600	11,600
Interest on Investments	256,000	256,000	474,210	218,210
Miscellaneous	821,263	821,263	892,313	71,050
Total Revenues	12,133,958	12,133,958	12,634,777	500,819
<b>EXPENDITURES</b>				
<b>CURRENT</b>				
<b>GENERAL GOVERNMENT</b>				
Commissioners	246,689	246,689	236,697	9,992
Courts	125,000	125,000	153,921	(28,921)
Law Library	24,000	24,000	8,922	15,078
County Administration	523,409	523,409	570,296	(46,887)
County Auditor-Treasurer	697,716	697,716	706,167	(8,451)
Finance	352,838	352,838	320,520	32,318
County Assessor	773,388	773,388	589,087	184,301
Elections	44,034	44,034	65,406	(21,372)
Data Processing	714,757	714,757	713,705	1,052
Central Services	21,549	21,549	21,280	269
Attorney	972,553	972,553	963,775	8,778
Recorder	331,268	331,268	270,040	61,228
Buildings and Plant	1,252,677	1,252,677	1,331,241	(78,564)
Veterans Service Officer	75,073	75,073	77,439	(2,366)
Planning and Zoning	144,713	144,713	135,424	9,289
Other General Government	488,179	488,179	835,816	(347,637)
Total General Government	6,787,843	6,787,843	6,999,736	(211,893)
<b>PUBLIC SAFETY</b>				
Sheriff	2,274,192	2,274,192	2,277,369	(3,177)
Coroner	45,000	45,000	49,250	(4,250)
County Jail	2,338,518	2,338,518	2,372,262	(33,744)
Civil Defense	140,652	140,652	61,336	79,316
Total Public Safety	4,798,362	4,798,362	4,760,217	38,145

Notes to Required Supplementary Information are an integral part of this schedule.

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>EXPENDITURES (CONTINUED)</b>				
<b>CURRENT (CONTINUED)</b>				
<b>CONSERVATION OF NATURAL RESOURCES</b>				
County Extension	\$ 150,683	\$ 150,683	\$ 147,967	\$ 2,716
<b>ECONOMIC DEVELOPMENT</b>				
Economic Development	13,965	13,965	3,963	10,002
Community Development	96,339	96,339	118,655	(22,316)
Total Economic Development	110,304	110,304	122,618	(12,314)
<b>INTERGOVERNMENTAL</b>				
Culture and Recreation	189,890	189,890	245,794	(55,904)
<b>CAPITAL OUTLAY</b>	281,510	281,510	194,709	86,801
<b>DEBT SERVICE</b>				
Principal	-	-	106,235	(106,235)
Interest	-	-	4,822	(4,822)
Total Debt Service	-	-	111,057	(111,057)
Total Expenditures	12,318,592	12,318,592	12,582,098	(263,506)
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(184,634)	(184,634)	52,679	237,313
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	11,500	11,500	43,221	31,721
Transfers Out	(5,500)	(5,500)	-	5,500
Proceeds from Capital Lease	-	-	185,504	185,504
Proceeds from Sale of Assets	15,000	15,000	-	(15,000)
Total Other Financing Sources (Uses)	21,000	21,000	228,725	207,725
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (163,634)</u>	<u>\$ (163,634)</u>	281,404	<u>\$ 445,038</u>
Fund Balance - Beginning of Year			10,460,365	
<b>FUND BALANCE - END OF YEAR</b>			<u>\$ 10,741,769</u>	

*Notes to Required Supplementary Information are an integral part of this schedule.*

**NOBLES COUNTY  
 WORTHINGTON, MINNESOTA  
 BUDGETARY COMPARISON SCHEDULE  
 PUBLIC WORKS SPECIAL REVENUE FUND  
 YEAR ENDED DECEMBER 31, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 1,087,050	\$ 1,087,050	\$ 1,090,830	\$ 3,780
Licenses and Permits	46,000	46,000	224,709	178,709
Intergovernmental	7,313,573	7,313,573	9,097,049	1,783,476
Charges for Services	1,379,000	1,379,000	1,556,581	177,581
Miscellaneous	21,400	21,400	23,795	2,395
Total Revenues	9,847,023	9,847,023	11,992,964	2,145,941
<b>EXPENDITURES</b>				
<b>CURRENT</b>				
<b>HIGHWAY AND STREETS</b>				
Administration	266,798	266,798	244,119	22,679
Maintenance	1,515,540	1,515,540	1,606,678	(91,138)
Construction	4,152,873	4,152,873	5,569,250	(1,416,377)
Equipment and Maintenance Shops	1,190,248	1,190,248	1,223,828	(33,580)
Other	37,075	37,075	38,216	(1,141)
Total Highways and Streets	7,162,534	7,162,534	8,682,091	(1,519,557)
<b>SANITATION</b>				
Solid Waste	431,800	431,800	32,167	399,633
Recycling	476,665	476,665	310,382	166,283
Total Sanitation	908,465	908,465	342,549	565,916
<b>CULTURE AND RECREATION</b>				
Parks	152,702	152,702	159,084	(6,382)
<b>CONSERVATION OF NATURAL RESOURCES</b>				
Agricultural Inspection	121,571	121,571	94,293	27,278
Water Planning	556,277	556,277	470,588	85,689
Total Conservation of Natural Resources	677,848	677,848	564,881	112,967
<b>INTERGOVERNMENTAL</b>	534,600	534,600	528,326	6,274
<b>CAPITAL OUTLAY</b>	541,500	541,500	477,995	63,505
<b>DEBT SERVICE</b>				
Principal	40,000	40,000	75,352	(35,352)
Total Expenditures	10,017,649	10,017,649	10,830,278	(812,629)
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(170,626)	(170,626)	1,162,686	1,333,312
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers Out	-	-	(37,183)	(37,183)
Loan Proceeds	180,000	180,000	81,496	(98,504)
Proceeds from Sale of Assets	-	-	48,100	48,100
Total Other Financing Sources (Uses)	180,000	180,000	92,413	(87,587)
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ 9,374</u>	<u>\$ 9,374</u>	1,255,099	<u>\$ 1,245,725</u>
Fund Balance - Beginning of Year			9,537,350	
Decrease in Inventory			(69,923)	
<b>FUND BALANCE - END OF YEAR</b>			<u>\$ 10,722,526</u>	

Notes to Required Supplementary Information are an integral part of this schedule.



**NOBLES COUNTY  
 WORTHINGTON, MINNESOTA  
 BUDGETARY COMPARISON SCHEDULE  
 FAMILY SERVICES SPECIAL REVENUE FUND  
 YEAR ENDED DECEMBER 31, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 3,451,917	\$ 3,451,917	\$ 3,311,173	\$ (140,744)
Licenses and Permits	2,500	2,500	2,760	260
Intergovernmental	4,388,334	4,388,334	3,788,757	(599,577)
Charges for Services	297,244	297,244	190,370	(106,874)
Miscellaneous	603,700	603,700	624,289	20,589
Total Revenues	8,743,695	8,743,695	7,917,349	(826,346)
<b>EXPENDITURES</b>				
<b>CURRENT</b>				
<b>HUMAN SERVICES</b>				
Income Maintenance	2,277,378	2,277,378	2,302,845	(25,467)
Social Services	5,728,550	5,728,550	4,774,586	953,964
Total Human Services	8,005,928	8,005,928	7,077,431	928,497
<b>HEALTH</b>				
Community Health	1,122,110	1,122,110	903,876	218,234
<b>INTERGOVERNMENTAL</b>	191,400	191,400	191,000	400
Total Expenditures	9,319,438	9,319,438	8,172,307	1,147,131
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (575,743)</u>	<u>\$ (575,743)</u>	(254,958)	<u>\$ 320,785</u>
Fund Balance - Beginning of Year			1,689,637	
<b>FUND BALANCE - END OF YEAR</b>			<u>\$ 1,434,679</u>	

Notes to Required Supplementary Information are an integral part of this schedule.

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**NOBLES COUNTY  
 WORTHINGTON, MINNESOTA  
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
 DECEMBER 31, 2019**

**I. Budgetary Information**

The Board of County Commissioners adopts an annual budget for the General Fund and all major special revenue funds. These budgets are prepared on the modified accrual basis of accounting. The expenditure budget is approved at the fund level, the legal level of budgetary control.

The budgets may be amended or modified at any time by the Board of County Commissioners. There were no budget amendments during 2019.

**II. Excess of Expenditures Over Budget**

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

Fund	Expenditures	Budget	Excess
Major Governmental Funds:			
General Fund	\$ 12,582,098	\$ 12,318,592	\$ 263,506
Public Works Fund	10,830,278	10,017,649	812,629

The excess of expenditures over budgets were generally funded by greater than anticipated revenues and use of existing fund balance.

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

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

General Employees Fund

2019

Changes in Actuarial Assumptions

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

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 benefit increase was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

**NOBLES COUNTY  
WORTHINGTON, MINNESOTA  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2019**

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

General Employees Fund (Continued)

2018 (Continued)

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 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Postretirement benefit increases were changed from 1.00 percent per year with a provision to increase to 2.50 percent upon attainment of 90.00 percent funding ratio to 50.00 percent of the Social Security Cost of Living Adjustment, not less than 1.00 percent and not more than 1.50 percent, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to 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 0.80 percent for active members and 60.00 percent for vested and nonvested deferred members. The revised CSA load are now 0.00 percent for active member liability, 15.00 percent for vested deferred member liability, and 3.00 percent for nonvested deferred member liability.
- The assumed postretirement benefit increase rate was changed for 1.00 percent per year for all years to 1.00 percent per year through 2044 and 2.50 percent per year thereafter.

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

**NOBLES COUNTY  
WORTHINGTON, MINNESOTA  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2019**

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

General Employees Fund (Continued)

2016 (Continued)

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 1.00 percent per year through 2030 and 2.50 percent per year thereafter to 1.00 percent per year through 2035 and 2.50 percent 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.

Police and Fire Fund

2019

Changes in Actuarial Assumptions

- The mortality 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 to 1.00 percent for all years, with no trigger.
- An end date of July 1, 2048 was added to the existing \$9.0 million state contribution.
- 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 percent funding, or July 1, 2048, if earlier.
- Member contributions were changed from 10.80 percent to 11.30 percent of pay, effective January 1, 2019 and 11.80 percent of pay, effective January 1, 2020.
- Employer contributions were changed from 16.20 percent to 16.95 percent of pay, effective January 1, 2019 and 17.70 percent of pay, effective January 1, 2020.
- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

**NOBLES COUNTY  
WORTHINGTON, MINNESOTA  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2019**

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

Police and Fire Fund (Continued)

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 percent lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements.
- The combined service annuity (CSA) load was 30.00 percent for vested and nonvested, deferred members. The CSA has been changed to 33.00 percent for vested members and 2.00 percent for nonvested members.
- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees.
- Assumed termination rates were decreased to 3.00 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- Assumed percentage of married female members was decreased from 65.00 percent to 60.00 percent.
- 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 percent for all years to 1.00 percent per year through 2064 and 2.50 percent thereafter.
- The single discount rate was changed from 5.60 percent per annum to 7.50 percent per annum.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2016

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

**NOBLES COUNTY  
WORTHINGTON, MINNESOTA  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2019**

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

Police and Fire Fund (Continued)

2015

Changes in Actuarial Assumptions

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

Changes in Plan Provisions:

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

Correctional Fund

2019

Changes in Actuarial Assumptions

- The mortality 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 percent per annum to 7.50 percent per annum.
- The mortality projection scale was changed from MP-2016 to MP-2017.
- The assumed postretirement benefit increase was changed from 2.50 percent per year to 2.00 percent 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 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Postretirement benefit increases were changed from 2.50 percent per year with a provision to reduce to 1.00 percent if the funding status declines to a certain level, to 100 percent of the Social Security Cost of Living Adjustment, not less than 1.00 percent and not more than 2.50 percent, beginning January 1, 2019. If the funding status declines to 85.00 percent for two consecutive years or 80.00 percent for one year, the maximum increase will be lowered to 1.50 percent.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

**NOBLES COUNTY  
WORTHINGTON, MINNESOTA  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2019**

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

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 30.00 percent for vested and nonvested, deferred members. The CSA has been changed to 35.00 percent for vested members and 1.00 percent for nonvested members.
- The single discount rate was changed from 5.31 percent per annum to 5.96 percent 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 percent to 7.50 percent. The single discount rate changed from 7.90 percent to 5.31 percent.
- The assumed future salary increases, payroll growth, and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.5 percent 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.



**NOBLES COUNTY  
WORTHINGTON, MINNESOTA  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2019**

**IV. Other Postemployment Benefits - Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions**

2019

- The discount rate assumption has been updated based on the yield for 20-year-tax-exempt general obligation municipal bonds as of December 31, 2019 (measurement date). The discount rate is 4.11% as of January 1, 2019 and 3.26% as of December 31, 2019. The impact of this change is an increase in liabilities.
- Health care trend rates have been set to an initial rate of 8.0%, decreasing by 0.5% annually to an ultimate rate of 4.5%. This change caused an increase in liabilities.
- The mortality table has been updated as follows:
  - From: SOA RPH-2017 Total Dataset Fully Generational Mortality Table using Scale MP-2017; To:
  - a. Actives and Retirees: SOA Pub-2010 General Headcount Weighted Mortality Table fully generational using Scale MP-2019
  - b. Surviving Spouses: SOA Pub-2010 Continuing Survivor Headcount Weighted Mortality Table fully generational using Scale MP-2019The impact of the change is a slight increase in liabilities.
- The spousal coverage election rate assumption for future retirees changed from 0% to 10% with husbands assumed to be three years older than wives. The impact of this change is an increase in liabilities.

2018

- The discount rate was changed from 3.56% to 4.11%

2017

- The actuarial cost method was updated from Entry Age Normal Levy Dollar to Entry Age Normal Level % of Salary.
- The discount rate was changed from 3.00% to 3.56%
- The payroll growth assumption was updated to follow the Minnesota Public Employees Retirement Association actuarial valuation as of July 1, 2016.
- The retirement rate assumption was updated from 100% retirement to age 61 to an age-based table starting from ages 55 to 67, which was developed based on the County's historical retirement experience from 2013 to 2016.
- Mortality rates was updated from RP-2000 Combined Mortality Table fully generational using Scale BB to SOA RPH-2017 Total Dataset Fully Generational Mortality Table using Scale MP-2017.
- Health care trend rates was updated to an initial rate of 8.0% decreasing by 0.5% annually to an ultimate rate of 4.5%.

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## **SUPPLEMENTARY INFORMATION**



**NOBLES COUNTY  
WORTHINGTON, MINNESOTA  
DESCRIPTION OF FUNDS  
DECEMBER 31, 2019**

**NONMAJOR GOVERNMENTAL FUNDS**

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

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

The Library Special Revenue Fund is used to account for the revenues and expenditures of the County libraries.

The Property Forfeiture Special Revenue Fund is used to account for the revenues and expenditures of forfeited land and buildings.

The Capital Projects Fund is used to account for the revenue and expenditures of County capital projects.

**NOBLES COUNTY  
 WORTHINGTON, MINNESOTA  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 DECEMBER 31, 2019**

	Nonmajor Special Revenue Funds		
	Ditch	Building	Library
<b>ASSETS</b>			
Cash and Pooled Investments	\$ 376,889	\$ 1,975,983	\$ 456,720
Undistributed Cash in Agency Funds	1,689	-	7,986
Petty Cash and Change Funds	-	-	55
Taxes Receivable - Delinquent	-	-	5,326
Special Assessments Receivable:			
Delinquent	296	-	-
Noncurrent	161,602	-	-
Due from Other Governments	27,772	-	-
<b>Total Assets</b>	<b>\$ 568,248</b>	<b>\$ 1,975,983</b>	<b>\$ 470,087</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts Payable	\$ 51,337	\$ 4,972	\$ 3,826
Salaries Payable	2,621	-	17,615
Due to Other Funds	36,000	-	-
Due to Other Governments	13,099	-	2,662
<b>Total Liabilities</b>	<b>103,057</b>	<b>4,972</b>	<b>24,103</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable Revenue - Tax Related	-	-	5,326
Unavailable Revenue - Special Assessment Related	161,898	-	-
<b>Total Deferred Inflows of Resources</b>	<b>161,898</b>	<b>-</b>	<b>5,326</b>
<b>FUND BALANCES</b>			
Restricted:			
Donations	-	-	18,925
Capital Projects	-	-	-
Ditch	303,293	-	-
Committed:			
Building	-	1,971,011	-
Library	-	-	421,733
Property Forfeiture	-	-	-
<b>Total Fund Balances</b>	<b>303,293</b>	<b>1,971,011</b>	<b>440,658</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 568,248</b>	<b>\$ 1,975,983</b>	<b>\$ 470,087</b>

**NOBLES COUNTY  
 WORTHINGTON, MINNESOTA  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 DECEMBER 31, 2019**

<u>Nonmajor Special Revenue Funds</u>		<u>Nonmajor Capital Project Fund</u>	<u>Total Nonmajor Funds</u>
<u>Property Forfeiture</u>	<u>Total</u>		
\$ 290,564	\$ 3,100,156	\$ 191,764	\$ 3,291,920
1,401	11,076	-	11,076
-	55	-	55
945	6,271	-	6,271
-	296	-	296
-	161,602	-	161,602
-	27,772	-	27,772
<u>\$ 292,910</u>	<u>\$ 3,307,228</u>	<u>\$ 191,764</u>	<u>\$ 3,498,992</u>
\$ -	\$ 60,135	\$ 26,161	\$ 86,296
-	20,236	-	20,236
-	36,000	-	36,000
-	15,761	-	15,761
-	132,132	26,161	158,293
945	6,271	-	6,271
-	161,898	-	161,898
945	168,169	-	168,169
-	18,925	-	18,925
-	-	165,603	165,603
-	303,293	-	303,293
-	1,971,011	-	1,971,011
-	421,733	-	421,733
291,965	291,965	-	291,965
291,965	3,006,927	165,603	3,172,530
<u>\$ 292,910</u>	<u>\$ 3,307,228</u>	<u>\$ 191,764</u>	<u>\$ 3,498,992</u>

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

	Nonmajor Special Revenue Funds		
	Ditch	Building	Library
<b>REVENUES</b>			
Taxes	\$ -	\$ 694,263	\$ 641,720
Special Assessments	107,260	-	-
Intergovernmental	53,326	-	-
Charges for Services	-	-	3,885
Gifts and Contributions	-	-	8,840
Miscellaneous	35,394	38,427	11,219
Total Revenues	195,980	732,690	665,664
<b>EXPENDITURES</b>			
<b>CURRENT</b>			
General Government	-	-	-
Culture and Recreation	-	-	571,846
Conservation of Natural Resources	362,803	-	-
Building and Plant	-	11,472	-
<b>CAPITAL OUTLAY</b>	-	37,883	-
Total Expenditures	362,803	49,355	571,846
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(166,823)	683,335	93,818
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers Out	(6,038)	-	-
<b>NET CHANGE IN FUND BALANCES</b>	(172,861)	683,335	93,818
Fund Balance - Beginning of Year	476,154	1,287,676	346,840
<b>FUND BALANCE - END OF YEAR</b>	<b>\$ 303,293</b>	<b>\$ 1,971,011</b>	<b>\$ 440,658</b>



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

Nonmajor Special Revenue Funds		Nonmajor Capital Project Fund	Total Nonmajor Funds
Property Forfeiture	Total		
\$ 112,752	\$ 1,448,735	\$ -	\$ 1,448,735
-	107,260	-	107,260
-	53,326	-	53,326
-	3,885	-	3,885
-	8,840	-	8,840
9,573	94,613	-	94,613
122,325	1,716,659	-	1,716,659
57,493	57,493	-	57,493
-	571,846	-	571,846
-	362,803	-	362,803
-	11,472	-	11,472
-	37,883	213,260	251,143
57,493	1,041,497	213,260	1,254,757
64,832	675,162	(213,260)	461,902
-	(6,038)	-	(6,038)
64,832	669,124	(213,260)	455,864
227,133	2,337,803	378,863	2,716,666
<u>\$ 291,965</u>	<u>\$ 3,006,927</u>	<u>\$ 165,603</u>	<u>\$ 3,172,530</u>

**NOBLES COUNTY  
 WORTHINGTON, MINNESOTA  
 BUDGETARY COMPARISON SCHEDULE  
 DEBT SERVICE FUND  
 YEAR ENDED DECEMBER 31, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 1,003,035	\$ 1,003,035	\$ 976,431	\$ (26,604)
Intergovernmental	1,109,300	1,109,300	1,109,300	-
Interest on Investments	94,297	94,297	6,168	(88,129)
Miscellaneous	199,384	199,384	286,516	87,132
Total Revenues	2,406,016	2,406,016	2,378,415	(27,601)
<b>EXPENDITURES</b>				
<b>DEBT SERVICE</b>				
Principal	2,657,250	2,657,250	2,695,000	(37,750)
Interest	477,748	477,748	566,551	(88,803)
Administrative (Fiscal) Charges	94,897	94,897	36,668	58,229
Total Debt Service	3,229,895	3,229,895	3,298,219	(68,324)
Total Expenditures	3,229,895	3,229,895	3,298,219	(68,324)
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ (823,879)</b>	<b>\$ (823,879)</b>	(919,804)	<b>\$ (95,925)</b>
Fund Balance - Beginning of Year			6,660,031	
<b>FUND BALANCE - END OF YEAR</b>			<b>\$ 5,740,227</b>	

**NOBLES COUNTY  
 WORTHINGTON, MINNESOTA  
 BUDGETARY COMPARISON SCHEDULE  
 BUILDING SPECIAL REVENUE FUND  
 YEAR ENDED DECEMBER 31, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Property Taxes	\$ 190,000	\$ 190,000	\$ 694,263	\$ 504,263
Miscellaneous	42,000	42,000	38,427	(3,573)
Total Revenues	232,000	232,000	732,690	500,690
<b>EXPENDITURES</b>				
<b>CURRENT</b>				
<b>BUILDING AND PLANT</b>				
Building and Plant	232,000	232,000	11,472	220,528
<b>CAPITAL OUTLAY</b>	-	-	37,883	(37,883)
Total Expenditures	232,000	232,000	49,355	182,645
<b>NET CHANGE IN FUND BALANCE</b>	\$ -	\$ -	683,335	\$ 683,335
Fund Balance - Beginning of Year			1,287,676	
<b>FUND BALANCE - END OF YEAR</b>			<u>\$ 1,971,011</u>	

**NOBLES COUNTY  
 WORTHINGTON, MINNESOTA  
 BUDGETARY COMPARISON SCHEDULE  
 LIBRARY SPECIAL REVENUE FUND  
 YEAR ENDED DECEMBER 31, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 660,386	\$ 660,386	\$ 641,720	\$ (18,666)
Charges for Services	4,925	4,925	3,885	(1,040)
Gifts and Contributions	-	-	8,840	8,840
Miscellaneous	6,400	6,400	11,219	4,819
Total Revenues	671,711	671,711	665,664	(6,047)
<b>EXPENDITURES</b>				
<b>CURRENT</b>				
<b>CULTURE AND RECREATION</b>				
County/Regional Library	671,711	671,711	571,846	99,865
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ -</u>	<u>\$ -</u>	93,818	<u>\$ 93,818</u>
Fund Balance - Beginning of Year			346,840	
<b>FUND BALANCE - END OF YEAR</b>			<u>\$ 440,658</u>	

**NOBLES COUNTY  
 WORTHINGTON, MINNESOTA  
 BUDGETARY COMPARISON SCHEDULE  
 PROPERTY FORFEITURE SPECIAL REVENUE FUND  
 YEAR ENDED DECEMBER 31, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Taxes	\$ 116,000	\$ 116,000	\$ 112,752	\$ (3,248)
Miscellaneous	500	500	9,573	9,073
Total Revenues	<u>116,500</u>	<u>116,500</u>	<u>122,325</u>	<u>5,825</u>
<b>EXPENDITURES</b>				
<b>CURRENT</b>				
<b>GENERAL GOVERNMENT</b>				
Other General Government	<u>116,500</u>	<u>116,500</u>	<u>57,493</u>	<u>59,007</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ -</u>	<u>\$ -</u>	<u>64,832</u>	<u>\$ 64,832</u>
Fund Balance - Beginning of Year			<u>227,133</u>	
<b>FUND BALANCE - END OF YEAR</b>			<u>\$ 291,965</u>	

**NOBLES COUNTY  
WORTHINGTON, MINNESOTA  
DESCRIPTION OF AGENCY FUNDS  
YEAR ENDED DECEMBER 31, 2019**

**AGENCY FUNDS**

The Taxes and Penalties Agency Fund is used to account for the collection and payment of taxes and penalties to the various taxing districts.

The Jail Inmate Agency Fund is used to account for the receipts and disbursements of the County's inmates.

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

The Sheriff's Trust Account Agency Fund is used to account for the receipts and disbursements of bond and civil processing fees.

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

	Balance January 1	Additions	Deductions	Balance December 31
<b>TAXES AND PENALTIES</b>				
<b>ASSETS</b>				
Cash and Pooled Investments	\$ 241,360	\$ 34,646,711	\$ 34,485,320	\$ 402,751
<b>LIABILITIES</b>				
Due to Other Governments	\$ 241,360	\$ 34,646,711	\$ 34,485,320	\$ 402,751
<b>JAIL INMATE</b>				
<b>ASSETS</b>				
Cash and Pooled Investments	\$ 15,289	\$ 259,893	\$ 247,208	\$ 27,974
<b>LIABILITIES</b>				
Due to Others	\$ 15,289	\$ 259,893	\$ 247,208	\$ 27,974
<b>SOCIAL WELFARE FUND</b>				
<b>ASSETS</b>				
Cash and Pooled Investments	\$ 1,747	\$ -	\$ -	\$ 1,747
<b>LIABILITIES</b>				
Due to Others	\$ 1,747	\$ -	\$ -	\$ 1,747
<b>SHERIFF'S TRUST ACCOUNT</b>				
<b>ASSETS</b>				
Cash and Pooled Investments	\$ 7,890	\$ 8,355	\$ 10,605	\$ 5,640
<b>LIABILITIES</b>				
Due to Others	\$ 7,890	\$ 8,355	\$ 10,605	\$ 5,640
<b>TOTAL ALL AGENCY FUNDS</b>				
<b>ASSETS</b>				
Cash and Pooled Investments	\$ 266,286	\$ 34,914,959	\$ 34,743,133	\$ 438,112
<b>LIABILITIES</b>				
Due to Others	\$ 24,926	\$ 268,248	\$ 257,813	\$ 35,361
Due to Other Governments	241,360	34,646,711	34,485,320	402,751
Total Liabilities	\$ 266,286	\$ 34,914,959	\$ 34,743,133	\$ 438,112

**NOBLES COUNTY  
 WORTHINGTON, MINNESOTA  
 SCHEDULE OF INTERGOVERNMENTAL REVENUE  
 YEAR ENDED DECEMBER 31, 2019**

	<u>Total Primary Government</u>
<b>SHARED REVENUE</b>	
<b>STATE</b>	
Highway Users Tax	\$ 8,551,659
County Program Aid	734,291
PERA Rate Increase	59,835
Disparity Reduction Aid	68,485
Police Aid	119,074
Enhanced 911	95,857
Aquatic Invasive Species	51,296
Riparian Protection Aid	136,996
Market Value Credit	<u>326,486</u>
Total Shared Revenue	10,143,979
<b>REIMBURSEMENT FOR SERVICES</b>	
<b>STATE</b>	
Minnesota Department of Human Services	984,261
<b>PAYMENTS</b>	
Local	
Local - Payments in Lieu of Taxes	237,178
<b>GRANTS</b>	
<b>STATE</b>	
Minnesota Department of	
Health	176,383
Human Services	801,124
Natural Resources	44,506
Public Safety	119,971
Transportation	1,206,302
Veterans Services	10,000
MN Historical Society	9,900
Water and Soil Resources Board	44,441
Pollution Control Agency	74,310
Peace Officer Standards and Training Board	<u>13,918</u>
Total State	2,500,855
<b>FEDERAL</b>	
Department of	
Agriculture	427,398
Education	648
Justice	41,887
Health and Human Services	1,557,172
Homeland Security	<u>83,984</u>
Total Federal	<u>2,111,089</u>
Total State and Federal Grants	<u>4,611,944</u>
Total Intergovernmental Revenue	<u><u>\$ 15,977,362</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  
Nobles County  
Worthington, 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, each major fund, and the aggregate remaining fund information of Nobles County (the County), Minnesota, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Nobles County's basic financial statements, and have issued our report thereon dated July 29, 2020.

**Internal Control Over Financial Reporting**

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2019-001 through 2019-005 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2019-006 to be a significant deficiency.

**Compliance and Other Matters**

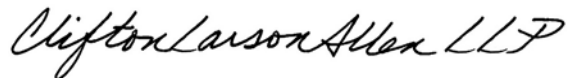
As part of obtaining reasonable assurance about whether Nobles County’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material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

**Nobles County’s Response to Findings**

Nobles County’s response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Nobles County’s response was not subjected to auditing procedures applied in the audits of the financial statements, and accordingly, we express no opinion on it.

**Purpose of this Report**

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



**CliftonLarsonAllen LLP**

Brainerd, Minnesota  
July 29, 2020

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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  
Nobles County  
Worthington, Minnesota

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

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

***Management's Responsibility***

Management is responsible for compliance with 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 Nobles 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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 Nobles 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 Nobles County's compliance.

***Opinion on Each Major Federal Program***

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

**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 items 2019-007 through 2019-009. Our opinion on each major federal program is not modified with respect to these matters.

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

**Report on Internal Control Over Compliance**

Management of Nobles County is responsible for establishing and maintaining effective internal control over compliance with the types of requirements referred to above. In planning and performing our audit of compliance, we considered Nobles 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 the 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 Nobles County's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding 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. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

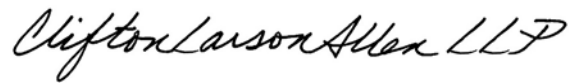
*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2019-007 and 2019-008 to be a material weaknesses.

*A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2019-009 to be a significant deficiency.

Board of County Commissioners  
Nobles County

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

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

**CliftonLarsonAllen LLP**

Brainerd, Minnesota  
July 29, 2020

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**NOBLES COUNTY  
 WORTHINGTON, MINNESOTA  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 DECEMBER 31, 2019**

**SECTION I - SUMMARY OF AUDITORS' RESULTS**

***Financial Statements***

Type of auditor's report issued: *Unmodified*

Internal control over financial reporting:

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

Noncompliance material to financial statements noted?             yes        X   no

***Federal Awards***

Internal control over major programs:

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

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

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

Identification of major programs:

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

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

**SECTION II – FINANCIAL STATEMENT FINDINGS**

**2019-001 Segregation of Duties**

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

**Criteria:** Based on COSO guidelines, 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 in a number of departments throughout the County.

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

**Effect:** The lack of adequate segregation of duties can result in incorrect financial information, failure to detect misstatements or misappropriations, and lack of adherence to the County's procedures.

**Repeat Finding:** Yes, previously reported as finding 2017-001.

**Recommendation:** We recommend County management be aware of the lack of segregation of duties within the accounting functions and provide oversight to ensure the internal control policies and procedures are being implemented by organization staff.

**View of Responsible Officials:** There is no disagreement with the audit finding.

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

**SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)**

**2019-002 Audit Adjustments**

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

**Criteria:** Based on COSO guidelines, County management is responsible for establishing and maintaining internal controls for the proper recording of all County's year-end balances.

**Condition and Context:** As part of the audit, we proposed entries to properly state intergovernmental receivable, record special assessment receivable, record interest receivable, record contracts payable, record undistributed cash in agency funds, and reclassify transfers between funds to payables between funds.

**Cause:** Employee turnover.

**Effect:** Errors in the preparation of year-end balances increases the risk related to financial statement misstatements.

**Repeat Finding:** Yes, previously reported as finding 2017-002.

**Recommendation:** We recommend County management be aware of all procedures and processes involved in recording year-end balances and develop internal control policies to ensure proper recording of these items.

**View of Responsible Officials:** There is no disagreement with the audit finding.

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

**SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)**

**2019-003 Timely Deposits**

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

**Criteria:** Standard internal control procedures recommend that deposits should be made on a daily basis.

**Condition and Context:** Various departments in the County do not deposit on a daily basis.

**Cause:** Past practice.

**Effect:** The County's failure to make daily deposits increases the risk that fraud could occur and not be detected in a timely manner.

**Repeat Finding:** Yes, previously reported as finding 2017-003.

**Recommendation:** We recommend the departments deposit their collections with the County Auditor-Treasurer office on a daily basis in order to minimize the risk of misappropriation of assets or that the Board establish a policy regulating the required frequency of deposits.

**View of Responsible Officials:** There is no disagreement with the audit finding.

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

**SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)**

**2019-004 Annual Financial Reporting Under Generally Accepted Accounting Principles (GAAP)**

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

**Criteria:** Management is responsible for establishing and maintaining internal controls, and for the fair presentation of the financial statements including the related disclosures, in conformity with U.S. generally accepted accounting principles (GAAP).

**Condition and Context:** The County does not have an internal control policy in place over financial reporting that would enable management to prepare its annual financial statements and related footnote disclosures are complete and presented in accordance with GAAP.

**Cause:** The County relies on the audit firm to prepare the annual financial statements and related footnote disclosures. However, they have reviewed and approved the annual financial statements and the related footnote disclosures.

**Effect:** The potential exists that a material misstatement of the annual financial statements could occur and not be prevented or detected by the County's internal controls.

**Repeat Finding:** Yes, previously reported as finding 2017-004.

**Recommendation:** Management should continue to evaluate their internal staff capacity to determine if an internal control policy over the annual financial reporting is beneficial.

**View of Responsible Officials:** There is no disagreement with the audit finding.

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

**SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)**

**2019-005 Capital Asset Recording**

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

**Criteria:** Capital asset schedules should reflect county assets meeting the county's policy for capitalization. Asset schedules should be reviewed annually for completeness and accuracy. Assets acquired during the fiscal year should be flagged and recognized as an addition to the capital asset schedules.

**Condition and Context:** County does not have a process in place to reconcile additions to capital outlay expenditures resulting in incomplete asset listings at year-end. Highway project costs are not accounted for as part of the year-end close out.

**Cause:** Past practice and employee turnover.

**Effect:** The potential exists that a material misstatement of the annual financial statements could occur related to these costs.

**Repeat Finding:** Yes, previously reported as finding 2018-005.

**Recommendation:** We recommend management implement procedures to ensure capital outlay expenditures are reviewed for possible asset additions at year-end, including reconciliation of highway project costs.

**View of Responsible Officials:** There is no disagreement with the audit finding.

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

**SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)**

**2019-006 Unauthorized Bank Signer**

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

**Criteria:** Upon retirement or termination of County personnel, financial institutions should be notified immediately in order to remove signers that are no longer County employees.

**Condition and Context:** We noted that a former County employee was not removed as an authorized signed on three of the County's bank accounts.

**Cause:** County does not have a formal process in place to remove unauthorized signers.

**Effect:** The County is at an increased risk of misuse or loss of assets.

**Repeat Finding:** Yes, previously reported as finding 2018-006.

**Recommendation:** We recommend County management contact the financial institutions and ensure only current employees are listed as authorized signers on the account.

**View of Responsible Officials:** There is no disagreement with the audit finding.

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

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

**2019-007 Allowable Costs**

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

**Federal Program:** Child Support Enforcement

**CFDA Number:** 93.563

**Pass Through Agency:** Minnesota Department of Human Services

**Pass Through Numbers:** 1904MNSCES, 1904MNCEST

**Award Periods:** Year ended December 31, 2019

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

**Criteria:** Title 2 U.S. *Code of Federal Regulations* § 200.303 states that the auditee must establish and maintain effective internal control over the federal award that provides reasonable assurance that the auditee is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award. OMB Compliance Supplement – Allowable Costs. Title 2 U.S. *Code of Federal Regulations* § 200.430 governs charging of compensation – personal services to federal programs. Payroll expenditures that are not entirely attributable to the federal program should be supported by daily activity reports or documented salary certifications.

**Condition and Context:** Two of twenty-five program expenditures tested did not have adequate documentation to support the direct charge to the program. The two transactions without adequate support related to the payroll charges for the county's shared fiscal and child support supervisor position. The sample size was based on guidance from chapter 11 of the AICPA Audit Guide, *Government Auditing Standards and Single Audits*.

**Questioned Costs:** Likely questioned costs totaling \$36,000 which represents fifty percent of the fiscal and child support supervisor wages which were charged directly to the child support enforcement program instead of income maintenance administrative overhead.

**Cause:** Management was unaware of the requirement to maintain daily activity reports or salary certifications for salaries charged directly to child support administration.

**Effect:** Child support enforcement program expenditures were overstated.

**Repeat Finding:** No.

**Recommendation:** We recommend County personnel establish procedures and controls over payroll charged to federal programs. Payroll expenditures that are not entirely attributable to the federal program should be supported by daily activity reports or documented salary certifications. If daily reports or salary certifications are not maintained, the payroll expenditures should be reported as income maintenance administrative overhead expenditures.

**View of Responsible Officials:** There is no disagreement with the audit finding.



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

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)**

**2019-008 Eligibility**

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

**Federal Program:** Medical Assistance Program (Part of Medicaid Cluster)

**CFDA Number:** 93.778

**Pass Through Agency:** Minnesota Department of Human Services

**Pass Through Numbers:** 1905MN5ADM, 1905MN5MAP

**Award Periods:** Year ended December 31, 2019

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

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

**Condition and Context:** The County is responsible for maintaining documentation to support client eligibility. In one of sixty case files tested, documentation was not maintained to support asset verification. We also noted the County did not have internal controls over eligibility in place for the entire calendar year. The eligibility benefits were continued without proper paperwork on file. The sample size was based on guidance from chapter 11 of the AICPA Audit Guide, *Government Auditing Standards and Single Audits*.

**Questioned Costs:** None.

**Cause:** Documentation to support eligibility was requested; however, never obtained.

**Effect:** The lack of proper eligibility documentation increases the risk that benefits could be provided to ineligible clients.

**Repeat Finding:** Yes, previously reported as finding 2018-007.

**Recommendation:** We recommend County personnel establish procedures and controls over client eligibility determinations. Case files should be reviewed to ensure proper documentation exists to support the eligibility determination including client asset verifications.

**View of Responsible Officials:** There is no disagreement with the audit finding.

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

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)**

**2019-009 Reporting**

**Federal Agency:** U.S. Department of Health and Human Services  
**Federal Program:** Medical Assistance Program (Part of Medicaid Cluster)  
**CFDA Number:** 93.778  
**Pass Through Agency:** Minnesota Department of Human Services  
**Pass Through Numbers:** 1905MN5ADM, 1905MN5MAP  
**Award Periods:** Year ended December 31, 2019

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

**Criteria:** Income maintenance reports are required to be submitted at the end of every quarter for payroll and administrative costs.

**Condition and Context:** In 1 of 2 social service reports tested, the balances reported in the report submitted to DHS by a County general ledger report. The 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 County does not have adequate controls in place to ensure quarterly expenditure reports agree to underlying accounting records.

**Effect:** Unsupported expenditures reported within the quarterly reports could lead to incorrect cost reimbursements.

**Repeat Finding:** Yes, previously reported as finding 2018-009.

**Recommendation:** We recommend procedures be implemented to ensure the quarterly expenditure reports are reviewed before submission. County general ledger reports should be retained to support balances reported.

**View of Responsible Officials:** There is no disagreement with the audit finding.

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

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

**2019-010 Electronic Wire Transfer – Annual Delegation of Authority**

**Criteria:** Minnesota Statute 471.38 requires counties to enact a plan containing a policy that requires annual delegation of authority to make electronic funds transfers to a chief financial officer or officer's designee.

**Condition and Context:** The policy has not been updated since 1998.

**Cause:** This is a new requirement and the County has not yet put the policy in place.

**Effect:** The County is not in compliance with state statutes.

**Repeat Finding:** Yes, previously reported as finding 2018-011.

**Recommendation:** We recommend County management implement a policy that requires the annual delegation of authority for EFT's and make the delegation annually.

**View of Responsible Official:** There is no disagreement with the audit finding.

**2019-011 Unclaimed Property Tax Overpayment**

**Criteria:** Minnesota Statute 276.19 requires counties to publish in the newspaper "Notice of Unclaimed Property Tax Refunds" for all overpayments that have not been claimed within three years.

**Condition and Context:** The County reported multiple outstanding checks on their Overremittance account that were from 2014 or earlier.

**Cause:** Staff were unfamiliar with the compliance requirement.

**Effect:** The County is not in compliance with state statutes.

**Repeat Finding:** Yes, previously reported as finding 2018-012.

**Recommendation:** We recommend that the County published a "Notice of Unclaimed Property Tax Refunds" in the newspaper.

**View of Responsible Official:** There is no disagreement with the audit finding.

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

**SECTION IV – OTHER ITEMS FOR CONSIDERATION – MINNESOTA LEGAL COMPLIANCE  
(CONTINUED)**

**2019-012 Unclaimed Property**

**Criteria:** Minnesota Statute § 345.38 requires unclaimed or uncashed checks held for more than three years be delivered to the State Commissioner of Commerce.

**Condition and Context:** The County has not remitted unclaimed or uncashed checks to the commissioner of commerce in recent years. Outstanding checks date back to 2011.

**Cause:** Staff were unfamiliar with the compliance requirement.

**Effect:** The County is not in compliance with state statutes.

**Repeat Finding:** Yes, previously reported as finding 2018-013.

**Recommendation:** We recommend the county deliver unclaimed checks held for more than three years to the Commissioner of Commerce.

**View of Responsible Official:** There is no disagreement with the audit finding.

**2019-013 Prompt Payment of Local Government Bills**

**Criteria:** Minnesota Statute § 471.425 specifies that all bills must be paid within the standard payment period (35 days from receipt for County boards that meets at least once a month), or pay interest of 1.5% per month or part of month.

**Condition and Context:** Two of 40 disbursements tested were not paid with the standard payment period and interest was not calculated and paid.

**Cause:** The County lacks procedures to ensure invoices are paid timely.

**Effect:** The County has not complied with Minn. Stat. § 471.425.

**Repeat Finding:** No.

**Recommendation:** We recommend the County stamp and date invoices as they are received and develop implement procedures to ensure invoices are paid within the standard payment period.

**View of Responsible Official:** There is no disagreement with the audit finding.

**SECTION V – PREVIOUSLY REPORTED ITEMS RESOLVED**

2018-008: Medical Assistance Program, Special Provisions

2018-010: Medical Assistance Program, Procurement Suspension and Debarment

**NOBLES COUNTY  
WORTHINGTON, MINNESOTA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED DECEMBER 31, 2019**

Federal Grantor Pass Through Agency Program or Cluster Title	Federal CFDA Number	Pass-through Grant Numbers	Expenditures	Passed Through to Subrecipients
<b>U.S. Department of Agriculture</b>				
Passed Through Minnesota Department of Health Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	10.557	12-700-00061	\$ 218,613	\$ -
Passed Through Minnesota Department of Human Services State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (Total SNAP Cluster \$208,785)	10.561	192MN101S2514	208,785	-
Total Department of Agriculture			427,398	-
<b>U.S. Department of Justice</b>				
Pass Through Minnesota Department of Public Safety Crime Victim Assistance	16.575	F-CVSP-2018- NOBLES AO	41,887	-
<b>U.S. Department of Education</b>				
Passed Through Minnesota Department of Health Special Education-Grants for Infants and Families	84.181	H12HP907	648	-
<b>U.S. Department of Health and Human Services</b>				
Passed Through Minnesota Department of Health				
Public Health Emergency Preparedness	93.069	H12H675F	6,466	-
Public Health Emergency Preparedness	93.074	6NU90TP921911-01-04S	9,662	-
Immunization Cooperative Agreements	93.268	6 NH23IP000737-05-02	825	-
PPHF Capacity Building Assistance	93.539	H12H630E	175	-
Temporary Assistance for Needy Families (Total TANF Cluster \$102,097)	93.558	H12H368F	37,875	-
Maternal and Child Health Services Block Grant to the States	93.994	H12H301F	20,108	-
Passed Through Minnesota Department of Human Services				
Promoting Safe and Stable Families	93.556	G-1801MNFPS	3,906	-
Temporary Assistance for Needy Families (Total TANF Cluster \$102,097)	93.558	1901MNTANF	64,222	-
Child Support Enforcement	93.563	1904MNCSES	100,656	-
Child Support Enforcement (Total Child Support Enforcement \$321,133)	93.563	1904MNCES	220,477	-
Refugee and Entrant Assistance	93.566	1901MNRCA	202	-
Community-Based Child Abuse Prevention Grants	93.590	G-1802MNFPRG	1,747	-
Child Care Mandatory and Matching Funds of the Child Care and Development Fund (Total CCDF Cluster \$5,410)	93.596	G1901MNCCDF	5,410	-
Stephanie Tubbs Jones Child Welfare Services Program	93.645	G-1801MNCWSS	1,852	-
Foster Care - Title IV-E	93.658	1901MNFOS	78,367	-
Social Services Block Grant	93.667	G-1901MNSOSR	107,560	-
Block Grant for Prevention and Treatment of Substance Abuse	93.959	2B08TI010027-18	1,100	-
Chafee Foster Care Independence Program	93.674	G-1901MNCILP	2,512	-
Children's Health Insurance Program	93.767	1905MNR21	496	-
Medical Assistance Program (Total Medicaid Cluster \$901,719)	93.778	1905MN5MAP	6,343	-
Medical Assistance Program (Total Medicaid Cluster \$901,719)	93.778	1905MN5ADM	895,376	-
Total Department of Health and Human Services			1,565,337	-

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

**NOBLES COUNTY  
 WORTHINGTON, MINNESOTA  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)  
 YEAR ENDED DECEMBER 31, 2019**

Federal Grantor Pass Through Agency Grant Program Title	Federal CFDA Number	Pass-through Grant Numbers	Expenditures	Passed Through to Subrecipients
<b>U.S. Department of Homeland Security</b>				
Passed Through Minnesota Department of Public Safety				
Disaster Grants - Public Assistance	97.036	DR4113/P0720	\$ 83,984	\$ -
Total Expenditures of Federal Awards			<u>\$ 2,119,254</u>	<u>\$ -</u>
<b>Totals by Cluster</b>				
Total Expenditures for SNAP Cluster			\$ 208,785	
Total Expenditures for TANF Cluster			102,097	
Total Expenditures for CCDF Cluster			5,410	
Total Expenditures for Medicaid Cluster			901,719	

**NOBLES COUNTY  
 WORTHINGTON, MINNESOTA  
 NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED DECEMBER 31, 2019**

**NOTE 1      REPORTING ENTITY**

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

**NOTE 2      BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Nobles County under programs of the federal government for the year ended December 31, 2019. The information in this schedule is presented in accordance with the requirements of 2 CFR 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 Nobles County, it is not intended to and does not present the financial position or changes in net position of Nobles County.

**NOTE 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 principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Nobles County has elected to not use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

**NOTE 4      SUBRECIPIENTS**

Nobles County did not pass federal funds to subrecipients.

**NOTE 5      RECONCILIATION**

Reconciliation to the schedule of intergovernmental revenue:

Federal Grant Revenue Per Schedule of Intergovernmental Revenue	\$      2,111,089
Revenues Included on the Schedule of Intergovernmental Revenue that are not Considered	
2017 Federal Grant Expenditures (Prior Year Deferred Inflows of Resources)	(2,233)
Expenditures included on the Schedule of Expenditures of Federal Awards that	
are not Considered 2018 Intergovernmental Revenues (Current Year Deferred Inflows of Resources)	10,398
Expenditures per Schedule of Expenditures of Federal Awards	\$      2,119,254

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## INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE

Board of County Commissioners  
Nobles County  
Worthington, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Nobles County, Minnesota (the County), as of and for the year ended December 31, 2019, and the related notes to the financial statements which collectively comprise the County's basic financial statements and have issued our report thereon dated July 29, 2020.

In connection with our audit, nothing came to our attention that caused us to believe that Nobles County failed to comply with the provisions of the contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, and miscellaneous provisions sections of the *Minnesota Legal Compliance Audit Guide for Counties*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters, except as described in the schedule of findings and questioned costs as items 2019-010 through 2019-013. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the County's noncompliance with the above-referenced provisions, insofar as they relate to accounting matters.

Nobles County's written response to the legal compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Nobles 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 and the results of that testing, and not to provide an opinion on compliance. Accordingly, this communication is not suitable for any other purpose.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Brainerd, Minnesota  
July 29, 2020

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