

**NOBLES COUNTY
WORTHINGTON, MINNESOTA**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2020



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**NOBLES COUNTY
WORTHINGTON, MINNESOTA
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WORTHINGTON, MINNESOTA
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INTRODUCTORY SECTION

**NOBLES COUNTY
 WORTHINGTON, MINNESOTA
 ORGANIZATION
 DECEMBER 31, 2020**

Office	Name	Term Expires
Commissioners		
1 st District	Justin Ahlers*	December 31, 2020
2 nd District	Gene Metz**	December 31, 2022
3 rd District	Matt Widboom	December 31, 2020
4 th District	Robert Demuth	December 31, 2020
5 th District	Donald Linsen	December 31, 2022
Officers		
Elected		
Attorney	Joseph Sanow	December 31, 2022
Auditor-Treasurer	Joyce Jacobs	December 31, 2022
County Judge	Sherry Haley	December 31, 2022
Recorder	Thelma Yager	December 31, 2022
Sheriff	Kent Wilkening	Retired as of June 30, 2021
Appointed		
County Administrator	Tom Johnson	Retired as of April 30, 2021
Assessor	Valerie Ruesch	December 31, 2023
Court Administrator	Lori Klein	Indefinite
Coroner	Dr. Kelly Mills****	December 31, 2020
Highway Engineer	Stephen Schnieder	Retired as of June 30, 2021

* = Chair 2020

** = Vice-Chair 2020

****Contracted with Ramsey County

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, 2020, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial 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, 2020, 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.

Emphasis of Matter Regarding Change in Accounting Principle

During the year ended December 31, 2020, the County adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. As a result of the implementation of this standard, the County reported a restatement for the change in accounting principle (see Note 10). Our auditors' opinion was not modified with respect to the restatement.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule 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.

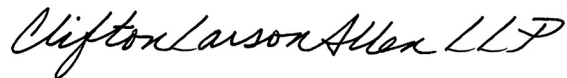
Supplementary Information

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 fiduciary net position, combining statement of changes in fiduciary net position, and the schedule of intergovernmental revenues are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards, as required Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Award* is also presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 16, 2021, 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.



CliftonLarsonAllen LLP

Alexandria, Minnesota
September 16, 2021

REQUIRED SUPPLEMENTARY INFORMATION

**NOBLES COUNTY
WORTHINGTON, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2020**

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, 2020. 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 \$88,832,743 of which \$72,586,050 is the net investment in capital assets and \$11,677,779 is restricted for specific purposes.
- Governmental revenues totaled \$35,004,552 and were \$441,170 less than expenditures in 2020.
- Governmental funds combined fund balances totaled \$31,621,062 at December 31, 2020. This was a decrease of \$190,669 over fund balance at December 31, 2019.
- The General Fund's fund balance increased by \$579,717 during 2020 with revenues over budget by \$2,940,560 and expenditures over budget by \$1,963,906.

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:

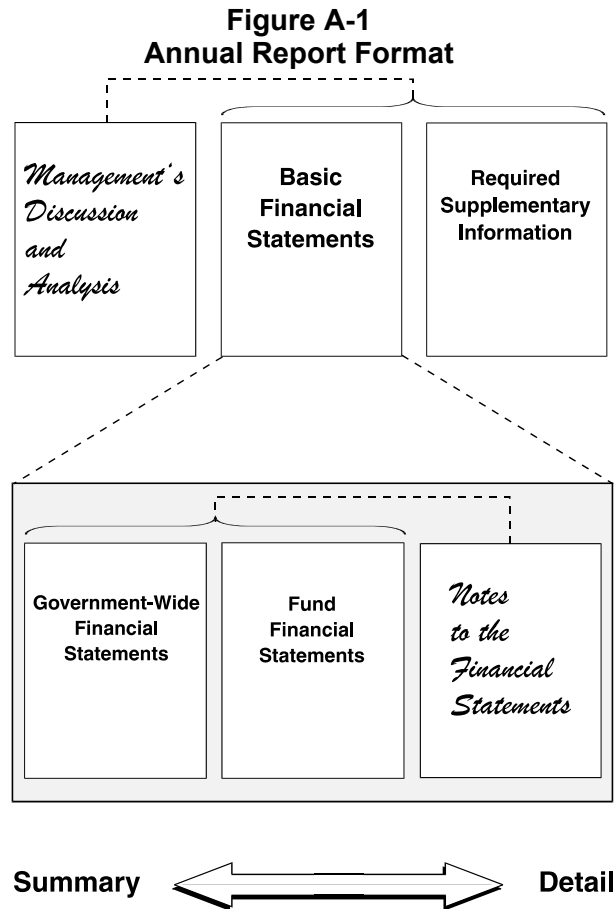
- The first two statements are County-wide financial statements which provide both short-term and long-term information about the County's overall financial status.
- The remaining statements are fund financial statements which focus on individual parts of the County, reporting the County's operations 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, 2020**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

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

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



**NOBLES COUNTY
 WORTHINGTON, MINNESOTA
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 YEAR ENDED DECEMBER 31, 2020**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

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

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

Type of Statements	Government-Wide	Governmental Funds	Fiduciary Funds
Scope	Entire County's government (except fiduciary funds).	The activities of the County that are not proprietary or fiduciary.	Instances in which the County is the trustee or agent for someone else's resources.
Required financial statements	Statement of net position.	Balance sheet.	Statement of fiduciary net position.
	Statement of activities.	Statement of revenues, expenditures, and changes in fund balances.	Statement of changes in fiduciary net position.
Accounting basis and measurement focus	Accrual accounting and economic resources focus.	Modified accrual accounting and current financial resources focus.	Accrual accounting and economic resources focus.
Type of asset/liability information	All assets 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 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, Fiduciary 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.

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, 2020**

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* – Fiduciary funds are used to account for assets held by the County as an agent for others. The County is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the County's fiduciary activities are reported in a separate statement of fiduciary net position and statement of changes in 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, 2020**

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

Net Position

The County's total net position was \$88,832,743 on December 31, 2020 (see Table A-1).

Table A-1
 The County's Net Position

	Governmental Activities	
	2020	2019
Current and Other Assets	\$ 37,929,262	\$ 35,420,728
Capital Assets	79,822,175	79,895,881
Total Assets	117,751,437	115,316,609
 Deferred Outflows of Resources	 1,470,472	 1,879,629
 Current Liabilities	 1,524,056	 2,142,597
Long-Term Liabilities	27,008,816	29,142,798
Total Liabilities	28,532,872	31,285,395
 Deferred Inflows of Resources	 1,856,294	 3,754,937
 Net Position		
Net Investment in Capital Assets	72,586,050	71,052,871
Restricted	11,677,779	9,186,251
Unrestricted	4,568,914	1,916,784
Total Net Position	\$ 88,832,743	\$ 82,155,906

**NOBLES COUNTY
 WORTHINGTON, MINNESOTA
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 YEAR ENDED DECEMBER 31, 2020**

CHANGE IN NET POSITION

The County-wide total revenues were \$38,117,440 for the year ended December 31, 2020 (an increase of \$3,385,081). 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 83% of total revenue for the year (see Table A-2).

Table A-2
 Change in Net Position

	Governmental Activities		Total % Change
	2020	2019	
REVENUES			
<u>Program Revenues</u>			
Charges for Services	\$ 3,922,029	\$ 3,748,321	4.6 %
Operating Grants and Contributions	14,898,855	11,336,500	31.4
Capital Grants and Contributions	969,361	1,206,302	(19.6)
<u>General Revenues</u>			
Property Taxes	14,374,855	13,537,240	6.2
Other	3,952,340	4,903,996	(19.4)
Total Revenues	<u>38,117,440</u>	<u>34,732,359</u>	9.7
EXPENSES			
General Government	7,656,732	8,043,134	(4.8)
Public Safety	4,755,251	5,116,501	(7.1)
Highways and Streets	6,229,782	9,405,828	(33.8)
Sanitation	359,200	359,561	(0.1)
Human Services	6,137,751	7,106,437	(13.6)
Health	892,223	920,506	(3.1)
Culture and Recreation	1,000,051	999,424	0.1
Conservation of Natural Resources	1,156,210	1,017,215	13.7
Economic Development	2,487,796	122,618	1928.9
Buildings and Plant	340,903	228,839	49.0
Interest	424,704	503,966	(15.7)
Total Expenses	<u>31,440,603</u>	<u>33,824,029</u>	(7.0)
CHANGE IN NET POSITION	6,676,837	908,330	635.1
Net Position - Beginning of Year	82,155,906	81,247,576	1.1
NET POSITION - END OF YEAR	<u>\$ 88,832,743</u>	<u>\$ 82,155,906</u>	8.1

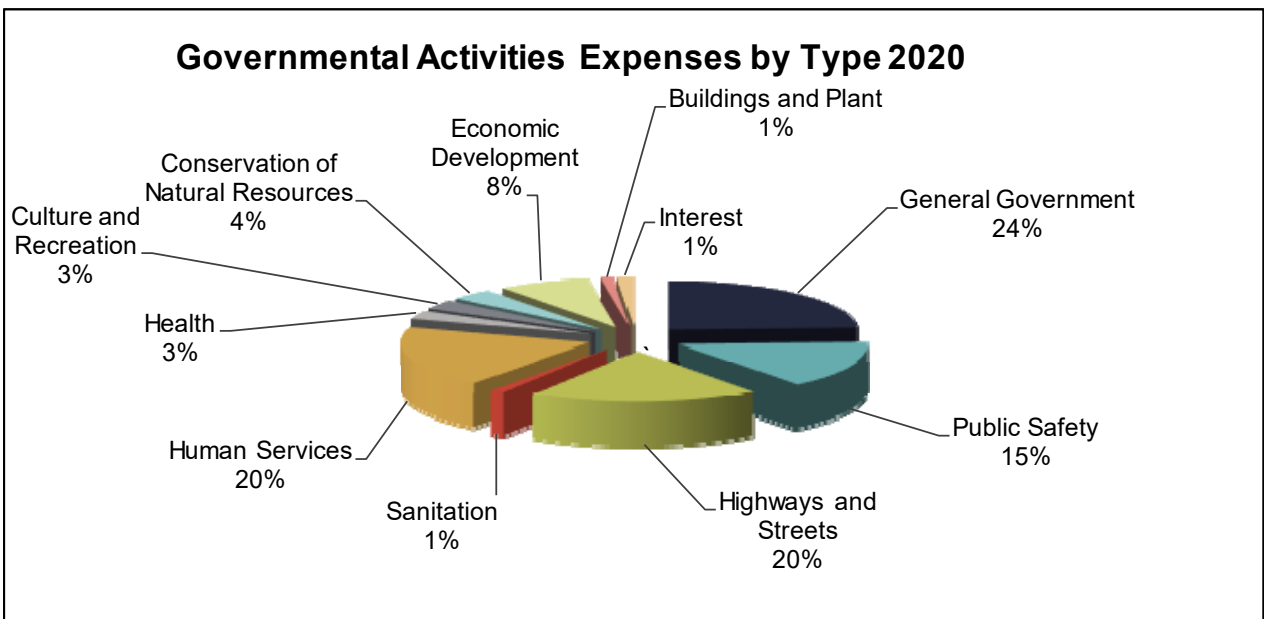
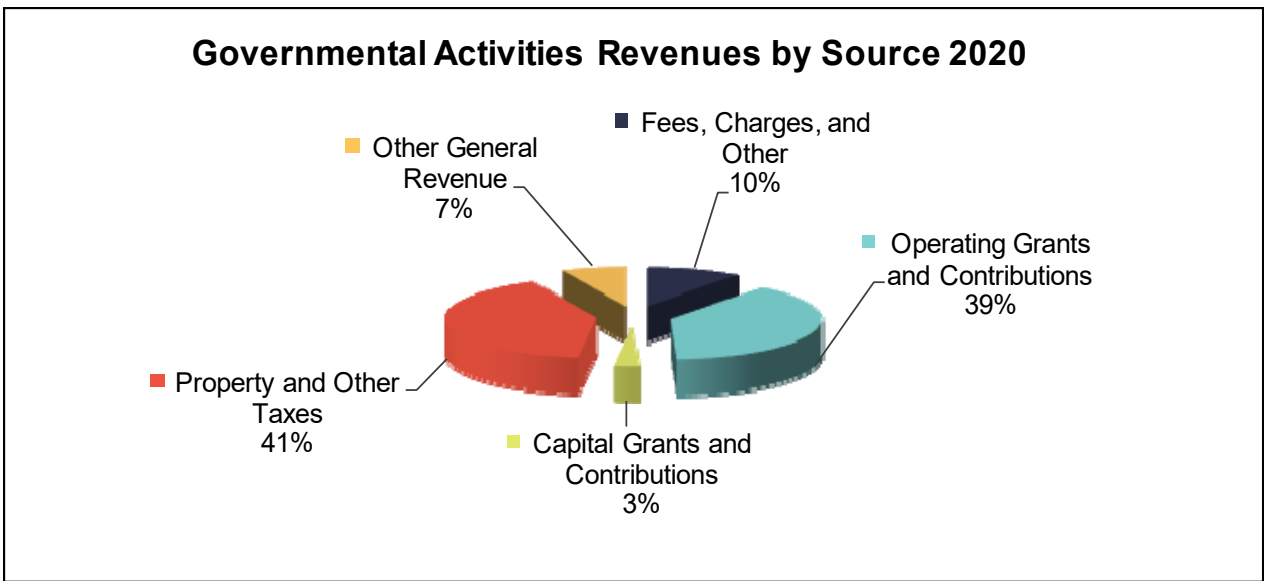
Total revenues exceeded expenses, increasing net position \$6,676,837 over last year. The net change is primarily due wind tax revenue exceeding expenses.

**NOBLES COUNTY
 WORTHINGTON, MINNESOTA
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 YEAR ENDED DECEMBER 31, 2020**

CHANGE IN NET POSITION (CONTINUED)

The County-wide cost of all governmental activities this year was \$31,440,603.

- Some of the cost was paid by the users of the County's programs (\$3,922,029).
- The federal and state governments subsidized certain programs with grants and contributions (\$15,868,216).
- The remainder of the County's governmental activities costs (\$11,650,358) was paid for by taxpayers. This portion of governmental activities was paid from the combination of \$15,689,464 in property and other taxes, \$1,228,807 of state aid, and \$1,408,924 in investment earnings and other general revenues.



**NOBLES COUNTY
WORTHINGTON, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2020**

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
	2020	2019		2020	2019	
GOVERNMENTAL ACTIVITIES						
General Government	\$ 7,656,732	\$ 8,043,134	(4.8)%	\$ 6,178,364	\$ 6,787,382	(9.0)%
Public Safety	4,755,251	5,116,501	(7.1)	3,943,819	4,198,221	(6.1)
Highways and Streets	6,229,782	9,405,828	(33.8)	(2,258,096)	804,734	(380.6)
Sanitation	359,200	359,561	(0.1)	(684,836)	(680,326)	(0.7)
Human Services	6,137,751	7,106,437	(13.6)	2,184,697	3,491,244	(37.4)
Health	892,223	920,506	(3.1)	233,405	430,629	(45.8)
Culture and Recreation	1,000,051	999,424	0.1	868,458	865,875	0.3
Conservation of Natural Resources	1,156,210	1,017,215	13.7	707,246	779,724	(9.3)
Economic Development	2,487,796	122,618	1928.9	(288,306)	122,618	(335.1)
Buildings and Plant	340,903	228,839	49.0	340,903	228,839	49.0
Interest	424,704	503,966	(15.7)	424,704	503,966	(15.7)
Total	<u>\$ 31,440,603</u>	<u>\$ 33,824,029</u>	(7.0)	<u>\$ 11,650,358</u>	<u>\$ 17,532,906</u>	(33.6)

FINANCIAL ANALYSIS OF THE COUNTY AT THE FUND LEVEL

The financial performance of the County as a whole is reflected in its governmental funds as well. As the County completed the year, its governmental funds reported a combined fund balance of \$31,621,062. Revenues for the County's governmental funds were \$35,004,552, while total expenditures were \$35,445,722.

The General Fund includes the primary operations of the County in providing services to citizens. The General Fund's fund balance increased by \$579,717 during 2020 with revenues over budget by \$2,940,560 and expenditures over budget by \$1,963,906.

The Public Works Fund increased its fund balance from \$10,722,526 in 2019 to \$10,956,215 in 2020. The increase is due to intergovernmental revenue exceeding current year construction costs. Of the total fund balance, 10.52% is set aside for resource conservation and development.

The Family Services Fund revenues were under budget during 2020 by \$364,049 and expenditures were under budget during 2020 by \$1,469,372 resulting in a fund balance increase of \$1,105,323 during 2020. The increase was due to a decline in client treatment services provided and reduced extended employment services.

The Debt Service Fund expenditures exceeded revenues by \$1,061,768, 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, 2020**

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
	2020	2019	(Decrease)	
Taxes	\$ 8,462,870	\$ 7,992,670	\$ 470,200	5.9 %
Intergovernmental	4,816,761	1,928,930	2,887,831	149.7
Charges for Services	1,027,931	1,248,395	(220,464)	(17.7)
Gifts and Contributions	16,258	11,600	4,658	40.2
Interest on Investments	179,944	474,210	(294,266)	(62.1)
Miscellaneous and Other	968,242	978,972	(10,730)	(1.1)
Total General Fund Revenues	<u>\$ 15,472,006</u>	<u>\$ 12,634,777</u>	<u>\$ 2,837,229</u>	22.5

General fund revenues increased by \$2,837,229, or 22.5%, from the previous year due primarily to increases in tax revenues and intergovernmental revenue. Intergovernmental revenue increased due to federal and state COVID-19 aid received in 2020.

The following schedule presents a summary of general fund expenditures:

Table A-5
 General Fund Expenditures

	Year Ended		Change	Percent
	December 31, 2020	December 31, 2019	Increase (Decrease)	
General Government	\$ 6,799,686	\$ 6,999,736	\$ (200,050)	(2.9)%
Public Safety	4,876,094	4,760,217	115,877	2.4
Conservation of Natural Resources	146,800	147,967	(1,167)	(0.8)
Economic Development	2,487,796	122,618	2,365,178	1928.9
Intergovernmental	235,258	245,794	(10,536)	(4.3)
Capital Outlay	287,744	194,709	93,035	47.8
Debt Service	107,857	111,057	(3,200)	(2.9)
Total Expenditures	<u>\$ 14,941,235</u>	<u>\$ 12,582,098</u>	<u>\$ 2,359,137</u>	18.7

General Fund expenditures increased by \$2,359,137 or 18.7%, from the previous year due to increased economic development expenditures. Economic development expenditures increased due to increased costs required to respond to the COVID-19 pandemic in 2020, which included \$2,300,000 in grants to small business and non-profits affected by the pandemic. These disbursements to small businesses and non-profits were financed by the federal aid received from the COVID-19 Coronavirus relief grant awarded under the CARES Act.

**NOBLES COUNTY
 WORTHINGTON, MINNESOTA
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 YEAR ENDED DECEMBER 31, 2020**

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 2020, the County Board of Commissioners made no budgetary amendments/revisions.

- General Fund actual revenues were over budget by \$2,940,560. Intergovernmental revenues exceeded budget by \$3,617,749 as the federal and state aid received in response to the COVID-19 pandemic was not budgeted for. Charges for services were less than budget by \$412,912 due to declines in jail services during the pandemic.
- Actual expenditures were over budget by 1,963,906. Expenditures exceeded budget due to the costs required in response to the COVID-19 pandemic that were not budgeted for. Several department expenditures came in under budget. The departments that were overbudget were Finance, Elections, Central Services, Veterans Service Officer, Coroner, County Jail, Economic Assistance, Community Development, and Culture and Recreation.

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 2020, the County had invested approximately \$140,000,000. 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 \$3,637,479.

Table A-6
 The County's Capital Assets

	Governmental Activities		Percent Change
	2020	2019	
Land	\$ 1,328,750	\$ 1,328,750	-
Construction-in-Progress	2,015,913	353,258	470.7
Improvements Other Than Buildings	2,490,909	2,211,501	12.6
Buildings	30,168,662	30,168,662	-
Machinery and Equipment	10,799,909	9,783,596	10.4
Infrastructure	93,107,756	92,587,066	0.6
Less: Accumulated Depreciation	(60,089,724)	(56,536,952)	6.3
Total	<u>\$ 79,822,175</u>	<u>\$ 79,895,881</u>	(0.1)

**NOBLES COUNTY
 WORTHINGTON, MINNESOTA
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 YEAR ENDED DECEMBER 31, 2020**

LONG-TERM DEBT

At year-end, the County had \$17,406,267 in debt outstanding, including the current portion of long-term debt and compensated absences.

- The County's governmental activities total debt decreased \$2,886,107 or 14.2%, due primarily to scheduled bond principal payments.

Table A-7
 The County's Long-Term Debt

	2020	2019	Percentage Change
GOVERNMENTAL ACTIVITIES			
General Obligation Bonds - Net of Premiums	\$ 16,652,087	\$ 19,495,831	(14.6)%
Loans Payable	619,045	583,027	6.2
Capital Lease Payable	135,135	213,516	(36.7)
Total	<u>\$ 17,406,267</u>	<u>\$ 20,292,374</u>	(14.2)

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, 2020**

	Governmental Activities
ASSETS	
Cash and Investments	\$ 28,768,497
Taxes Receivable - Delinquent	119,742
Special Assessments Receivable	205,425
Accounts Receivable - Net	92,981
Loans Receivable	3,386,021
Accrued Interest Receivable	30,921
Due from Other Governments	4,922,191
Inventory	185,176
Prepaid Items	218,308
Nondepreciable Capital Assets:	
Land	1,328,750
Construction-in-Progress	2,015,913
Depreciable Capital Assets - Net of Accumulated Depreciation:	
Building	13,906,258
Improvements Other Than Buildings	1,259,347
Machinery, Vehicles, Furniture, and Equipment	3,740,169
Infrastructure	57,571,738
Total Assets	117,751,437
DEFERRED OUTFLOWS OF RESOURCES	
Pension Related	1,302,260
Other Postemployment Benefit Related	168,212
Total Deferred Outflows of Resources	1,470,472
LIABILITIES	
Accounts Payable	790,082
Salaries Payable	168,028
Contracts Payable	43,528
Accrued Interest Payable	160,179
Due to Other Governments	348,260
Unearned Revenue	13,979
Noncurrent Liabilities:	
Due Within One Year	2,484,628
Due in More than One Year	16,159,181
Other Postemployment Benefits Payable	407,249
Net Pension Liability	7,957,758
Total Liabilities	28,532,872
DEFERRED INFLOWS OF RESOURCES	
Pension Related	1,755,045
Other Postemployment Benefit Related	101,249
Total Deferred Inflows of Resources	1,856,294
NET POSITION	
Net Investment in Capital Assets	72,586,050
Restricted For:	
General Government	560,887
Highways and Streets	3,592,297
Public Safety	692,937
Conservation	1,852,852
Culture and Recreation	18,925
Economic Development and Assistance	433,707
Debt Service	4,526,174
Unrestricted	4,568,914
Total Net Position	\$ 88,832,743

See accompanying Notes to Financial Statements.

**NOBLES COUNTY
WORTHINGTON, MINNESOTA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020**

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net (Expense)
		Fees, Charges, Fines, and Other	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
GOVERNMENTAL ACTIVITIES					Governmental Activities
General Government	\$ 7,656,732	\$ 779,133	\$ 481,893	\$ 217,342	\$ (6,178,364)
Public Safety	4,755,251	507,557	293,875	10,000	(3,943,819)
Highways and Streets	6,229,782	976,367	6,769,492	742,019	2,258,096
Sanitation	359,200	923,209	120,827	-	684,836
Human Services	6,137,751	388,007	3,565,047	-	(2,184,697)
Health	892,223	75,246	583,572	-	(233,405)
Culture and Recreation	1,000,051	54,202	77,391	-	(868,458)
Conservation of Natural Resources	1,156,210	218,308	230,656	-	(707,246)
Economic Development	2,487,796	-	2,776,102	-	288,306
Buildings and Plant	340,903	-	-	-	(340,903)
Interest	424,704	-	-	-	(424,704)
Total Governmental Activities	<u>\$ 31,440,603</u>	<u>\$ 3,922,029</u>	<u>\$ 14,898,855</u>	<u>\$ 969,361</u>	<u>(11,650,358)</u>
GENERAL REVENUES					
Property Taxes					14,374,855
Mortgage Registry and Deed Tax					20,840
Wheelage Tax					225,272
Wind Energy Tax					808,192
Payments in Lieu of Tax					260,305
Grants and Contributions Not Restricted for a Particular Purpose					1,228,807
Investment Earnings					181,419
Miscellaneous					1,207,545
Gain on Sale of Capital Assets					19,960
Total General Revenues					<u>18,327,195</u>
CHANGE IN NET POSITION					6,676,837
Net Position - Beginning of Year					<u>82,155,906</u>
NET POSITION - END OF YEAR					<u>\$ 88,832,743</u>

See accompanying Notes to Financial Statements.

**NOBLES COUNTY
WORTHINGTON, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2020**

	General	Public Works	Family Services
ASSETS			
Cash and Pooled Investments	\$ 10,784,407	\$ 10,867,567	\$ 2,285,954
Petty Cash and Change Funds	2,175	150	100
Taxes Receivable			
Taxes Receivable - Delinquent	67,922	7,805	29,949
Special Assessments Receivable:			
Delinquent	-	5,716	-
Noncurrent	-	-	-
Accounts Receivable	4,997	57,772	30,212
Loans Receivable	389,437	571,584	-
Accrued Interest Receivable	30,921	-	-
Due from Other Funds	119,501	-	-
Due from Other Governments	708,934	3,623,959	502,382
Inventory	-	185,176	-
Prepaid Items	215,392	2,916	-
	\$ 12,323,686	\$ 15,322,645	\$ 2,848,597
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ 268,024	\$ 79,770	\$ 162,693
Salaries Payable	82,912	27,330	51,073
Contracts Payable	-	43,528	-
Due to Other Funds	-	-	11,501
Due to Other Governments	121,665	30,823	53,379
Unearned Revenue	13,979	-	-
	486,580	181,451	278,646
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Tax Related	67,922	7,805	29,949
Unavailable Revenue - Special Assessment Related	-	13,293	-
Unavailable Revenue - Loans Receivable Related	389,437	571,584	-
Unavailable Revenue - State Aid Allotment Related	-	3,592,297	-
Unavailable Revenue - Charges for Services Related	58,261	-	-
	515,620	4,184,979	29,949

See accompanying Notes to Financial Statements.

**NOBLES COUNTY
 WORTHINGTON, MINNESOTA
 BALANCE SHEET
 GOVERNMENTAL FUNDS (CONTINUED)
 DECEMBER 31, 2020**

Debt Service Fund	Other Governmental Funds	Total Governmental Funds
\$ 2,322,772	\$ 2,505,317	\$ 28,766,017
-	55	2,480
7,894	6,172	119,742
-	296	6,012
-	199,413	199,413
-	-	92,981
2,425,000	-	3,386,021
-	-	30,921
-	-	119,501
86,916	-	4,922,191
-	-	185,176
-	-	218,308
<u>\$ 4,842,582</u>	<u>\$ 2,711,253</u>	<u>\$ 38,048,763</u>
\$ 14,850	\$ 264,745	\$ 790,082
-	6,713	168,028
-	-	43,528
-	108,000	119,501
141,379	1,014	348,260
-	-	13,979
<u>156,229</u>	<u>380,472</u>	<u>1,483,378</u>
7,894	6,172	119,742
-	199,709	213,002
-	-	961,021
-	-	3,592,297
-	-	58,261
<u>7,894</u>	<u>205,881</u>	<u>4,944,323</u>

See accompanying Notes to Financial Statements.

**NOBLES COUNTY
 WORTHINGTON, MINNESOTA
 BALANCE SHEET (CONTINUED)
 GOVERNMENTAL FUNDS
 DECEMBER 31, 2020**

	<u>General</u>	<u>Public Works</u>	<u>Family Services</u>
FUND BALANCES			
Nonspendable:			
Inventory	\$ -	\$ 185,176	\$ -
Prepaid Items	215,392	2,916	-
Restricted:			
Missing Heirs	1,000	-	-
Law Library	88,396	-	-
Recorder's Compliance Fund	331,329	-	-
Recorder's Technology Fund	64,043	-	-
Attorney Forfeiture	76,119	-	-
Sheriff's Contingency	7,738	-	-
Handgun Permit	158,156	-	-
Canteen Fund	105,953	-	-
Economic Assistance	433,707	-	-
Riparian Projects	500,782	-	-
E-911	327,069	-	-
Debt Service	-	-	-
Resource Conservation and Development	-	1,152,361	-
Shop with Cop	19,681	-	-
Sheriff's Contingency	821	-	-
Project Lifesaver	73,519	-	-
Donations	-	-	-
Committed:			
Public Works	-	9,615,762	-
Family Services	-	-	1,460,241
Building	-	-	-
Library	-	-	-
Property Forfeiture	-	-	-
Assigned:			
Capital Equipment	-	-	27,947
Out-of-Home Placements	-	-	1,051,814
Future Revolving Loans	265,354	-	-
Unassigned	8,652,427	-	-
Total Fund Balances	<u>11,321,486</u>	<u>10,956,215</u>	<u>2,540,002</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 12,323,686</u>	<u>\$ 15,322,645</u>	<u>\$ 2,848,597</u>

See accompanying Notes to Financial Statements.

**NOBLES COUNTY
 WORTHINGTON, MINNESOTA
 BALANCE SHEET (CONTINUED)
 GOVERNMENTAL FUNDS
 DECEMBER 31, 2020**

Debt Service Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 185,176
-	-	218,308
-	-	1,000
-	-	88,396
-	-	331,329
-	-	64,043
-	-	76,119
-	-	7,738
-	-	158,156
-	-	105,953
-	-	433,707
-	-	500,782
-	-	327,069
4,678,459	-	4,678,459
-	-	1,152,361
-	-	19,681
-	-	821
-	-	73,519
-	18,925	18,925
-	-	9,615,762
-	-	1,460,241
-	1,396,379	1,396,379
-	473,744	473,744
-	356,920	356,920
-	-	27,947
-	-	1,051,814
-	-	265,354
-	(121,068)	8,531,359
<u>4,678,459</u>	<u>2,124,900</u>	<u>31,621,062</u>
<u>\$ 4,842,582</u>	<u>\$ 2,711,253</u>	<u>\$ 38,048,763</u>

See accompanying Notes to Financial Statements.

**NOBLES COUNTY
 WORTHINGTON, MINNESOTA
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
 STATEMENT OF NET POSITION – GOVERNMENTAL ACTIVITIES
 YEAR ENDED DECEMBER 31, 2020**

TOTAL FUND BALANCES FOR GOVERNMENTAL FUNDS		\$ 31,621,062
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.		79,822,175
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.		4,944,323
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		1,470,472
Deferred Inflows of Resources Related to Pensions and OPEB		(1,856,294)
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	\$ (305,000)	
General Obligation State Aid Bonds	(6,995,000)	
General Obligation Capital Improvement Plan Bonds	(5,770,000)	
General Obligation Tax Abatement Bonds	(2,285,000)	
Net Pension Liability	(7,957,758)	
Capital Leases	(135,135)	
Lease Revenue Refunding Bond	(870,000)	
Loans Payable	(619,045)	
Compensated Absences	(1,237,542)	
Other Postemployment Benefits Payable	(407,249)	
Accrued Interest Payable	(160,179)	
Unamortized Premium on Bonds	(427,087)	
	(27,168,995)	
TOTAL NET POSITION OF GOVERNMENTAL ACTIVITIES		<u><u>\$ 88,832,743</u></u>

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, 2020**

	General	Public Works	Family Services
REVENUES			
Taxes	\$ 8,462,870	\$ 1,106,988	\$ 3,623,983
Special Assessments	-	-	-
Licenses and Permits	98,095	61,031	2,660
Intergovernmental	4,816,761	4,482,728	3,869,149
Charges for Services	1,027,931	1,461,456	250,293
Fines and Forfeits	32,428	-	-
Gifts and Contributions	16,258	-	-
Interest on Investments	179,944	-	-
Miscellaneous	837,719	8,114	704,409
Total Revenues	15,472,006	7,120,317	8,450,494
EXPENDITURES			
CURRENT			
General Government	6,799,686	-	-
Public Safety	4,876,094	-	-
Highways and Streets	-	4,896,783	-
Sanitation	-	355,611	-
Human Services	-	-	6,195,901
Community Health	-	-	918,825
Culture and Recreation	-	166,916	-
Conservation of Natural Resources	146,800	412,151	-
Economic Development	2,487,796	-	-
Buildings and Plant	-	-	-
INTERGOVERNMENTAL	235,258	550,436	205,270
CAPITAL OUTLAY	287,744	612,285	25,175
DEBT SERVICE			
Principal	99,460	100,101	-
Interest	8,397	-	-
Administrative (Fiscal) Charges	-	-	-
Total Expenditures	14,941,235	7,094,283	7,345,171
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	530,771	26,034	1,105,323
OTHER FINANCING SOURCES (USES)			
Transfers In	6,100	-	-
Transfers Out	-	-	-
Proceeds from Capital Lease	21,079	-	-
Loan Proceeds	-	136,119	-
Proceeds from Sale of Assets	21,767	-	-
Total Other Financing Sources (Uses)	48,946	136,119	-
NET CHANGE IN FUND BALANCES	579,717	162,153	1,105,323
Fund Balances - Beginning of Year	10,741,769	10,722,526	1,434,679
INCREASE IN INVENTORY	-	71,536	-
FUND BALANCES - END OF YEAR	<u>\$ 11,321,486</u>	<u>\$ 10,956,215</u>	<u>\$ 2,540,002</u>

See accompanying Notes to Financial Statements.

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

Debt Service Fund	Other Governmental Funds	Total Governmental Funds
\$ 858,648	\$ 1,365,939	\$ 15,418,428
-	161,524	161,524
-	-	161,786
1,108,125	-	14,276,763
-	2,292	2,741,972
-	-	32,428
-	10,445	26,703
3,078	-	183,022
257,263	194,421	2,001,926
<u>2,227,114</u>	<u>1,734,621</u>	<u>35,004,552</u>
-	2,606	6,802,292
-	-	4,876,094
-	-	4,896,783
-	-	355,611
-	-	6,195,901
-	-	918,825
-	624,938	791,854
-	579,785	1,138,736
-	-	2,487,796
-	338,043	338,043
-	-	990,964
-	1,230,779	2,155,983
2,765,000	-	2,964,561
496,992	-	505,389
26,890	-	26,890
<u>3,288,882</u>	<u>2,776,151</u>	<u>35,445,722</u>
(1,061,768)	(1,041,530)	(441,170)
-	-	6,100
-	(6,100)	(6,100)
-	-	21,079
-	-	136,119
-	-	21,767
<u>-</u>	<u>(6,100)</u>	<u>178,965</u>
(1,061,768)	(1,047,630)	(262,205)
5,740,227	3,172,530	31,811,731
-	-	71,536
<u>\$ 4,678,459</u>	<u>\$ 2,124,900</u>	<u>\$ 31,621,062</u>

See accompanying Notes to Financial Statements.

**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, 2020**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ (262,205)

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	\$ 3,565,580	
Net Book Value of Capital Asset Disposals	(1,807)	
Current Year Depreciation	<u>(3,637,479)</u>	(73,706)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds. 3,290,516

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. 854,049

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. (32,763)

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	(136,119)	
Capital Lease Proceeds	<u>(21,079)</u>	(157,198)

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	930,000	
State Aid Road Bonds	885,000	
Capital Improvement Plan Bonds	385,000	
Tax Abatement Bonds	150,000	
Lease Revenue Refunding Bonds	415,000	
Capital Leases	99,460	
Loans	<u>100,101</u>	2,964,561

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	27,228	
Amortization of Bond Premiums	78,744	
Change in Compensated Absences	(83,925)	
Change in Inventory	<u>71,536</u>	<u>93,583</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 6,676,837

**NOBLES COUNTY
 WORTHINGTON, MINNESOTA
 STATEMENT OF FIDUCIARY NET POSITION
 DECEMBER 31, 2020**

	Custodial Funds
ASSETS	
Cash and Pooled Investments	\$ 613,129
Taxes for Other Governments	336,240
Total Assets	949,369
LIABILITIES	
Due to Other Governments	474,708
DEFERRED INFLOWS OF RESOURCES	
Taxes Collected for Subsequent Period	120,548
NET POSITION	
Restricted:	
Individuals, Organizations, and Other Governments	\$ 354,113

See accompanying Notes to Financial Statements.

**NOBLES COUNTY
 WORTHINGTON, MINNESOTA
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 YEAR ENDED DECEMBER 31, 2020**

	Custodial Funds
ADDITIONS	
Contributions:	
Individuals	\$ 598,603
Taxes for Other Governments	23,399,462
Licenses and Fees Collected for State	6,388,312
Total Additions	30,386,377
DEDUCTIONS	
Beneficiary Payments to Individuals	158,676
Payments to State	203,615
Payments to Other Governments	29,831,210
Total Deductions	30,193,501
NET INCREASE (DECREASE) IN FIDUCIARY NET POSITION	192,876
Fiduciary Net Position - Beginning of Year	-
Restatement for Change in Accounting Principle	161,237
Fiduciary Net Position - Beginning of Year, As Restated	161,237
FIDUCIARY NET POSITION - END OF YEAR	\$ 354,113

See accompanying Notes to Financial Statements.

**NOBLES COUNTY
WORTHINGTON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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, 2020**

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, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basic Financial Statements (Continued)

2. Fund Financial Statements (Continued)

Additionally, the County reports the following fiduciary fund types:

Custodial Funds are used to report fiduciary activities that are not required to be reported in pension or OPEB trust funds, investment trust funds or private purpose trust funds. They are custodial in nature. These funds are used for a variety of purposes. Some of the activities include collecting taxes for other governments, state revenues and amounts collected and held on behalf of others.

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, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

1. Cash and Pooled Investments

The County has defined cash and 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. 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."

All receivables are shown net of an allowance for uncollectibles which is calculated on a case-by-case basis. As of December 31, 2020 the allowance for doubtful accounts is \$582,790.

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.

**NOBLES COUNTY
WORTHINGTON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

2. Receivables and Payables (Continued)

Property taxes are levied as of January 1 on property values assessed as of the same date. The tax levy notice is mailed in March with the first half payment due on May 15 and the second half payment due October 15.

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

3. 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.

4. 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.

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:

**NOBLES COUNTY
 WORTHINGTON, MINNESOTA
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

4. Capital Assets (Continued)

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

5. 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.

6. 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.

7. Unearned Revenue

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

8. 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 taxes collected for subsequent years reported as deferred inflows in the custodial funds consists of property tax receipts prior to the year they were levied.

**NOBLES COUNTY
WORTHINGTON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

8. Deferred Inflows of Resources (Continued)

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.

9. 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. 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.

10. Pensions

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

11. 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).

**NOBLES COUNTY
WORTHINGTON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

11. Fund Balance (Continued)

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.

12. 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 and restrictions imposed by law through constitutional provisions or enabling legislation. 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.

13. 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, 2020**

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, 2020**

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	\$ 28,768,497
Fiduciary Funds	
Cash and Pooled Investments	
Taxes and Penalties Fund	380,485
Jail Inmate Account	17,623
Sheriff's Trust Account	250
Estate Recoveries	114,849
State Revenue Tax	<u>99,922</u>
Total Fiduciary Funds	<u>613,129</u>
Total Cash and Investments	<u><u>\$ 29,381,626</u></u>

FUND FINANCIAL STATEMENTS

Governmental Funds	
Cash and Pooled Investments	\$ 28,766,017
Petty Cash and Change Funds	2,480
Fiduciary Funds	
Cash and Pooled Investments	<u>613,129</u>
Total Cash and Pooled Investments	<u><u>\$ 29,381,626</u></u>

DEPOSITS

Checking	\$ 3,550,445
Money Market Savings	933,279
Certificates of Deposit	3,980,000

INVESTED IN MAGIC FUND

20,915,422

PETTY CASH

2,480

Total Cash and Investments \$ 29,381,626

**NOBLES COUNTY
WORTHINGTON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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, 2020, 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, 2020**

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, 2020, 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, 2020.

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.

**NOBLES COUNTY
 WORTHINGTON, MINNESOTA
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2020**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

b. Investments (Continued)

At December 31, 2020, the County had the following investments:

	Less Than One Year
MN Association of Governments Investing for Counties (MAGIC) Fund Portfolio	\$ 20,915,422

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.

2. Receivables

Receivables as of December 31, 2020, 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	\$ 119,742	\$ -
Special Assessments	205,425	-
Accounts	92,981	-
Interest	30,921	-
Loans	3,386,021	2,945,646
Due from Other Governments	4,922,191	-
Total Governmental Activities	\$ 8,757,281	\$ 2,945,646

**NOBLES COUNTY
 WORTHINGTON, MINNESOTA
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2020**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

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 2020, the County recorded rental revenue of \$32,527 related to this agreement. Future minimum lease payments are as follows:

<u>Year Ending December 31,</u>	
2021	\$ 26,513
2022	26,976
2023	27,440
2024	27,903
2025	28,366
2026-2028	72,885
Total	<u><u>\$ 210,083</u></u>

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 2020, the County recorded rental revenue of \$35,646 related to this agreement. Future minimum lease payments are as follows:

<u>Year Ending December 31,</u>	
2021	\$ 34,007
2022	34,608
2023	17,454
Total	<u><u>\$ 86,069</u></u>

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 \$199,975 in 2020. Future minimum lease payments are as follows:

<u>Year Ending December 31,</u>	
2021	\$ 199,972
2022	197,288
Total	<u><u>\$ 397,260</u></u>

**NOBLES COUNTY
 WORTHINGTON, MINNESOTA
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2020**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

4. Capital Assets

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

	Beginning Balance	Additions	Deletions	Ending Balance
GOVERNMENTAL ACTIVITIES				
Capital Assets, Not Being Depreciated				
Land	\$ 1,328,750	\$ -	\$ -	\$ 1,328,750
Construction-in-Process	353,258	2,639,904	977,249	2,015,913
Total Capital Assets, Not Being Depreciated	1,682,008	2,639,904	977,249	3,344,663
Capital Assets, Being Depreciated				
Buildings	30,168,662	-	-	30,168,662
Improvements Other Than Buildings	2,211,501	279,408	-	2,490,909
Machinery and Equipment	9,783,596	1,102,827	86,514	10,799,909
Infrastructure	92,587,066	520,690	-	93,107,756
Total Capital Assets, Being Depreciated	134,750,825	1,902,925	86,514	136,567,236
Less Accumulated Depreciation for				
Buildings	15,308,500	953,904	-	16,262,404
Improvements Other Than Buildings	1,164,270	67,292	-	1,231,562
Machinery, Furniture, and Equipment	6,336,045	808,402	84,707	7,059,740
Infrastructure	33,728,137	1,807,881	-	35,536,018
Total Accumulated Depreciation	56,536,952	3,637,479	84,707	60,089,724
Total Capital Assets, Being Depreciated, Net	78,213,873	(1,734,554)	1,807	76,477,512
Governmental Activities Capital Assets, Net	<u>\$ 79,895,881</u>	<u>\$ 905,350</u>	<u>\$ 979,056</u>	<u>\$ 79,822,175</u>

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

Governmental Activities	
General Government	\$ 1,162,268
Public Safety	131,241
Highways and Streets, Including Depreciation of Infrastructure Assets	2,308,587
Sanitation	9,451
Human Services	856
Culture and Recreation	21,833
Conservation of Natural Resources	3,243
Total Depreciation Expense - Governmental Activities	<u>\$ 3,637,479</u>

**NOBLES COUNTY
 WORTHINGTON, MINNESOTA
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2020**

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, 2020, is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Family Services Fund	\$ 11,501
General Fund	Ditch Special Revenue Fund	108,000
Total Due to General Fund		\$ 119,501

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 2020:

	Amount	Description
Transfers to General Fund from Ditch Special Revenue Fund	\$ 6,100	Repair Assessments

C. Liabilities

1. Payables

Payables at December 31, 2020, were as follows:

Accounts	\$ 790,082
Salaries	168,028
Contracts	43,528
Due to Other Governments	348,260
Total Payables	\$ 1,349,898

**NOBLES COUNTY
WORTHINGTON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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, 2020
2017A G.O. Capital Improvement Plan Bonds	2033	\$385,000 - \$510,000	2.00 - 3.00	\$ 6,540,000	\$ 5,770,000
2017B Taxable G.O. Tax Abatement Bonds	2033	\$140,000 - \$205,000	2.50 - 3.25	2,575,000	2,285,000
2016A General Obligation State Aid Road Bonds	2027	\$765,000- \$1,090,000	3.00	9,505,000	6,995,000
2014 G.O. Refunding Bonds	2021	\$305,000 - \$940,000	0.40 - 2.00	5,695,000	305,000
2009B Jail Lease Revenue Refunding Bonds	2022	\$250,000 - \$455,000	2.00 - 3.75	4,125,000	870,000
Add: Unamortized Premium				-	427,087
Total Bonds Outstanding, Net				<u>\$ 28,440,000</u>	<u>\$ 16,652,087</u>

3. Debt Service Requirements

Debt service requirements at December 31, 2020, were as follows:

Year Ending December 31,	General Obligation Refunding Bonds		Lease Revenue Refunding Bonds	
	Principal	Interest	Principal	Interest
2021	\$ 305,000	\$ 3,050	\$ 430,000	\$ 24,348
2022	-	-	440,000	8,250
Total	<u>\$ 305,000</u>	<u>\$ 3,050</u>	<u>\$ 870,000</u>	<u>\$ 32,598</u>
Year Ending December 31,	Loans Payable - Direct Borrowing		General Obligation State Aid Bonds	
	Principal	Interest	Principal	Interest
2021	\$ 84,891	-	\$ 915,000	\$ 196,125
2022	93,629	-	940,000	168,300
2023	89,703	-	970,000	139,650
2024	74,805	-	995,000	110,175
2025	59,516	-	1,025,000	79,875
2026-2030	197,144	-	2,150,000	64,950
2031	19,357	-	-	-
Total	<u>\$ 619,045</u>	<u>\$ -</u>	<u>\$ 6,995,000</u>	<u>\$ 759,075</u>

**NOBLES COUNTY
WORTHINGTON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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
2021	\$ 395,000	\$ 142,025	\$ 150,000	\$ 65,537
2022	400,000	134,075	155,000	61,725
2023	405,000	126,025	155,000	57,850
2024	410,000	117,875	160,000	53,712
2025	420,000	108,525	165,000	49,244
2026-2030	2,250,000	375,937	900,000	168,642
2031-2034	1,490,000	67,800	600,000	29,574
Total	<u>\$ 5,770,000</u>	<u>\$ 1,072,262</u>	<u>\$ 2,285,000</u>	<u>\$ 486,284</u>

Year Ending December 31,	Capital Lease	
	Principal	Interest
2021	\$ 72,309	\$ 4,686
2022	52,291	2,419
2023	5,185	333
2024	5,350	169
Total	<u>\$ 135,135</u>	<u>\$ 7,607</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 2031. The loans are repaid with the proceeds that are collected on the related loans receivable in the Public Works fund.

**NOBLES COUNTY
 WORTHINGTON, MINNESOTA
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2020**

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.

In 2020, the County financed the acquisition of computers and printers totaling \$21,078 using a capital lease with an effective interest rate of 3.16% payable annually in installments of \$5,518 through 2024.

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

	Governmental Activities
Asset:	
Machinery and Equipment	\$ 16,000
Less: Accumulated Depreciation	(16,000)
Total	\$ -

**NOBLES COUNTY
 WORTHINGTON, MINNESOTA
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2020**

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, 2020, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
GOVERNMENTAL ACTIVITIES					
Bonds Payable					
G.O. Refunding Bonds	\$ 1,235,000	\$ -	\$ 930,000	\$ 305,000	\$ 305,000
G.O. State Aid Bonds	7,880,000	-	885,000	6,995,000	915,000
G.O. Capital Improvement Plan Bonds	6,155,000	-	385,000	5,770,000	395,000
Taxable G.O. Tax Abatement Bonds	2,435,000	-	150,000	2,285,000	150,000
Lease Revenue Refunding	1,285,000	-	415,000	870,000	430,000
Plus: Premium on Bonds	505,831	-	78,744	427,087	-
Total Bonds Payable	19,495,831	-	2,843,744	16,652,087	2,195,000
Capital Leases	213,516	21,079	99,460	135,135	72,309
Loans Payable - Direct Borrowing	583,027	136,119	100,101	619,045	84,891
Compensated Absences	1,153,617	878,963	795,038	1,237,542	132,428
Governmental Activity Long-Term Liabilities	<u>\$ 21,445,991</u>	<u>\$ 1,036,161</u>	<u>\$ 3,838,343</u>	<u>\$ 18,643,809</u>	<u>\$ 2,484,628</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, 2020**

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

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

2. Public Employees Police and Fire Plan

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

3. Local 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, 2020**

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 w1.2 percent for each of the first 10 years of service and 1.7 percent for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7 percent for all years of service. For members hired prior to July 1, 1989 a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50 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. 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. For Police and Fire Plan members who were first hired prior to July 1, 1989, a full annuity is available when age plus years of service equal at least 90.

**NOBLES COUNTY
WORTHINGTON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 3 DEFINED BENEFIT PENSION PLANS (CONTINUED)

B. Benefits Provided (Continued)

2. Police and Fire Plan Benefits (Continued)

Benefit increases are provided to benefit recipients each January. The postretirement increase will be fixed at 1 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. 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. For Correctional Plan members who were first hired prior to July 1, 1989, a full annuity is available when age plus years of service equal at least 90.

Benefit increases are provided to benefit recipients each January. The postretirement increase will be equal to 100 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. 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 2020 and the County was required to contribute 7.50% for Coordinated Plan members. The County's contributions to the General Employees Fund for the year ended December 31, 2020 were \$611,814. 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, 2020**

NOTE 3 DEFINED BENEFIT PENSION PLANS (CONTINUED)

C. Contributions (Continued)

2. Police and Fire Fund Contributions

Police and Fire member's contribution rates increased from 11.3 percent of their annual covered salary to 11.8 percent and employer rates increased from 16.95 percent to 17.70 percent on January 1, 2020. The County's contributions to the Police and Fire Fund for the year ended December 31, 2020 were \$191,755. The County's contributions were equal to the required contributions as set by state statute.

3. Correctional Fund Contributions

Plan members were required to contribute 5.83% of their annual covered salary and the County was required to contribute 8.75% of pay for plan members in fiscal year 2020. The County's contributions to the Correctional Fund for the year ended December 31, 2020 were \$122,045. 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, 2020, the County reported a liability of \$6,589,007 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. 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 \$203,201. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportionate share of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2019 through June 30, 2020, relative to the total employer contributions received from all of PERA's participating employers. The County's proportion share was 0.1099% at the end of the measurement period and 0.1125% for the beginning of the period.

County's Proportionate Share of the Net Pension Liability	\$	6,589,007
State's Proportionate Share of the Net Pension Liability Associated with the County		203,201
Total	\$	6,792,208

**NOBLES COUNTY
 WORTHINGTON, MINNESOTA
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2020**

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, 2020, the County recognized pension expense of \$216,773 for its proportionate share of the General Employees Plan pension expense. In addition, the County recognized an additional \$17,685 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, 2020, 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	\$ 60,075	\$ 24,929
Changes in Actuarial Assumptions	-	244,280
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	113,830	-
Changes in Proportion and Differences Between County Contributions and Proportionate Share of Contributions	-	181,712
County Contributions Subsequent to the Measurement Date	316,284	-
Total	<u>\$ 490,189</u>	<u>\$ 450,921</u>

\$316,284 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	Pension Expense
2021	\$ (446,059)
2022	(74,014)
2023	83,865
2024	159,192

**NOBLES COUNTY
WORTHINGTON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 3 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

2. Police and Fire Plan Pension Costs

At December 31, 2020, the County reported a liability of \$1,207,386 for its proportionate share of the Police and Fire Plan net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's 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, 2019, through June 30, 2020, relative to the total employer contributions received from all of PERA's participating employers. The County's proportion share was 0.0916% at the end of the measurement period and 0.0958% for the beginning of the period.

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

The state of Minnesota is included as a non-employer contributing entity in the Police and Fire Retirement Plan Schedule of Employer Allocations and Schedule of Pension Amounts by Employer, Current Reporting Period Only (pension allocation schedules) for the \$4.5 million in direct state aid. Police and Fire Plan employers need to recognize their proportionate share of the state of Minnesota's pension expense (and grant revenue) under GASB 68 special funding situation accounting and financial reporting requirements. For the year ended December 31, 2020, the County recognized pension expense of \$151,916 for its proportionate share of the Police and Fire Plan's pension expense. The County recognized \$8,746 as grant revenue for its proportionate share of the state of Minnesota's pension expense for the contribution of \$4.5 million to the Police and Fire Fund.

The State of Minnesota is not included as a non-employer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the \$9 million in supplemental state aid. The County recognized \$8,244 for the year ended December 31, 2020 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Fund.

**NOBLES COUNTY
 WORTHINGTON, MINNESOTA
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2020**

NOTE 3 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

2. Police and Fire Plan Pension Costs (Continued)

County's Proportionate Share of the Net Pension Liability	\$ 1,207,386
State's Proportionate Share of the Net Pension Liability Associated with the County	28,426
Total	\$ 1,235,812

At December 31, 2020, 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	\$ 53,349	\$ 57,338
Changes in Actuarial Assumptions	404,620	753,004
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	36,674	-
Changes in Proportion and Differences Between County Contributions and Proportionate Share of Contributions	97,930	82,056
County Contributions Subsequent to the Measurement Date	99,184	-
Total	\$ 691,757	\$ 892,398

\$99,184 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	Pension Expense
2021	\$ (79,776)
2022	(328,952)
2023	69,538
2024	50,521
2025	(11,156)

**NOBLES COUNTY
 WORTHINGTON, MINNESOTA
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2020**

NOTE 3 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

3. Correctional Plan Pension Costs

At December 31, 2020, the County reported a liability of \$161,365 for its proportionate share of the Correctional Plan's net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's 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, 2019, through June 30, 2020, relative to the total employer contributions received from all of PERA's participating employers. The County's proportion share was 0.5947% at the end of the measurement period and 0.5868% for the beginning of the period.

For the year ended December 31, 2020, the County recognized pension expense of \$(296,362) for its proportionate share of the Correctional Plan's pension expense.

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

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 1,512	\$ 59,381
Changes in Actuarial Assumptions	-	326,788
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	30,701	-
Changes in Proportion and Differences Between County Contributions and Proportionate Share of Contributions	23,744	25,557
County Contributions Subsequent to the Measurement Date	64,357	-
Total	<u>\$ 120,314</u>	<u>\$ 411,726</u>

\$64,357 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>Pension Expense</u>
2021	\$ (369,790)
2022	(27,187)
2023	12,093
2024	29,115

**NOBLES COUNTY
 WORTHINGTON, MINNESOTA
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2020**

NOTE 3 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

4. Total Pension Expense

Governmental activities recognized pension expense of \$98,758 for the year ended December 31, 2020.

E. Actuarial Assumptions

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

<u>Assumptions</u>	<u>General Employees Fund</u>	<u>Police and Fire Fund</u>	<u>Correctional Fund</u>
Inflation	2.25% Per Year	2.50% Per Year	2.50% Per Year
Active Member Payroll Growth	3.00% Per Year	3.25% Per Year	3.25% Per Year
Investment Rate of Return	7.50%	7.50%	7.50%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants were based on Pub-2010 General Employee Mortality table for the General Employees Plan and RP 2014 tables for the Police and Fire and the Correctional Plans for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases after retirement for retirees are assumed to be 1.25% per year for the General Employees Plan and 2.0% per year for the Correctional Plan. For the Police and Fire Plan, cost of living benefit increases for retirees are 1.0% per year as set by state statute.

Actuarial assumptions used in the June 30, 2020 valuation were based on the results of actuarial experience studies. The most recent four-year experience study for the General Employees Plan was completed in 2019. The assumption changes were adopted by the Board and became effective with the July 1, 2020 actuarial valuation. The four-year experience study used for the Police and Fire Plan was completed in 2016. The five-year experience study used for the Correctional Plan, prepared by a former actuary, was completed in 2012. The mortality assumption for the Correctional Plan is based on the Police and Fire Plan experience study completed in 2016. Inflation and investment return assumptions for the Police and Fire Plan and the Correctional Plan are based on the General Employees Retirement Plan experience study completed in 2019. The most recent four-year experience studies for the Police and Fire Plan and the Correctional Plan were completed in 2020. The recommended assumptions for those plans were adopted by the Board and will be effective with the July 1, 2021 actuarial valuations if approved by the Legislature.

**NOBLES COUNTY
WORTHINGTON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 3 DEFINED BENEFIT PENSION PLANS (CONTINUED)

E. Actuarial Assumptions (Continued)

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

General Employees Fund

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

Police and Fire Fund

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

**NOBLES COUNTY
 WORTHINGTON, MINNESOTA
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2020**

NOTE 3 DEFINED BENEFIT PENSION PLANS (CONTINUED)

E. Actuarial Assumptions (Continued)

Correctional Fund

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

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	5.30
Cash Equivalents	2.0	-
Totals	100.0 %	

F. Discount Rate

The discount rate used to measure the total pension liability in 2020 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, 2020**

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%	\$ 10,559,893	6.50%	\$ 2,406,494	6.50%	\$ 1,002,872
Current	7.50	6,589,007	7.50	1,207,386	7.50	161,365
1% Increase	8.50	3,313,345	8.50	215,334	8.50	(512,388)

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, 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	\$ 6,589,007	\$ 1,207,386	\$ 161,365	\$ 7,957,758
Deferred Outflows of Resources Related to Pensions	490,189	691,757	120,314	1,302,260
Deferred Inflows of Resources Related to Pensions	450,921	892,398	411,726	1,755,045
Pension Expense	234,458	160,662	(296,362)	98,758

**NOBLES COUNTY
WORTHINGTON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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, 2020, 2019, and 2018 were \$6,680, \$6,501, and \$6,354, 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
 WORTHINGTON, MINNESOTA
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2020**

NOTE 5 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

C. Employees Covered by Benefit Terms

At December 31, 2020, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefit Payments	11
Active Plan Members	173
Total	184

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 \$407,249 was measured as of December 31, 2020 and was determined by an actuarial valuation as of January 1, 2020.

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 January 1, 2020 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 January 1, 2020 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%
	7.50%
	decreasing to
Health Care Trend Rates	4.50%

**NOBLES COUNTY
 WORTHINGTON, MINNESOTA
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2020**

NOTE 5 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

E. Actuarial Methods and Assumptions (Continued)

The discount rate as of December 31, 2020 was 2.12% and 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, 2020	\$ 375,805
Changes for the Year:	
Service Cost	32,767
Interest	12,869
Differences Between Expected and Actual Experience	(8,791)
Change in Assumptions	22,472
Benefit Payments	(27,873)
Net Changes	31,444
Balances at December 31, 2020	\$ 407,249

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, 2020 (measurement date). The discount rate is 3.26% as of January 1, 2020 and 2.12% as of December 31, 2020. The impact of this change is an increase in liabilities.

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

**NOBLES COUNTY
 WORTHINGTON, MINNESOTA
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2020**

NOTE 5 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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 or 1-percentage-point higher than the current discount rate:

	1% Decrease (1.12%)	Discount Rate (2.12%)	1% Increase (3.12%)
OPEB Liability	\$ 427,557	\$ 407,249	\$ 387,487

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 or 1-percentage-point higher than the current healthcare cost trend rates:

	Healthcare Cost		
	1% Decrease (6.50% decreasing to 3.50%)	Current Trend Rates (7.50% decreasing to 4.50%)	1% Increase (8.50% decreasing to 5.50%)
OPEB Liability	\$ 369,927	\$ 407,249	\$ 451,258

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

For the year ended December 31, 2020, the County recognized OPEB expense of \$60,635. At December 31, 2020 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	\$ 115,364	\$ 9,663
Change of Assumptions	52,848	91,586
Total	\$ 168,212	\$ 101,249

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

Year Ending December 31,	Future Recognition
2021	\$ 14,999
2022	14,999
2023	14,999
2024	9,681
2025	7,724
Thereafter	4,561

**NOBLES COUNTY
WORTHINGTON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 6 RISK MANAGEMENT

The County is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters for which the County carries commercial insurance. The County has entered into a joint powers agreement with other Minnesota counties to form the Minnesota Counties Insurance Trust (MCIT). 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 2020. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

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

The 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.

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.

**NOBLES COUNTY
WORTHINGTON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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

A. Contingent Liabilities (Continued)

Lincoln-Pipestone Rural Water System

At December 31, 2020, the Lincoln-Pipestone Rural Water System had \$36,782,000 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.

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 \$18,845,000 at December 31, 2020.

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.

**NOBLES COUNTY
WORTHINGTON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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

B. Joint Ventures (Continued)

Lincoln-Pipestone Rural Water System (Continued)

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 2020 financial report shows total net position of \$57,624,202 including unrestricted net position of \$9,252,888. The increase in net position for the year ended December 31, 2020, was \$1,554,460.

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.

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.

**NOBLES COUNTY
 WORTHINGTON, MINNESOTA
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2020**

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

B. Joint Ventures (Continued)

City of Worthington/Nobles County Public Transportation (Continued)

The County retains no fiscal interest and has no 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.

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, 2020:

Total Assets	\$ 1,489,959
Total Liabilities	176,078
Total Net Position	1,313,881
Total Revenues	2,826,552
Total Expenses	2,714,833
Net Change in Net Position	111,719

A complete financial report of the Southwestern Minnesota Adult Mental Health Consortium Board can be obtained at 2200 – 23rd 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 2020, Nobles County paid a total of \$449,376 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.

**NOBLES COUNTY
WORTHINGTON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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

B. Joint Ventures (Continued)

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).

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 2020, Nobles County contributed \$2,920 to the Joint Powers board. There were no audited financial statements available for the year ended December 31, 2020.

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. In 2020, Nobles County received a \$55,350 capital contribution from the Southern Prairie Community Care.

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.

**NOBLES COUNTY
WORTHINGTON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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

B. Joint Ventures (Continued)

Southwest Minnesota Private Industry Council, Inc. (Continued)

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 2020.

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

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 2020, the County made contributions of \$41,153 to the ACE SW MN. There were no audited financial statements available for the year ended December 31, 2020.

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.

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

**NOBLES COUNTY
WORTHINGTON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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

B. Joint Ventures (Continued)

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 2020, Nobles County provided \$34,606 to the Plum Creek Library System.

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 \$93,628 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, 2020, was \$205,270.

**NOBLES COUNTY
WORTHINGTON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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

B. Joint Ventures (Continued)

Rock Nobles Community Corrections (Continued)

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.

In 2020, the County made no contributions 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 2020, the County made no contributions to MSCC. 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.

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

C. Jointly-Governed Organizations (Continued)

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 2020, Nobles County paid \$2,500 to the Board.

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.

**NOBLES COUNTY
WORTHINGTON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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

C. Jointly-Governed Organizations (Continued)

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 2020.

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.

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 2020.

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 \$26,101 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.

**NOBLES COUNTY
WORTHINGTON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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 2020, the county abated taxes totaling \$108,035 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.

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 2020, there were five pay-as-you-go notes within the County, administered by the City of Worthington. The tax increment taxes collected during 2020 totaled \$303,021. The County's portion of the captured tax capacity and related property taxes was approximately 35%. There are no provisions for recapturing abated taxes.

The County enters into property tax pay-as-you-go abatement agreements with local businesses pursuant to Minnesota Statutes 469.1812 through 469.1815. Under the statutes, the County may grant property tax abatements for the purpose of attracting and retaining business. Nobles County agrees to abate their respective share of the taxes received that are attributable to projects or stipulations provided in the agreements. If the taxpayers fail to perform their part of the agreement, the County will be repaid plus interest for the taxes abated. The County will recapture these abated taxes through continued operations of the local businesses and increased employment as stated in the agreements. The County abated taxes totaling \$18,445 for the year ending December 31, 2020, including the following tax abatement agreements:

- The County's share of the property tax generated by a building construction for a term of 10 years starting in 2020 with the annual amount of the tax abatement equal to 50% of the County's share of real estate taxes levied upon the facility. The construction provides employment opportunities, increase or preserve the tax base, assist in the construction of new public facilities, help renew blighted areas, help residents access services, and provide new public infrastructure within the County. The total amount of tax abatement estimated is \$8,839.

**NOBLES COUNTY
 WORTHINGTON, MINNESOTA
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2020**

NOTE 8 TAX ABATEMENTS (CONTINUED)

- The County's share of the property tax generated by a building construction for a term of 15 years starting in 2020 with the annual amount of the tax abatement equal to 67% of the County's share of real estate taxes levied upon the facility. The construction will increase or preserve the tax base of the County, help retain and expand commercial and industrial enterprise in the area, and provide employment opportunities. The total amount of tax abatement granted herein during said 15 year period shall not exceed \$150,000.

As of December 31, 2020, 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 2020 budgets as follows:

Fund	Expenditures	Budget	Excess
Major Governmental Funds:			
General Fund	\$ 14,941,235	\$ 12,977,329	\$ 1,963,906
Debt Service Fund	3,288,882	2,567,451	721,431
Other Governmental Funds:			
Ditch Fund	579,785	334,396	245,389
Building Fund	1,396,135	1,082,000	314,135

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

Negative Fund Balance

The Ditch Fund recorded a negative fund balance of \$(121,068). The amount will be recovered through special assessments and in the issuance of bonds in future years.

**NOBLES COUNTY
 WORTHINGTON, MINNESOTA
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2020**

NOTE 10 RESTATEMENT FOR CHANGE IN ACCOUNTING PRINCIPLE

During the year ended December 31, 2020, the County adopted new accounting guidance by implementing the provisions of Governmental Accounting Standards Board Statement (GASB) No. 84, *Fiduciary Activities*, which establishes criteria for identifying and reporting fiduciary activities. The implementation of this statement has resulted in changing the presentation of the financial statements by moving activity previously reported as agency funds to the Governmental Activities and including accruals and ending net position in custodial funds not previously required.

	Custodial Funds
Net Position, January 1, 2020, as Previously Reported	\$ -
Change in Accounting Principle	161,237
Net Position, January 1, 2020, as Restated	\$ 161,237

NOTE 11 SUBSEQUENT EVENT

On March 11, 2021, the President of the United State signed an amended version of the COVID Relief Package, the American Rescue Plan, which includes \$65.1 billion in direct, flexible aid for counties in America. The U.S. Department of the Treasury will oversee and administer payments of the State and Local Coronavirus Recovery Funds to state and local governments, for which every county is eligible to receive a direct allocation from the Treasury. Counties will receive funds in two tranches – 50 percent in 2021 and the remaining 50 percent no earlier than 12 months from the first payment. The U.S. Treasury is required to pay the first tranche to counties no later than 60-days after enactment. The County’s projected allocation of the State and Local Coronavirus Recovery Funds is \$4,194,811.

**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, 2020	Measurement Date June 30, 2019	Measurement Date June 30, 2018	Measurement Date June 30, 2017	Measurement Date June 30, 2016	Measurement Date June 30, 2015
PERA - General Employees Retirement Plan						
County's Proportion of the Net Pension Liability	0.1099%	0.1125%	0.1142%	0.1145%	0.1125%	0.1086%
County's Proportionate Share of the Net Pension Liability	\$ 6,589,007	\$ 6,219,873	\$ 6,335,348	\$ 7,309,604	\$ 9,134,442	\$ 5,628,216
State's Proportionate Share of the Net Pension Liability	\$ 203,201	\$ 193,158	\$ 207,730	\$ 91,939	\$ 119,227	\$ -
Total Proportionate Share of the Net Pension Liability	\$ 6,792,208	\$ 6,413,031	\$ 6,543,078	\$ 7,401,543	\$ 9,253,669	\$ 5,628,216
County's Covered Payroll	\$ 7,843,489	\$ 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	84.01%	78.00%	82.56%	101.21%	130.89%	86.66%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	79.10%	80.20%	79.50%	75.90%	68.90%	78.20%
PERA - Public Employees Police and Fire Plan						
County's Proportion of the Net Pension Liability	0.0916%	0.0958%	0.0923%	0.0860%	0.0900%	0.0900%
County's Proportionate Share of the Net Pension Liability	\$ 1,207,386	\$ 1,019,888	\$ 983,823	\$ 1,161,102	\$ 3,611,857	\$ 1,022,611
State's Proportionate Share of the Net Pension Liability	\$ 28,426	\$ -	\$ -	\$ -	\$ -	\$ -
Total Proportionate Share of the Net Pension Liability	\$ 1,235,812	\$ 1,019,888	\$ 983,823	\$ 1,161,102	\$ 3,611,857	\$ 1,022,611
County's Covered Payroll	\$ 1,035,924	\$ 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	116.55%	101.02%	101.18%	131.90%	418.46%	120.00%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	87.20%	89.30%	88.80%	85.40%	63.90%	82.30%
PERA - Local Government Correctional Plan						
County's Proportion of the Net Pension Liability	0.0595%	0.5868%	0.6212%	0.5900%	0.5900%	0.5800%
County's Proportionate Share of the Net Pension Liability	\$ 161,365	\$ 81,241	\$ 102,168	\$ 1,681,506	\$ 2,155,353	\$ 89,668
County's Covered Payroll	\$ 1,299,230	\$ 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	12.42%	6.47%	8.05%	143.45%	192.89%	8.63%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	96.70%	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 complied, 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**

	2020	2019	2018	2017	2016	2015	2014
PERA - General Employees Retirement Plan							
Statutorily Required Contribution	\$ 611,814	\$ 591,243	\$ 591,147	\$ 563,466	\$ 541,706	\$ 490,424	\$ 468,336
Contributions in Relation to the Statutorily Required Contribution	<u>(611,814)</u>	<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>	<u>\$ -</u>
County's Covered Payroll	\$ 8,157,520	\$ 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%	7.50%	7.25%
PERA - Public Employees Police and Fire Plan							
Statutorily Required Contribution	\$ 191,755	\$ 171,186	\$ 164,104	\$ 148,432	\$ 138,884	\$ 141,394	\$ 120,801
Contributions in Relation to the Statutorily Required Contribution	<u>(191,755)</u>	<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>	<u>\$ -</u>
County's Covered Payroll	\$ 1,083,362	\$ 1,009,947	\$ 1,012,988	\$ 916,247	\$ 857,309	\$ 872,802	\$ 789,549
Contributions as a Percentage of Covered Payroll	17.70%	16.95%	16.20%	16.20%	16.20%	16.20%	15.30%
PERA - Local Government Correctional Plan							
Statutorily Required Contribution	\$ 122,045	\$ 110,905	\$ 110,293	\$ 107,969	\$ 100,668	\$ 92,662	\$ 89,639
Contributions in Relation to the Statutorily Required Contribution	<u>(122,045)</u>	<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>	<u>\$ -</u>
County's Covered Payroll	\$ 1,394,800	\$ 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%	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**

	2020	2019	2018	2017
Total OPEB Liability				
Service Cost	\$ 32,767	\$ 24,809	\$ 23,963	\$ 16,848
Interest	12,869	13,666	11,093	9,547
Changes of Assumptions	22,472	46,023	(9,296)	(4,259)
Differences Between Expected and Actual Experience	(8,791)	(2,589)	22,994	227,170
Benefit Payments	<u>(27,873)</u>	<u>(27,326)</u>	<u>(30,101)</u>	<u>(19,509)</u>
Net Change in Total OPEB Liability	31,444	54,583	18,653	229,797
Total OPEB Liability - Beginning	375,805	321,222	302,569	72,772
Total OPEB Liability - Ending	<u>\$ 407,249</u>	<u>\$ 375,805</u>	<u>\$ 321,222</u>	<u>\$ 302,569</u>
Covered-Employee Payroll	\$ 9,606,056	\$ 9,177,575	\$ 9,721,318	\$ 9,415,320
County's Total OPEB Liability as a Percentage of Covered-Employee Payroll	4.2%	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.

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

**NOBLES COUNTY
 WORTHINGTON, MINNESOTA
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 YEAR ENDED DECEMBER 31, 2020**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 8,727,068	\$ 8,727,068	\$ 8,462,870	\$ (264,198)
Licenses and Permits	92,760	92,760	98,095	5,335
Intergovernmental	1,199,012	1,199,012	4,816,761	3,617,749
Charges for Services	1,449,843	1,449,843	1,027,931	(421,912)
Fines and Forfeits	3,000	3,000	32,428	29,428
Gifts and Contributions	-	-	16,258	16,258
Interest on Investments	256,000	256,000	179,944	(76,056)
Miscellaneous	803,763	803,763	837,719	33,956
Total Revenues	12,531,446	12,531,446	15,472,006	2,940,560
EXPENDITURES				
CURRENT				
GENERAL GOVERNMENT				
Commissioners	253,315	253,315	227,737	25,578
Courts	145,000	145,000	121,616	23,384
Law Library	20,000	20,000	3,181	16,819
County Administration	619,991	619,991	587,718	32,273
County Auditor-Treasurer	813,054	813,054	718,901	94,153
Finance	337,255	337,255	340,469	(3,214)
County Assessor	842,690	842,690	690,392	152,298
Elections	173,216	173,216	186,540	(13,324)
Data Processing	731,667	731,667	537,820	193,847
Central Services	47,216	47,216	361,072	(313,856)
Attorney	1,000,187	1,000,187	899,504	100,683
Recorder	341,642	341,642	280,438	61,204
Buildings and Plant	1,311,381	1,311,381	1,239,561	71,820
Veterans Service Officer	77,640	77,640	78,358	(718)
Planning and Zoning	144,462	144,462	135,829	8,633
Other General Government	404,930	404,930	390,550	14,380
Total General Government	7,263,646	7,263,646	6,799,686	463,960
PUBLIC SAFETY				
Sheriff	2,351,156	2,351,156	2,289,109	62,047
Coroner	60,000	60,000	63,180	(3,180)
County Jail	2,441,316	2,441,316	2,445,072	(3,756)
Civil Defense	87,495	87,495	78,733	8,762
Total Public Safety	4,939,967	4,939,967	4,876,094	63,873

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

**NOBLES COUNTY
 WORTHINGTON, MINNESOTA
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND (CONTINUED)
 YEAR ENDED DECEMBER 31, 2020**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
EXPENDITURES (CONTINUED)				
CURRENT (CONTINUED)				
CONSERVATION OF NATURAL RESOURCES				
County Extension	\$ 154,438	\$ 154,438	\$ 146,800	\$ 7,638
ECONOMIC DEVELOPMENT				
Economic Development	3,965	3,965	3,965	-
Economic Assistance	-	-	2,330,414	(2,330,414)
Community Development	92,503	92,503	153,417	(60,914)
Total Economic Development	96,468	96,468	2,487,796	(2,391,328)
INTERGOVERNMENTAL				
Culture and Recreation	193,278	193,278	235,258	(41,980)
CAPITAL OUTLAY	329,532	329,532	287,744	41,788
DEBT SERVICE				
Principal	-	-	99,460	(99,460)
Interest	-	-	8,397	(8,397)
Total Debt Service	-	-	107,857	(107,857)
Total Expenditures	12,977,329	12,977,329	14,941,235	(1,963,906)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(445,883)	(445,883)	530,771	976,654
OTHER FINANCING SOURCES (USES)				
Transfers In	11,500	11,500	6,100	(5,400)
Transfers Out	(5,500)	(5,500)	-	5,500
Proceeds from Capital Lease	-	-	21,079	21,079
Proceeds from Sale of Assets	15,000	15,000	21,767	6,767
Total Other Financing Sources (Uses)	21,000	21,000	48,946	27,946
NET CHANGE IN FUND BALANCE	\$ (424,883)	\$ (424,883)	579,717	\$ 1,004,600
Fund Balance - Beginning of Year			10,741,769	
FUND BALANCE - END OF YEAR			<u>\$ 11,321,486</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, 2020**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 1,112,127	\$ 1,112,127	\$ 1,106,988	\$ (5,139)
Licenses and Permits	46,000	46,000	61,031	15,031
Intergovernmental	7,628,496	7,628,496	4,482,728	(3,145,768)
Charges for Services	1,321,000	1,321,000	1,461,456	140,456
Miscellaneous	22,800	22,800	8,114	(14,686)
Total Revenues	10,130,423	10,130,423	7,120,317	(3,010,106)
EXPENDITURES				
CURRENT				
HIGHWAY AND STREETS				
Administration	271,679	271,679	291,554	(19,875)
Maintenance	1,600,956	1,600,956	1,997,168	(396,212)
Construction	4,556,602	4,556,602	1,512,588	3,044,014
Equipment and Maintenance Shops	1,454,823	1,454,823	1,055,160	399,663
Other	40,360	40,360	40,313	47
Total Highways and Streets	7,924,420	7,924,420	4,896,783	3,027,637
SANITATION				
Solid Waste	431,980	431,980	41,701	390,279
Recycling	476,802	476,802	313,910	162,892
Total Sanitation	908,782	908,782	355,611	553,171
CULTURE AND RECREATION				
Parks	183,628	183,628	166,916	16,712
CONSERVATION OF NATURAL RESOURCES				
Agricultural Inspection	125,543	125,543	94,978	30,565
Water Planning	407,072	407,072	317,173	89,899
Total Conservation of Natural Resources	532,615	532,615	412,151	120,464
INTERGOVERNMENTAL	534,600	534,600	550,436	(15,836)
CAPITAL OUTLAY	327,700	327,700	612,285	(284,585)
DEBT SERVICE				
Principal	40,000	40,000	100,101	(60,101)
Total Expenditures	10,451,745	10,451,745	7,094,283	3,357,462
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(321,322)	(321,322)	26,034	347,356
OTHER FINANCING SOURCES (USES)				
Loan Proceeds	180,000	180,000	136,119	(43,881)
NET CHANGE IN FUND BALANCE	<u>\$ (141,322)</u>	<u>\$ (141,322)</u>	162,153	<u>\$ 303,475</u>
Fund Balance - Beginning of Year			10,722,526	
Increase in Inventory			71,536	
FUND BALANCE - END OF YEAR			<u>\$ 10,956,215</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, 2020**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 3,719,470	\$ 3,719,470	\$ 3,623,983	\$ (95,487)
Licenses and Permits	2,500	2,500	2,660	160
Intergovernmental	4,198,129	4,198,129	3,869,149	(328,980)
Charges for Services	297,244	297,244	250,293	(46,951)
Miscellaneous	597,200	597,200	704,409	107,209
Total Revenues	8,814,543	8,814,543	8,450,494	(364,049)
EXPENDITURES				
CURRENT				
HUMAN SERVICES				
Income Maintenance	2,272,140	2,272,140	2,124,601	147,539
Social Services	5,188,603	5,188,603	4,071,300	1,117,303
Total Human Services	7,460,743	7,460,743	6,195,901	1,264,842
HEALTH				
Community Health	1,123,530	1,123,530	918,825	204,705
INTERGOVERNMENTAL	205,270	205,270	205,270	-
CAPITAL OUTLAY	25,000	25,000	25,175	(175)
Total Expenditures	8,814,543	8,814,543	7,345,171	1,469,372
NET CHANGE IN FUND BALANCE	\$ -	\$ -	1,105,323	\$ 1,105,323
Fund Balance - Beginning of Year			1,434,679	
FUND BALANCE - END OF YEAR			\$ 2,540,002	

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

**NOBLES COUNTY
 WORTHINGTON, MINNESOTA
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
 DECEMBER 31, 2020**

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 2020.

II. Excess of Expenditures Over Budget

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

Fund	Expenditures	Budget	Excess
General Fund	\$ 14,941,235	\$ 12,977,329	\$ 1,963,906

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

2020

Changes in Actuarial Assumptions:

- The price inflation assumption was decreased from 2.50% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.00%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.

**NOBLES COUNTY
WORTHINGTON, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2020**

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

General Employees Fund (Continued)

2020 (Continued)

- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions:

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

2019

Changes in Actuarial Assumptions

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

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.

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.

**NOBLES COUNTY
WORTHINGTON, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2020**

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

General Employees Fund (Continued)

2018 (Continued)

- 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.

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.

**NOBLES COUNTY
WORTHINGTON, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2020**

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

General Employees Fund (Continued)

2015 (Continued)

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

2020

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

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, 2020**

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, 2020**

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

2020

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

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.

**NOBLES COUNTY
WORTHINGTON, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2020**

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

Correctional Fund (Continued)

2018 (Continued)

- 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.

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, 2020**

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

2020

- The discount rate was changed from 3.26% to 2.12%

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%.

SUPPLEMENTARY INFORMATION

**NOBLES COUNTY
WORTHINGTON, MINNESOTA
DESCRIPTION OF FUNDS
DECEMBER 31, 2020**

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, 2020**

	Nonmajor Special Revenue Funds		
	Ditch	Building	Library
ASSETS			
Cash and Pooled Investments	\$ 92,602	\$ 1,551,601	\$ 504,194
Petty Cash and Change Funds	-	-	55
Taxes Receivable - Delinquent	-	-	5,506
Special Assessments Receivable:			
Delinquent	296	-	-
Noncurrent	199,413	-	-
Total Assets	<u>\$ 292,311</u>	<u>\$ 1,551,601</u>	<u>\$ 509,755</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ 104,596	\$ 155,222	\$ 4,927
Salaries Payable	934	-	5,779
Due to Other Funds	108,000	-	-
Due to Other Governments	140	-	874
Total Liabilities	<u>213,670</u>	<u>155,222</u>	<u>11,580</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Tax Related	-	-	5,506
Unavailable Revenue - Special Assessment Related	199,709	-	-
Total Deferred Inflows of Resources	<u>199,709</u>	<u>-</u>	<u>5,506</u>
FUND BALANCES			
Restricted:			
Donations	-	-	18,925
Committed:			
Building	-	1,396,379	-
Library	-	-	473,744
Property Forfeiture	-	-	-
Unassigned	(121,068)	-	-
Total Fund Balances	<u>(121,068)</u>	<u>1,396,379</u>	<u>492,669</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 292,311</u>	<u>\$ 1,551,601</u>	<u>\$ 509,755</u>

**NOBLES COUNTY
 WORTHINGTON, MINNESOTA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
 DECEMBER 31, 2020**

Nonmajor Special Revenue Funds		Nonmajor Capital Project Fund	Total Nonmajor Funds
Property Forfeiture	Total		
\$ 356,920	\$ 2,505,317	\$ -	\$ 2,505,317
-	55	-	55
666	6,172	-	6,172
-	296	-	296
-	199,413	-	199,413
<u>\$ 357,586</u>	<u>\$ 2,711,253</u>	<u>\$ -</u>	<u>\$ 2,711,253</u>
\$ -	\$ 264,745	\$ -	\$ 264,745
-	6,713	-	6,713
-	108,000	-	108,000
-	1,014	-	1,014
-	380,472	-	380,472
666	6,172	-	6,172
-	199,709	-	199,709
666	205,881	-	205,881
-	18,925	-	18,925
-	1,396,379	-	1,396,379
-	473,744	-	473,744
356,920	356,920	-	356,920
-	(121,068)	-	(121,068)
<u>356,920</u>	<u>2,124,900</u>	<u>-</u>	<u>2,124,900</u>
<u>\$ 357,586</u>	<u>\$ 2,711,253</u>	<u>\$ -</u>	<u>\$ 2,711,253</u>

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

	Nonmajor Special Revenue Funds		
	Ditch	Building	Library
REVENUES			
Taxes	\$ -	\$ 646,555	\$ 656,643
Special Assessments	161,524	-	-
Charges for Services	-	-	2,292
Gifts and Contributions	-	-	10,445
Miscellaneous	-	174,948	7,569
Total Revenues	161,524	821,503	676,949
EXPENDITURES			
CURRENT			
General Government	-	-	-
Culture and Recreation	-	-	624,938
Conservation of Natural Resources	579,785	-	-
Building and Plant	-	338,043	-
CAPITAL OUTLAY	-	1,058,092	-
Total Expenditures	579,785	1,396,135	624,938
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(418,261)	(574,632)	52,011
OTHER FINANCING SOURCES (USES)			
Transfers Out	(6,100)	-	-
NET CHANGE IN FUND BALANCES	(424,361)	(574,632)	52,011
Fund Balance - Beginning of Year	303,293	1,971,011	440,658
FUND BALANCE - END OF YEAR	<u>\$ (121,068)</u>	<u>\$ 1,396,379</u>	<u>\$ 492,669</u>

**NOBLES COUNTY
 WORTHINGTON, MINNESOTA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
 YEAR ENDED DECEMBER 31, 2020**

Nonmajor Special Revenue Funds		Nonmajor Capital Project Fund	Total Nonmajor Funds
Property Forfeiture	Total		
\$ 62,741	\$ 1,365,939	\$ -	\$ 1,365,939
-	161,524	-	161,524
-	2,292	-	2,292
-	10,445	-	10,445
4,820	187,337	7,084	194,421
67,561	1,727,537	7,084	1,734,621
2,606	2,606	-	2,606
-	624,938	-	624,938
-	579,785	-	579,785
-	338,043	-	338,043
-	1,058,092	172,687	1,230,779
2,606	2,603,464	172,687	2,776,151
64,955	(875,927)	(165,603)	(1,041,530)
-	(6,100)	-	(6,100)
64,955	(882,027)	(165,603)	(1,047,630)
291,965	3,006,927	165,603	3,172,530
<u>\$ 356,920</u>	<u>\$ 2,124,900</u>	<u>\$ -</u>	<u>\$ 2,124,900</u>

**NOBLES COUNTY
 WORTHINGTON, MINNESOTA
 BUDGETARY COMPARISON SCHEDULE
 DEBT SERVICE FUND
 YEAR ENDED DECEMBER 31, 2020**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 879,874	\$ 879,874	\$ 858,648	\$ (21,226)
Intergovernmental	1,108,125	1,108,125	1,108,125	-
Interest on Investments	94,147	94,147	3,078	(91,069)
Miscellaneous	199,975	199,975	257,263	57,288
Total Revenues	<u>2,282,121</u>	<u>2,282,121</u>	2,227,114	(55,007)
EXPENDITURES				
DEBT SERVICE				
Principal	2,056,250	2,056,250	2,765,000	(708,750)
Interest	416,304	416,304	496,992	(80,688)
Administrative (Fiscal) Charges	94,897	94,897	26,890	68,007
Total Debt Service	<u>2,567,451</u>	<u>2,567,451</u>	3,288,882	(721,431)
Total Expenditures	<u>2,567,451</u>	<u>2,567,451</u>	3,288,882	(721,431)
NET CHANGE IN FUND BALANCE	<u>\$ (285,330)</u>	<u>\$ (285,330)</u>	(1,061,768)	<u>\$ (776,438)</u>
Fund Balance - Beginning of Year			<u>5,740,227</u>	
FUND BALANCE - END OF YEAR			<u>\$ 4,678,459</u>	

**NOBLES COUNTY
 WORTHINGTON, MINNESOTA
 BUDGETARY COMPARISON SCHEDULE
 DITCH FUND
 YEAR ENDED DECEMBER 31, 2020**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Special Assessments	\$ 337,436	\$ 337,436	\$ 161,524	\$ (175,912)
Miscellaneous Revenue	<u>3,000</u>	<u>3,000</u>	<u>-</u>	<u>(3,000)</u>
Total Revenues	340,436	340,436	161,524	(178,912)
EXPENDITURES				
CURRENT				
CONSERVATION OF NATURAL RESOURCES				
Other	<u>334,396</u>	<u>334,396</u>	<u>579,785</u>	<u>(245,389)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	6,040	6,040	(418,261)	(424,301)
OTHER FINANCING SOURCES (USES)				
Transfers Out	<u>(6,040)</u>	<u>(6,040)</u>	<u>(6,100)</u>	<u>(60)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	(424,361)	<u>\$ (424,361)</u>
Fund Balance - Beginning of Year			<u>303,293</u>	
FUND BALANCE - END OF YEAR			<u>\$ (121,068)</u>	

**NOBLES COUNTY
 WORTHINGTON, MINNESOTA
 BUDGETARY COMPARISON SCHEDULE
 BUILDING SPECIAL REVENUE FUND
 YEAR ENDED DECEMBER 31, 2020**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property Taxes	\$ 665,000	\$ 665,000	\$ 646,555	\$ (18,445)
Miscellaneous	42,000	42,000	174,948	132,948
Total Revenues	<u>707,000</u>	<u>707,000</u>	821,503	114,503
EXPENDITURES				
CURRENT				
BUILDING AND PLANT				
Building and Plant	707,000	707,000	338,043	368,957
CAPITAL OUTLAY	<u>375,000</u>	<u>375,000</u>	1,058,092	<u>(683,092)</u>
Total Expenditures	<u>1,082,000</u>	<u>1,082,000</u>	1,396,135	<u>(314,135)</u>
NET CHANGE IN FUND BALANCE	<u>\$ (375,000)</u>	<u>\$ (375,000)</u>	(574,632)	<u>\$ (199,632)</u>
Fund Balance - Beginning of Year			1,971,011	
FUND BALANCE - END OF YEAR			<u>\$ 1,396,379</u>	

**NOBLES COUNTY
 WORTHINGTON, MINNESOTA
 BUDGETARY COMPARISON SCHEDULE
 LIBRARY SPECIAL REVENUE FUND
 YEAR ENDED DECEMBER 31, 2020**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 673,772	\$ 673,772	\$ 656,643	\$ (17,129)
Charges for Services	4,925	4,925	2,292	(2,633)
Gifts and Contributions	-	-	10,445	10,445
Miscellaneous	6,400	6,400	7,569	1,169
Total Revenues	685,097	685,097	676,949	(8,148)
EXPENDITURES				
CURRENT				
CULTURE AND RECREATION				
County/Regional Library	685,097	685,097	624,938	60,159
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	52,011	<u>\$ 52,011</u>
Fund Balance - Beginning of Year			440,658	
FUND BALANCE - END OF YEAR			<u>\$ 492,669</u>	

**NOBLES COUNTY
 WORTHINGTON, MINNESOTA
 BUDGETARY COMPARISON SCHEDULE
 PROPERTY FORFEITURE SPECIAL REVENUE FUND
 YEAR ENDED DECEMBER 31, 2020**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 64,000	\$ 64,000	\$ 62,741	\$ (1,259)
Miscellaneous	5,000	5,000	4,820	(180)
Total Revenues	69,000	69,000	67,561	(1,439)
EXPENDITURES				
CURRENT				
GENERAL GOVERNMENT				
Other General Government	69,000	69,000	2,606	66,394
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	64,955	<u>\$ 64,955</u>
Fund Balance - Beginning of Year			291,965	
FUND BALANCE - END OF YEAR			<u>\$ 356,920</u>	

**NOBLES COUNTY
WORTHINGTON, MINNESOTA
DESCRIPTION OF CUSTODIAL FUNDS
YEAR ENDED DECEMBER 31, 2020**

CUSTODIAL FUNDS

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

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

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

The Estate Recoveries Fund is used to account for the State's portion of estates recovered from individuals that are on medical assistance and other state programs.

The State Revenue Fund is used to account for receipts collected on behalf of the state of Minnesota.

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

	Custodial Funds		
	Taxes and Penalties	Jail Inmate	Sheriff Trust
ASSETS			
Cash and Pooled Investments	\$ 380,485	\$ 17,623	\$ 250
Taxes for Other Governments	336,240	-	-
Total Assets	716,725	17,623	250
LIABILITIES			
Due to Other Governments	259,937	-	-
DEFERRED INFLOWS OF RESOURCES			
Taxes Collected for Subsequent Period	120,548	-	-
NET POSITION			
Restricted:			
Individuals, Organizations, and Other Governments	\$ 336,240	\$ 17,623	\$ 250

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

Custodial Funds		Total Custodial Funds
Estate Recoveries	State Revenue	
\$ 114,849	\$ 99,922	\$ 613,129
-	-	336,240
114,849	99,922	949,369
114,849	99,922	474,708
-	-	120,548
\$ -	\$ -	\$ 354,113

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

	Custodial Funds		
	Taxes and Penalties	Jail Inmate	Sheriff Trust
ADDITIONS			
Contributions:			
Individuals	\$ -	\$ 148,325	\$ 450,278
Taxes for Other Governments	23,399,462	-	-
Licenses and Fees Collected for State	-	-	-
Total Additions	<u>23,399,462</u>	<u>148,325</u>	<u>450,278</u>
DEDUCTIONS			
Beneficiary Payments to Individuals	-	158,676	-
Payments to State	-	-	-
Payments to Other Governments	23,191,582	-	454,931
Total Deductions	<u>23,191,582</u>	<u>158,676</u>	<u>454,931</u>
NET INCREASE (DECREASE) IN FIDUCIARY NET POSITION	207,880	(10,351)	(4,653)
Fiduciary Net Position - Beginning of Year	-	-	-
Restatement for Change in Accounting Principle	128,360	27,974	4,903
Fiduciary Net Position - Beginning of Year, As Restated	<u>128,360</u>	<u>27,974</u>	<u>4,903</u>
FIDUCIARY NET POSITION - END OF YEAR	<u>\$ 336,240</u>	<u>\$ 17,623</u>	<u>\$ 250</u>

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

<u>Custodial Funds</u>		
<u>Estate Recoveries</u>	<u>State Revenue</u>	<u>Total Custodial Funds</u>
\$ -	\$ -	\$ 598,603
-	-	23,399,462
<u>203,615</u>	<u>6,184,697</u>	<u>6,388,312</u>
203,615	6,184,697	30,386,377
-	-	158,676
203,615	-	203,615
-	<u>6,184,697</u>	<u>29,831,210</u>
<u>203,615</u>	<u>6,184,697</u>	<u>30,193,501</u>
-	-	192,876
-	-	-
-	-	<u>161,237</u>
-	-	161,237
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 354,113</u>

**NOBLES COUNTY
 WORTHINGTON, MINNESOTA
 SCHEDULE OF INTERGOVERNMENTAL REVENUE
 YEAR ENDED DECEMBER 31, 2020**

	<u>Total Primary Government</u>
SHARED REVENUE	
STATE	
Highway Users Tax	\$ 4,427,474
County Program Aid	798,539
PERA Indirect Aid	25,828
Disparity Reduction Aid	68,485
Police Aid	120,501
Enhanced 911	95,857
Aquatic Invasive Species	51,135
Riparian Protection Aid	137,165
Market Value Credit	<u>324,512</u>
Total Shared Revenue	6,049,496
REIMBURSEMENT FOR SERVICES	
STATE	
Minnesota Department of Human Services	948,147
PAYMENTS	
Local	
Local - Payments in Lieu of Taxes	260,305
GRANTS	
STATE	
Minnesota Department of Health	226,025
Human Services	789,031
Natural Resources	41,723
Public Safety	19,510
Transportation	268,245
Finance	433,707
Veterans Services	10,000
Water and Soil Resources Board	32,220
Secretary of State	47,291
Pollution Control Agency	175,450
Peace Officer Standards and Training Board	<u>13,173</u>
Total State	2,056,375
FEDERAL	
Department of Agriculture	469,614
Education	2,024
Justice	40,435
Treasury	2,745,503
Health and Human Services	1,563,446
Homeland Security	122,570
Federal Election Commission	<u>18,848</u>
Total Federal	<u>4,962,440</u>
Total State and Federal Grants	<u>7,018,815</u>
Total Intergovernmental Revenue	<u><u>\$ 14,276,763</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, 2020, 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 September 16, 2021.

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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 2020-001 through 2020-004 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 2020-005 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Alexandria, Minnesota
September 16, 2021



**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, 2020. 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, 2020.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2020-007. 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.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as items 2020-006 and 2020-007, that we consider to be significant deficiencies.

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.



CliftonLarsonAllen LLP

Alexandria, Minnesota
September 16, 2021

**NOBLES COUNTY
 WORTHINGTON, MINNESOTA
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 DECEMBER 31, 2020**

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

Type of auditors’ report issued: *Unmodified*

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:

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

Type of auditors’ 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>
21.019	COVID-19 Coronavirus Relief Fund
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, 2020**

SECTION II – FINANCIAL STATEMENT FINDINGS

2020-001 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 2019-001.

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, 2020**

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

2020-002 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 transfers, cash, due from other governments, due to other governments, loans receivable, and fund balance, to reverse prior year audit adjustments that were not reversed in the current year, to implement GASB 84 and properly state balances in the custodial funds and applicable governmental funds also affected by the implementation, and to record highway receivables and deferred inflows.

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 2019-002.

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.

2020-003 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 2019-003.

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, 2020**

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

2020-004 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 2019-004.

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, 2020**

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

2020-005 Bank Reconciliations

Type of Finding: Significant Deficiency in Internal Control Over Financial Reporting

Criteria: A cash reconciliation that reconciles from the bank balance to the general ledger balance should be prepared and reviewed monthly to determine that all cash transactions have been recorded properly and to discover bank errors.

Condition and Context: A cash reconciliation is performed, however it is not completed and reviewed timely. The December 2020 bank reconciliation was completed 6 months after year end. Additionally, differences between the bank and general ledger balances were properly identified, however, adjustments are not posted to eliminate aged reconciling items.

Cause: Past practice and employee turnover.

Effect: The lack of timely and complete review and reconciliation could result in errors going undetected.

Repeat Finding: No.

Recommendation: We recommend management implement procedures to ensure cash balances are reconciled in a timely manner, and all related cash adjustments are posted to the general ledger. A benefit of timely reconciliations is that errors do not accumulate but can be identified and attributed to a particular period, which makes it easier to perform future reconciliations.

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, 2020**

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2020-006 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: 2005MN5ADM, 2005MN5MAP
Award Periods: Year ended December 31, 2020

Type of Finding: Significant Deficiency in Internal Control Over 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’s internal controls do not include a process to review and ensure accuracy of METS case files.

Questioned Costs: None.

Cause: Changing guidance regarding program.

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

Repeat Finding: Yes, previously reported as finding 2019-008

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.

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, 2020**

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

2020-007 Special Provisions

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: 2005MN5ADM, 2005MN5MAP
Award Periods: Year ended December 31, 2020

Type of Finding: Significant Deficiency in Internal Control Over Compliance and Compliance

Criteria: The contract between the Minnesota Department of Human Services and Nobles County states that the County is required to review all reports submitted for accuracy and timeliness and retain a paper copy of all submitted reports.

Condition and Context: 2 of 2 3220 LCTS reports tested were missing signatures of approval by the fiscal reporting and payment agent and paper copies of all submitted reports were not kept 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: The County does not have adequate controls in place to ensure review of reports, and retention of applicable supporting documentation.

Effect: A reimbursement might be made for an activity that is not allowable.

Repeat Finding: No.

Recommendation: We recommend management review the contract with MN DHS and implement proper review and approval of all LCTS reports as well as keep a paper copy of all submitted reports on file.

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, 2020**

SECTION IV – OTHER ITEMS FOR CONSIDERATION – MINNESOTA LEGAL COMPLIANCE

2020-008 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 in the last few years 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 2019-010.

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.

2020-009 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 and did not have time to follow up with the appropriate procedures after the 2019 audit.

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

Repeat Finding: Yes, previously reported as finding 2019-011.

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, 2020**

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

2020-010 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 2019-012.

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.

2020-011 Ditch Balances

Criteria: Minnesota Statute § 103E.655 requires the counties to maintain positive ditch balances. If money is not available in the drainage system account on which the warrant is drawn, the board may, by unanimous resolution, transfer funds from any other drainage system account under its jurisdiction or from the county general revenue fund to the drainage system account. If the board transfers money from another account or fund to a drainage system account, the money plus interest must be reimbursed from the proceeds of the drainage system that received the transfer. The interest must be computed for the time the money is actually needed at the same rate per year charged on drainage liens and assessments.

Condition and Context: The county's individual ditches are in a deficit. Interest is not computed.

Cause: County has been limited to levying up to 50% of the ditch benefit on an annual basis and expenditures have exceeded the levy amount.

Effect: The County has not complied with Minn. Stat. § 103E.655.

Repeat Finding: No.

Recommendation: We recommend the County monitor each individual ditch and make appropriate transfers in accordance with MN Statute § 103E.655.

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, 2020**

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

2020-012 Timely Payment to Taxing Districts

Criteria: Minnesota Statute § 276.111 requires that on or before January 25, the treasurer pay to each of the taxing districts the balance of the tax amounts collected on behalf of each taxing district.

Condition and Context: Tax distribution checks were issued after January 25th.

Cause: Misunderstanding of the state statutes.

Effect: The County has not complied with Minn. Stat. § 276.111.

Repeat Finding: No.

Recommendation: We recommend the County implement procedures to ensure tax payments to taxing districts are made on or before January 25th.

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

SECTION V – PREVIOUSLY REPORTED ITEMS RESOLVED

2019-005 Capital Asset Recording

2019-006 Unauthorized Bank Signer

2019-007 Child Support Enforcement Allowable Costs

2019-009 Medical Assistance Reporting

2019-013 Prompt Payment of Local Government Bills

**NOBLES COUNTY
WORTHINGTON, MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2020**

Federal Grantor Pass Through Agency Program or Cluster Title	Federal CFDA Number	Pass-through Grant Numbers	Expenditures	Passed Through to Subrecipients
U.S. Department of Agriculture				
Passed Through Minnesota Department of Health Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	10.557	12-700-00061	\$ 245,243	\$ -
Passed Through Minnesota Department of Human Services State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (Total SNAP Cluster \$224,371) Total Department of Agriculture	10.561	202MN101S2514	224,371 <u>469,614</u>	- -
U.S. Department of Justice				
Pass Through Minnesota Department of Public Safety Crime Victim Assistance	16.575	F-CVS-2020-NOBLES AO	40,435	-
U.S. Department of Treasury				
Pass Through Minnesota Department of Management and Budget COVID-19 Coronavirus Relief Fund	21.019	STL0016	2,727,553	1,903,339
Pass Through City of Ellsworth COVID-19 Coronavirus Relief Fund	21.019	STL0016	3,600	-
Pass Through City of Round Lake COVID-19 Coronavirus Relief Fund	21.019	STL0016	6,850	-
Pass Through Bigelow Township COVID-19 Coronavirus Relief Fund Total COVID-19 Coronavirus Relief Fund	21.019	STL0016	7,500 <u>2,745,503</u>	- 1,903,339
U.S. Department of Education				
Passed Through Minnesota Department of Health Special Education-Grants for Infants and Families	84.181	H12HP907	2,024	-
U.S. Federal Election Assistance Commission				
Passed Through Minnesota Department of Management and Budget COVID-19 2018 HAVA Election Security Grants	90.404	EAC201908MN COVID	18,848	-
U.S. Department of Health and Human Services				
Passed Through Minnesota Department of Health Public Health Emergency Preparedness Hospital Preparedness Program and Public Health Emergency Preparedness	93.069	H12H675F	8,410	-
Early Hearing Detection and Intervention	93.074	6NU90TP921911-01-04S	22,696	-
Temporary Assistance for Needy Families (Total TANF \$64,036)	93.251	12-700-00104	800	-
Maternal and Child Health Services Block Grant to the States	93.558	H12H368F	10,384	-
	93.994	H12H301F	46,851	-
Passed Through Minnesota Department of Human Services Promoting Safe and Stable Families	93.556	2001MNFPS	4,100	-
Temporary Assistance for Needy Families (Total TANF \$64,036)	93.558	2001MNTANF	53,652	-
Child Support Enforcement	93.563	2001MNCSES	98,713	-
Child Support Enforcement (Total Child Support Enforcement \$305,956)	93.563	2001MNCES	207,243	-
Refugee and Entrant Assistance	93.566	2001MNR CMA	274	-
Community-Based Child Abuse Prevention Grants	93.590	1901MNBCAP	1,498	-
Child Care Mandatory and Matching Funds of the Child Care and Development Fund (Total CCDF Cluster \$5,041)	93.575	2001MNC CDF	5,041	-
Stephanie Tubbs Jones Child Welfare Services Program	93.645	2001MNCWSS	2,493	-
Foster Care - Title IV-E	93.658	2001MNFOST	80,003	-
Social Services Block Grant	93.667	2001MNSOSR	109,189	-
Chafee Foster Care Independence Program	93.674	2001MNCILP	1,288	-
Children's Health Insurance Program	93.767	2005MN5R21	466	-
Medical Assistance Program (Total Medicaid Cluster \$899,947)	93.778	2005MN5MAP	8,894	-
Medical Assistance Program (Total Medicaid Cluster \$899,947) Total Department of Health and Human Services	93.778	2005MN5ADM	891,053 <u>1,553,048</u>	- -
U.S. Department of Homeland Security				
Passed Through Minnesota Department of Public Safety Disaster Grants - Public Assistance	97.036	DR4442 PW1175	122,570	-
Total Expenditures of Federal Awards			<u>\$ 4,952,042</u>	<u>\$ 1,903,339</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

**NOBLES COUNTY
 WORTHINGTON, MINNESOTA
 NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED DECEMBER 31, 2020**

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, 2020. 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, except for CFDA 21.019 which follows criteria determined by the Department of Treasury for allowable costs. 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 RECONCILIATION

Reconciliation to the schedule of intergovernmental revenue:

Federal Grant Revenue Per Schedule of Intergovernmental Revenue	\$ 4,962,440
Revenues Included on the Schedule of Intergovernmental Revenue that are not Considered 2019 Federal Grant Expenditures (Prior Year Deferred Inflows of Resources)	(10,398)
Expenditures Included on the Schedule of Expenditures of Federal Awards that are not Considered 2020 Intergovernmental Revenues (Current Year Deferred Inflows of Resources)	-
Expenditures per Schedule of Expenditures of Federal Awards	<u>\$ 4,952,042</u>



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, 2020, and the related notes to the financial statements which collectively comprise the County's basic financial statements and have issued our report thereon dated September 16, 2021.

In connection with our audit, we noted that Nobles County failed to comply with provisions of the miscellaneous provisions and claims and disbursements sections of *Minnesota Legal Compliance Audit Guide for Counties*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, in so far as they relate to accounting matters as described in the schedule of findings and questioned costs as items 2020-008 and 2020-012. Also, 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, conflicts of interest, deposits and investments and public indebtedness 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. 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

Alexandria, Minnesota
September 16, 2021



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