

**NOBLES COUNTY
WORTHINGTON, MINNESOTA**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2021



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WORTHINGTON, MINNESOTA
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WORTHINGTON, MINNESOTA
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INTRODUCTORY SECTION

**NOBLES COUNTY
 WORTHINGTON, MINNESOTA
 ORGANIZATION SCHEDULE
 DECEMBER 31, 2021**

Office	Name	Term Expires
Commissioners		
1 st District	Justin Ahlers	December 31, 2024
2 nd District	Gene Metz*	December 31, 2022
3 rd District	Bob Paplow	December 31, 2024
4 th District	Robert Demuth	December 31, 2024
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	Ryan Kruger	December 31, 2022
Appointed		
County Administrator	Bruce Heitkamp	Indefinite
Assessor	Valerie Ruesch	December 31, 2023
Court Administrator	Lori Klein	Terminated March 2022
Coroner	Dr. Kelly Mills****	December 31, 2021
Highway Engineer	Aaron Holmbeck	September 30, 2022

* = Chair 2021

** = Vice-Chair 2021

****Contracted with Ramsey County

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

Board of County Commissioners
Nobles County
Worthington, Minnesota

Report on the Audit of the Financial Statements

Opinions

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), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

In our opinion, the 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 the County, as of December 31, 2021, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the County's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the County's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of changes in the County's total OPEB liability and related ratios, schedule of the County's proportionate share of the net pension liability (asset), schedule of pension contributions, and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the 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 GAAS, 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 the County's basic financial statements. The combining and individual fund financial statements and schedules, the combining statement of fiduciary net position, combining statement of changes in fiduciary net position, the schedule of intergovernmental revenues, and the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the combining and individual fund financial statements and schedules, the combining statement of fiduciary net position, combining statement of changes in fiduciary net position, the schedule of intergovernmental revenues, and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 2022, on our consideration of the 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 the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.


CliftonLarsonAllen LLP

Alexandria, Minnesota
September 21, 2022

REQUIRED SUPPLEMENTARY INFORMATION

**NOBLES COUNTY
WORTHINGTON, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2021**

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, 2021. 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 \$98,453,131 of which \$75,057,563 is the net investment in capital assets and \$13,370,643 is restricted for specific purposes.
- Governmental funds revenues totaled \$37,426,335 and were \$3,800,647 more than expenditures in 2021.
- Governmental funds combined fund balances totaled \$35,562,821 at December 31, 2021. This was an increase of \$3,941,759 over fund balance at December 31, 2020.
- The General Fund's fund balance increased by \$540,982 during 2021 with revenues over budget by \$394,009 and expenditures under budget by \$228,672.

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:

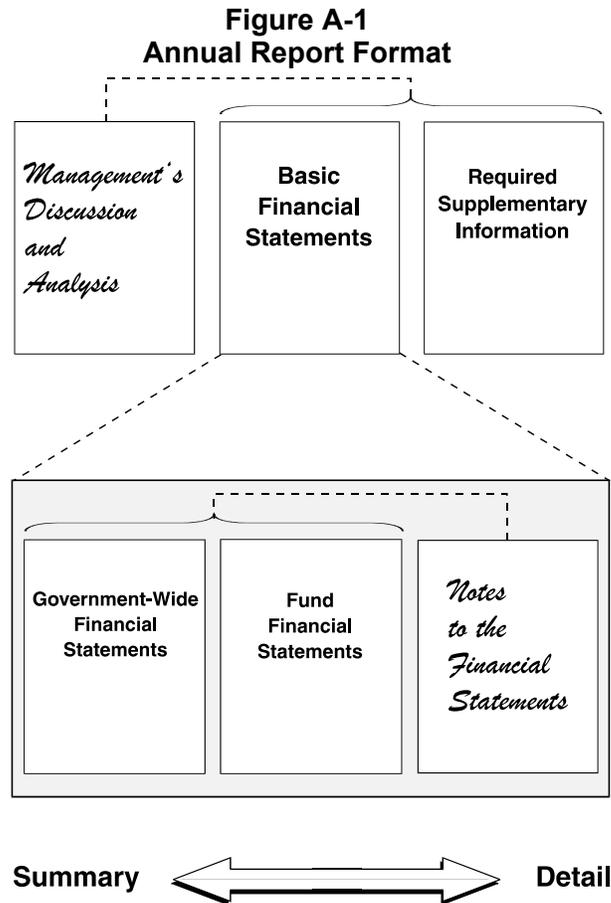
- The first two statements are County-wide financial statements which provide both short-term and long-term information about the County's overall financial status.
- The remaining statements are fund financial statements which focus on individual parts of the County, reporting the County's operations 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, 2021**

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, 2021**

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, 2021**

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, 2021**

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

Net Position

The County's total net position was \$98,453,131 on December 31, 2021 (see Table A-1).

Table A-1
 The County's Net Position

	Governmental Activities	
	2021	2020
Current and Other Assets	\$ 44,681,603	\$ 37,929,262
Capital Assets	81,029,592	79,822,175
Total Assets	125,711,195	117,751,437
Deferred Outflows of Resources	5,402,801	1,470,472
Current Liabilities	3,683,178	1,524,056
Long-Term Liabilities	21,783,475	27,008,816
Total Liabilities	25,466,653	28,532,872
Deferred Inflows of Resources	7,194,212	1,856,294
Net Position		
Net Investment in Capital Assets	75,057,563	72,586,050
Restricted	13,370,643	11,677,779
Unrestricted	10,024,925	4,568,914
Total Net Position	\$ 98,453,131	\$ 88,832,743

**NOBLES COUNTY
 WORTHINGTON, MINNESOTA
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 YEAR ENDED DECEMBER 31, 2021**

CHANGE IN NET POSITION

The County-wide total revenues were \$37,773,131 for the year ended December 31, 2021 (a decrease of \$344,309). This decrease is primarily attributable to a decrease in intergovernmental revenues slightly offset by an increase in local sales tax revenues. Property taxes and operating and capital grants and contributions accounted for 72% of total revenue for the year (see Table A-2).

Table A-2
 Change in Net Position

	Governmental Activities		Total % Change
	2021	2020	
REVENUES			
<u>Program Revenues</u>			
Charges for Services	\$ 4,789,994	\$ 3,922,029	22.1 %
Operating Grants and Contributions	12,093,842	14,898,855	(18.8)
Capital Grants and Contributions	420,791	969,361	(56.6)
<u>General Revenues</u>			
Property Taxes	14,546,749	14,374,855	1.2
Local Sales Tax	1,473,231	-	100.0
Other	4,448,524	3,952,340	12.6
Total Revenues	<u>37,773,131</u>	<u>38,117,440</u>	(0.9)
EXPENSES			
General Government	7,198,678	7,656,732	(6.0)
Public Safety	4,496,241	4,755,251	(5.4)
Highways and Streets	5,765,445	6,229,782	(7.5)
Sanitation	378,706	359,200	5.4
Human Services	5,887,904	6,137,751	(4.1)
Health	683,158	892,223	(23.4)
Culture and Recreation	994,883	1,000,051	(0.5)
Conservation of Natural Resources	1,602,194	1,156,210	38.6
Economic Development	575,957	2,487,796	(76.8)
Buildings and Plant	89,605	340,903	(73.7)
Interest	479,972	424,704	13.0
Total Expenses	<u>28,152,743</u>	<u>31,440,603</u>	(10.5)
CHANGE IN NET POSITION	9,620,388	6,676,837	44.1
Net Position - Beginning of Year	88,832,743	82,155,906	8.1
NET POSITION - END OF YEAR	<u>\$ 98,453,131</u>	<u>\$ 88,832,743</u>	10.8

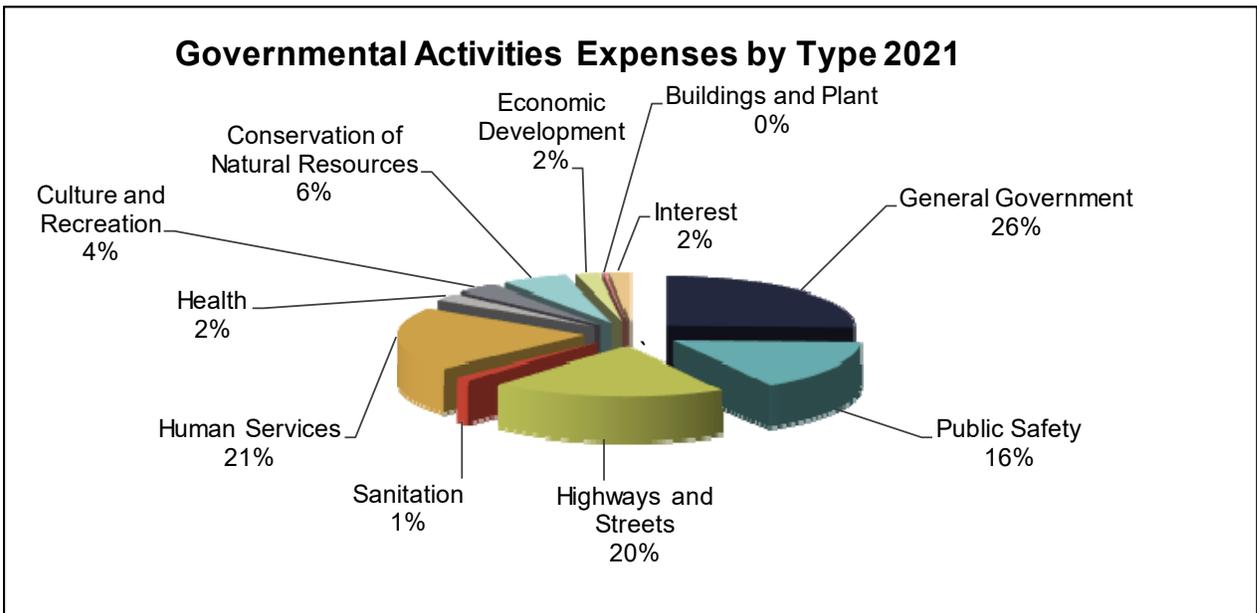
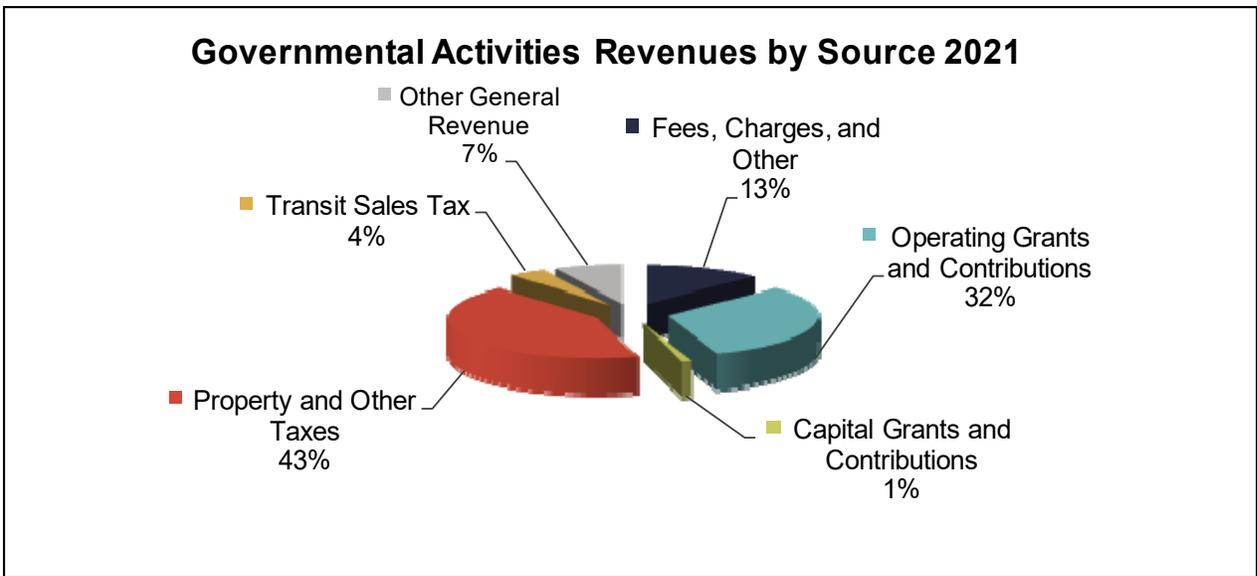
Total revenues exceeded expenses, increasing net position \$9,620,388 over last year. The net change is primarily due wind tax revenue, local sales tax revenue, and other miscellaneous revenue exceeding expenses.

**NOBLES COUNTY
 WORTHINGTON, MINNESOTA
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 YEAR ENDED DECEMBER 31, 2021**

CHANGE IN NET POSITION (CONTINUED)

The County-wide cost of all governmental activities this year was \$28,152,743.

- Some of the cost was paid by the users of the County's programs (\$4,789,994).
- The federal and state governments subsidized certain programs with grants and contributions (\$12,514,633).
- The remainder of the County's governmental activities costs (\$10,848,116) was paid for by taxpayers. This portion of governmental activities was paid from the combination of \$16,187,265 in property and other taxes (excluding sales tax), \$1,473,231 in local sales tax, \$1,444,799 of state aid, and \$1,363,209 in investment earnings and other general revenues.



**NOBLES COUNTY
WORTHINGTON, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2021**

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
	2021	2020		2021	2020	
GOVERNMENTAL ACTIVITIES						
General Government	\$ 7,198,678	\$ 7,656,732	(6.0)%	\$ 6,119,330	\$ 6,178,364	(1.0)%
Public Safety	4,496,241	4,755,251	(5.4)	3,632,183	3,943,819	(7.9)
Highways and Streets	5,765,445	6,229,782	(7.5)	(2,602,436)	(2,258,096)	15.2
Sanitation	378,706	359,200	5.4	(676,639)	(684,836)	1.2
Human Services	5,887,904	6,137,751	(4.1)	1,798,351	2,184,697	(17.7)
Health	683,158	892,223	(23.4)	(182,352)	233,405	(178.1)
Culture and Recreation	994,883	1,000,051	(0.5)	886,391	868,458	2.1
Conservation of Natural Resources	1,602,194	1,156,210	38.6	740,929	707,246	4.8
Economic Development	575,957	2,487,796	(76.8)	562,782	(288,306)	(295.2)
Buildings and Plant	89,605	340,903	(73.7)	89,605	340,903	(73.7)
Interest	479,972	424,704	13.0	479,972	424,704	13.0
Total	<u>\$ 28,152,743</u>	<u>\$ 31,440,603</u>	(10.5)	<u>\$ 10,848,116</u>	<u>\$ 11,650,358</u>	(6.9)

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 \$35,562,821. Revenues for the County's governmental funds were \$37,426,335, while total expenditures were \$33,625,688.

The General Fund includes the primary operations of the County in providing services to citizens. The General Fund's fund balance increased by \$540,982 during 2021 with revenues over budget by \$394,009 and expenditures under budget by \$228,672.

The Public Works Fund increased its fund balance from \$10,956,215 in 2020 to \$13,882,409 in 2021. The increase is due to intergovernmental revenue exceeding current year construction costs. Of the total fund balance, 8.30% is set aside for resource conservation and development.

The Family Services Fund revenues were under budget during 2021 by \$333,025 and expenditures were under budget during 2021 by \$1,397,923 resulting in a fund balance increase of \$1,387,595 during 2021. The increase was due to a social services expenditures being underbudget.

The Ditch Fund expenditures exceeded revenues by \$536,137, which is due to expenditures incurred in 2021 for a project that will be financed by bonds issued in 2022.

The Debt Service Fund expenditures exceeded revenues by \$914,550, 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, 2021**

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
	2021	2020	(Decrease)	
Taxes	\$ 9,042,225	\$ 8,462,870	\$ 579,355	6.8 %
Intergovernmental	1,904,769	4,816,761	(2,911,992)	(60.5)
Charges for Services	1,101,066	1,027,931	73,135	7.1
Gifts and Contributions	5,250	16,258	(11,008)	(67.7)
Interest on Investments	69,289	179,944	(110,655)	(61.5)
Miscellaneous and Other	918,491	968,242	(49,751)	(5.1)
Total General Fund Revenues	\$ 13,041,090	\$ 15,472,006	\$ (2,430,916)	(15.7)

General fund revenues decreased by \$2,430,916, or 15.7%, from the previous year due primarily to a decrease in intergovernmental revenue. Intergovernmental revenue decreased 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	
	December 31, 2021	December 31, 2020	Increase (Decrease)	Percent
General Government	\$ 6,475,717	\$ 6,799,686	\$ (323,969)	(4.8)%
Public Safety	4,815,445	4,876,094	(60,649)	(1.2)
Conservation of Natural Resources	133,761	146,800	(13,039)	(8.9)
Economic Development	575,957	2,487,796	(1,911,839)	(76.8)
Intergovernmental	196,514	235,258	(38,744)	(16.5)
Capital Outlay	299,100	287,744	11,356	3.9
Debt Service	76,996	107,857	(30,861)	(28.6)
Total Expenditures	\$ 12,573,490	\$ 14,941,235	\$ (2,367,745)	(15.8)

General Fund expenditures decreased by \$2,367,745 or 15.8%, from the previous year due to decreased economic development expenditures. Economic development expenditures decreased due to 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, 2021**

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 2021, the County Board of Commissioners made no budgetary amendments/revisions.

- General Fund actual revenues were over budget by \$394,009. Intergovernmental revenues exceeded budget by \$706,998 as the state aid received for relief grants related to the COVID-19 pandemic was not budgeted for.
- Actual expenditures were under budget by \$228,672. Several departments did not exceed budget in 2021 resulting in a combined savings of \$903,566, this was offset by relief grants paid out during the COVID-19 pandemic that were not budgeted for. The departments that were overbudget were Finance, Civil Defense, and Economic Assistance.

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 2021, the County had invested approximately \$144,400,000 in a broad range of capital assets including land, buildings, equipment, and infrastructure (see Table A-6). (More detailed information about capital assets can be found in Note 2.A.4 to the financial statements). Total depreciation expense for the year was \$3,529,986.

Table A-6
 The County's Capital Assets

	Governmental Activities		Percent Change
	2021	2020	
Land	\$ 1,328,750	\$ 1,328,750	-
Construction-in-Progress	1,464,682	2,015,913	(27.3)
Improvements Other Than Buildings	2,585,805	2,490,909	3.8
Buildings	30,291,561	30,168,662	0.4
Machinery and Equipment	11,070,790	10,799,909	2.5
Infrastructure	97,690,775	93,107,756	4.9
Less: Accumulated Depreciation	(63,402,771)	(60,089,724)	5.5
Total	<u>\$ 81,029,592</u>	<u>\$ 79,822,175</u>	1.5

**NOBLES COUNTY
 WORTHINGTON, MINNESOTA
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 YEAR ENDED DECEMBER 31, 2021**

LONG-TERM DEBT

At year-end, the County had \$14,859,798 in debt outstanding, including the current portion of long-term debt.

- The County's governmental activities total debt decreased \$2,546,469 or 14.6%, due primarily to scheduled bond principal payments.

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

	2021	2020	Percentage Change
GOVERNMENTAL ACTIVITIES			
General Obligation Bonds - Net of Premiums	\$ 14,270,377	\$ 16,652,087	(14.3)%
Loans Payable	526,595	619,045	(14.9)
Capital Lease Payable	62,826	135,135	(53.5)
Total	<u>\$ 14,859,798</u>	<u>\$ 17,406,267</u>	(14.6)

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, 2021**

	<u>Governmental Activities</u>
ASSETS	
Cash and Investments	\$ 34,539,855
Taxes Receivable - Delinquent	84,621
Special Assessments Receivable	409,133
Accounts Receivable, Net	293,725
Loans Receivable	3,008,526
Accrued Interest Receivable	12,081
Due from Other Governments	5,732,562
Inventory	179,406
Prepaid Items	320,662
Net Pension Asset	101,032
Nondepreciable Capital Assets:	
Land	1,328,750
Construction-in-Progress	1,464,682
Depreciable Capital Assets - Net of Accumulated Depreciation:	
Building	13,074,089
Improvements Other Than Buildings	1,296,817
Machinery, Vehicles, Furniture, and Equipment	3,613,271
Infrastructure	60,251,983
Total Assets	125,711,195
DEFERRED OUTFLOWS OF RESOURCES	
Pension Related	5,259,034
Other Postemployment Benefit Related	143,767
Total Deferred Outflows of Resources	5,402,801
LIABILITIES	
Accounts Payable	668,442
Salaries Payable	209,113
Contracts Payable	15,587
Accrued Interest Payable	138,833
Due to Other Governments	541,293
Unearned Revenue	2,109,910
Noncurrent Liabilities:	
Due Within One Year	2,144,918
Due in More than One Year	13,784,058
Other Postemployment Benefits Liability	440,228
Net Pension Liability	5,414,271
Total Liabilities	25,466,653
DEFERRED INFLOWS OF RESOURCES	
Pension Related	7,124,397
Other Postemployment Benefit Related	69,815
Total Deferred Inflows of Resources	7,194,212
NET POSITION	
Net Investment in Capital Assets	75,057,563
Restricted For:	
General Government	479,899
Highways and Streets	5,169,586
Public Safety	886,951
Conservation	2,642,190
Culture and Recreation	18,925
Family Services	100,000
Pension Benefits	101,032
Opioid Epidemic Response	346,785
Debt Service	3,625,275
Unrestricted	10,024,925
Total Net Position	\$ 98,453,131

See accompanying Notes to Basic Financial Statements.

**NOBLES COUNTY
WORTHINGTON, MINNESOTA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2021**

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	\$ 7,198,678	\$ 850,566	\$ 228,782	\$ -	\$ (6,119,330)
Public Safety	4,496,241	448,956	415,102	-	(3,632,183)
Highways and Streets	5,765,445	1,160,817	6,786,273	420,791	2,602,436
Sanitation	378,706	929,239	126,106	-	676,639
Human Services	5,887,904	402,369	3,687,184	-	(1,798,351)
Community Health	683,158	76,698	788,812	-	182,352
Culture and Recreation	994,883	64,051	44,441	-	(886,391)
Conservation of Natural Resources	1,602,194	857,298	3,967	-	(740,929)
Economic Development	575,957	-	13,175	-	(562,782)
Buildings and Plant	89,605	-	-	-	(89,605)
Interest	479,972	-	-	-	(479,972)
Total Governmental Activities	<u>\$ 28,152,743</u>	<u>\$ 4,789,994</u>	<u>\$ 12,093,842</u>	<u>\$ 420,791</u>	(10,848,116)
GENERAL REVENUES					
Property Taxes					14,546,749
Mortgage Registry and Deed Tax					26,157
Wheelage Tax					241,390
Wind Energy Tax					1,134,677
Payments in Lieu of Tax					238,292
Local Sales Tax					1,473,231
Grants and Contributions Not Restricted for a Particular Purpose					1,444,799
Investment Earnings					69,382
Miscellaneous					1,205,445
Gain on Sale of Capital Assets					88,382
Total General Revenues					<u>20,468,504</u>
CHANGE IN NET POSITION					9,620,388
Net Position - Beginning of Year					<u>88,832,743</u>
NET POSITION - END OF YEAR					<u>\$ 98,453,131</u>

See accompanying Notes to Basic Financial Statements.

**NOBLES COUNTY
WORTHINGTON, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2021**

	General	Public Works	Family Services
ASSETS			
Cash and Pooled Investments	\$ 12,722,910	\$ 12,847,488	\$ 3,568,296
Petty Cash and Change Funds	2,175	150	100
Taxes Receivable - Delinquent	51,601	5,743	22,025
Special Assessments Receivable:			
Delinquent	-	15,722	-
Noncurrent	-	-	-
Accounts Receivable, Net	83,059	129,590	80,535
Loans Receivable	373,960	514,566	-
Accrued Interest Receivable	12,081	-	-
Due from Other Funds	1,197,405	-	-
Due from Other Governments	239,407	4,630,809	515,561
Inventory	-	179,406	-
Prepaid Items	313,724	6,754	-
	<u>\$ 14,996,322</u>	<u>\$ 18,330,228</u>	<u>\$ 4,186,517</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ 335,248	\$ 104,823	\$ 115,027
Salaries Payable	108,002	33,037	60,743
Contracts Payable	-	15,587	-
Due to Other Funds	-	-	24,491
Due to Other Governments	154,969	41,660	9,139
Unearned Revenue	2,109,910	-	-
	<u>2,708,129</u>	<u>195,107</u>	<u>209,400</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Tax Related	51,601	5,743	22,025
Unavailable Revenue - Special Assessment Related	-	15,722	-
Unavailable Revenue - Grant Related	164	-	27,495
Unavailable Revenue - Loans Receivable Related	373,960	514,566	-
Unavailable Revenue - State Aid Allotment Related	-	3,696,355	-
Unavailable Revenue - Other	-	20,326	-
	<u>425,725</u>	<u>4,252,712</u>	<u>49,520</u>

See accompanying Notes to Basic Financial Statements.

**NOBLES COUNTY
 WORTHINGTON, MINNESOTA
 BALANCE SHEET
 GOVERNMENTAL FUNDS (CONTINUED)
 DECEMBER 31, 2021**

Ditch	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
\$ 607,103	\$ 1,993,989	\$ 2,797,589	\$ 34,537,375
-	-	55	2,480
-	199	5,053	84,621
668	-	-	16,390
392,743	-	-	392,743
389	-	152	293,725
-	2,120,000	-	3,008,526
-	-	-	12,081
-	-	-	1,197,405
-	-	346,785	5,732,562
-	-	-	179,406
-	-	184	320,662
<u>\$ 1,000,903</u>	<u>\$ 4,114,188</u>	<u>\$ 3,149,818</u>	<u>\$ 45,777,976</u>

\$ 90,283	\$ 15,665	\$ 7,396	\$ 668,442
1,303	-	6,028	209,113
-	-	-	15,587
1,172,914	-	-	1,197,405
197	334,415	913	541,293
-	-	-	2,109,910
<u>1,264,697</u>	<u>350,080</u>	<u>14,337</u>	<u>4,741,750</u>
-	199	5,053	84,621
393,411	-	-	409,133
-	-	-	27,659
-	-	-	888,526
-	-	-	3,696,355
-	-	346,785	367,111
<u>393,411</u>	<u>199</u>	<u>351,838</u>	<u>5,473,405</u>

See accompanying Notes to Basic Financial Statements.

**NOBLES COUNTY
 WORTHINGTON, MINNESOTA
 BALANCE SHEET (CONTINUED)
 GOVERNMENTAL FUNDS
 DECEMBER 31, 2021**

	General	Public Works	Family Services
FUND BALANCES			
Nonspendable:			
Inventory	\$ -	\$ 179,406	\$ -
Prepaid Items	313,724	6,754	-
Restricted:			
Missing Heirs	1,000	-	-
Law Library	99,631	-	-
Recorder's Compliance Fund	251,842	-	-
Recorder's Technology Fund	49,183	-	-
Attorney Forfeiture	78,243	-	-
Sheriff's Contingency	9,558	-	-
Handgun Permit	175,196	-	-
Canteen Fund	154,515	-	-
Road Projects - Sales Tax	-	1,452,905	-
Riparian Projects	577,176	-	-
Regional Crisis Facility	-	-	100,000
E-911	452,208	-	-
Ditch	-	-	-
Debt Service	-	-	-
Resource Conservation and Development	-	1,152,361	-
Shop with Cop	21,169	-	-
Sheriff's Contingency	1,241	-	-
Project Lifesaver	73,064	-	-
Donations	-	-	-
Committed:			
Public Works	-	11,090,983	-
Family Services	-	-	2,747,836
Building	-	-	-
Library	-	-	-
Property Forfeiture	-	-	-
Assigned:			
Capital Equipment	-	-	27,947
Out-of-Home Placements	-	-	1,051,814
Future Revolving Loans	280,906	-	-
Future Use of Reserves	453,623	-	-
Unassigned	8,870,189	-	-
Total Fund Balances	<u>11,862,468</u>	<u>13,882,409</u>	<u>3,927,597</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 14,996,322</u>	<u>\$ 18,330,228</u>	<u>\$ 4,186,517</u>

See accompanying Notes to Basic Financial Statements.

**NOBLES COUNTY
 WORTHINGTON, MINNESOTA
 BALANCE SHEET (CONTINUED)
 GOVERNMENTAL FUNDS
 DECEMBER 31, 2021**

Ditch	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ 179,406
-	-	184	320,662
-	-	-	1,000
-	-	-	99,631
-	-	-	251,842
-	-	-	49,183
-	-	-	78,243
-	-	-	9,558
-	-	-	175,196
-	-	-	154,515
-	-	-	1,452,905
-	-	-	577,176
-	-	-	100,000
-	-	-	452,208
519,242	-	-	519,242
-	3,763,909	-	3,763,909
-	-	-	1,152,361
-	-	-	21,169
-	-	-	1,241
-	-	-	73,064
-	-	18,925	18,925
-	-	-	11,090,983
-	-	-	2,747,836
-	-	1,916,402	1,916,402
-	-	502,887	502,887
-	-	345,245	345,245
-	-	-	27,947
-	-	-	1,051,814
-	-	-	280,906
-	-	-	453,623
(1,176,447)	-	-	7,693,742
(657,205)	3,763,909	2,783,643	35,562,821
<u>\$ 1,000,903</u>	<u>\$ 4,114,188</u>	<u>\$ 3,149,818</u>	<u>\$ 45,777,976</u>

See accompanying Notes to Basic 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, 2021**

TOTAL FUND BALANCES FOR GOVERNMENTAL FUNDS	\$ 35,562,821
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.	81,029,592
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.	5,473,405
Deferred outflows and inflows of resources related to pensions and OPEB are applicable to future periods and, therefore, are not reported in the funds.	
Deferred Outflows of Resources Related to Pensions and OPEB	5,402,801
Deferred Inflows of Resources Related to Pensions and OPEB	(7,194,212)
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.	
General Obligation State Aid Bonds	\$ (6,080,000)
General Obligation Capital Improvement Plan Bonds	(5,375,000)
General Obligation Tax Abatement Bonds	(2,135,000)
Net Pension Asset	101,032
Net Pension Liability	(5,414,271)
Capital Leases	(62,826)
Lease Revenue Refunding Bond	(440,000)
Loans Payable	(526,595)
Compensated Absences	(1,069,178)
Other Postemployment Benefits Liability	(440,228)
Accrued Interest Payable	(138,833)
Unamortized Premium on Bonds	(240,377)
	(21,821,276)
TOTAL NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 98,453,131</u></u>

See accompanying Notes to Basic Financial Statements.

**NOBLES COUNTY
 WORTHINGTON, MINNESOTA
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 YEAR ENDED DECEMBER 31, 2021**

	General	Public Works	Family Services
REVENUES			
Taxes	\$ 9,042,225	\$ 1,160,891	\$ 3,662,730
Local Sales Tax	-	1,452,905	-
Special Assessments	-	7,577	-
Licenses and Permits	86,903	250,396	3,000
Intergovernmental	1,904,769	6,941,964	3,713,246
Charges for Services	1,101,066	1,756,457	263,140
Fines and Forfeits	12,764	-	-
Gifts and Contributions	5,250	-	-
Interest on Investments	69,289	-	-
Miscellaneous	818,824	25,567	920,579
Total Revenues	13,041,090	11,595,757	8,562,695
EXPENDITURES			
CURRENT			
General Government	6,475,717	-	-
Public Safety	4,815,445	-	-
Highways and Streets	-	6,755,220	-
Sanitation	-	376,533	-
Human Services	-	-	6,137,933
Community Health	-	-	819,342
Culture and Recreation	-	181,768	-
Conservation of Natural Resources	133,761	305,328	-
Economic Development	575,957	-	-
INTERGOVERNMENTAL	196,514	507,477	217,825
CAPITAL OUTLAY	299,100	460,017	-
DEBT SERVICE			
Principal	72,309	150,950	-
Interest	4,687	-	-
Administrative (Fiscal) Charges	-	-	-
Total Expenditures	12,573,490	8,737,293	7,175,100
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	467,600	2,858,464	1,387,595
OTHER FINANCING SOURCES			
Loans	-	58,500	-
Proceeds from Sale of Assets	73,382	15,000	-
Total Other Financing Sources	73,382	73,500	-
NET CHANGE IN FUND BALANCES	540,982	2,931,964	1,387,595
Fund Balances - Beginning of Year	11,321,486	10,956,215	2,540,002
DECREASE IN INVENTORY	-	(5,770)	-
FUND BALANCES - END OF YEAR	\$ 11,862,468	\$ 13,882,409	\$ 3,927,597

See accompanying Notes to Basic Financial Statements.

**NOBLES COUNTY
 WORTHINGTON, MINNESOTA
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS (CONTINUED)
 YEAR ENDED DECEMBER 31, 2021**

Ditch	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 555,232	\$ 1,563,016	\$ 15,984,094
-	-	-	1,452,905
635,183	-	-	642,760
-	-	-	340,299
1,367	1,111,125	-	13,672,471
-	-	3,726	3,124,389
-	-	-	12,764
-	-	2,537	7,787
-	93	-	69,382
1,654	297,341	55,519	2,119,484
638,204	1,963,791	1,624,798	37,426,335
-	-	32,896	6,508,613
-	-	-	4,815,445
-	-	-	6,755,220
-	-	-	376,533
-	-	-	6,137,933
-	-	-	819,342
-	-	633,240	815,008
1,174,341	-	-	1,613,430
-	-	-	575,957
-	-	-	921,816
-	-	420,987	1,180,104
-	2,195,000	-	2,418,259
-	431,086	-	435,773
-	252,255	-	252,255
1,174,341	2,878,341	1,087,123	33,625,688
(536,137)	(914,550)	537,675	3,800,647
-	-	-	58,500
-	-	-	88,382
-	-	-	146,882
(536,137)	(914,550)	537,675	3,947,529
(121,068)	4,678,459	2,245,968	31,621,062
-	-	-	(5,770)
\$ (657,205)	\$ 3,763,909	\$ 2,783,643	\$ 35,562,821

See accompanying Notes to Basic 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, 2021**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 3,947,529

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	\$ 4,737,403	
Current Year Depreciation	<u>(3,529,986)</u>	1,207,417

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds.		529,082
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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.		1,231,941
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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.		(25,990)
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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.		
Loans		(58,500)

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	305,000	
State Aid Road Bonds	915,000	
Capital Improvement Plan Bonds	395,000	
Tax Abatement Bonds	150,000	
Lease Revenue Refunding Bonds	430,000	
Capital Leases	72,309	
Loans	<u>150,950</u>	2,418,259

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	21,346	
Amortization of Bond Premiums	186,710	
Change in Compensated Absences	168,364	
Change in Inventory	<u>(5,770)</u>	<u>370,650</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 9,620,388

**NOBLES COUNTY
 WORTHINGTON, MINNESOTA
 STATEMENT OF FIDUCIARY NET POSITION
 DECEMBER 31, 2021**

	<u>Custodial Funds</u>
ASSETS	
Cash and Pooled Investments	\$ 646,325
Taxes for Other Governments	256,631
Total Assets	<u>902,956</u>
 LIABILITIES	
Due to Other Governments	<u>553,712</u>
 DEFERRED INFLOWS OF RESOURCES	
Taxes Collected for Subsequent Period	<u>68,941</u>
 NET POSITION	
Restricted:	
Individuals, Organizations, and Other Governments	<u><u>\$ 280,303</u></u>

See accompanying Notes to Basic Financial Statements.

**NOBLES COUNTY
 WORTHINGTON, MINNESOTA
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 YEAR ENDED DECEMBER 31, 2021**

	<u>Custodial Funds</u>
ADDITIONS	
Contributions:	
Individuals	\$ 265,504
Taxes for Other Governments	22,445,553
Licenses and Fees Collected for State	<u>7,884,471</u>
Total Additions	<u>30,595,528</u>
DEDUCTIONS	
Beneficiary Payments to Individuals	241,515
Payments to State	377,231
Payments to Other Governments	<u>30,050,592</u>
Total Deductions	<u>30,669,338</u>
NET DECREASE IN FIDUCIARY NET POSITION	(73,810)
Fiduciary Net Position - Beginning of Year	<u>354,113</u>
FIDUCIARY NET POSITION - END OF YEAR	<u><u>\$ 280,303</u></u>

See accompanying Notes to Basic Financial Statements.

**NOBLES COUNTY
WORTHINGTON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

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, 2021**

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 and property taxes.

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 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, 2021**

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, 2021**

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, 2021 the allowance for doubtful accounts is \$653,579.

**NOBLES COUNTY
WORTHINGTON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

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 one year, 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, 2021**

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, 2021**

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 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, 2021**

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 expenditures/expenses during the reporting period. Actual results could differ from those estimates.

**NOBLES COUNTY
WORTHINGTON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

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, 2021**

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	\$ 34,539,855
Fiduciary Funds	
Cash and Pooled Investments	
Taxes and Penalties Fund	489,886
Jail Inmate Account	21,522
Sheriff's Trust Account	2,150
Estate Recoveries	12,394
State Revenue Tax	<u>120,373</u>
Total Fiduciary Funds	<u>646,325</u>
Total Cash and Investments	<u><u>\$ 35,186,180</u></u>

FUND FINANCIAL STATEMENTS

Governmental Funds	
Cash and Pooled Investments	\$ 34,537,375
Petty Cash and Change Funds	2,480
Fiduciary Funds	
Cash and Pooled Investments	<u>646,325</u>
Total Cash and Pooled Investments	<u><u>\$ 35,186,180</u></u>

DEPOSITS

Checking	\$ 7,832,635
Money Market Savings	11,400,622
Certificates of Deposit	3,982,118

INVESTED IN MAGIC FUND

11,968,325

PETTY CASH

2,480

Total Cash and Investments	<u><u>\$ 35,186,180</u></u>
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**NOBLES COUNTY
WORTHINGTON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

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, 2021, 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, 2021**

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, 2021, the MAGIC external investment pool is not 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, 2021.

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, 2021**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

b. Investments (Continued)

At December 31, 2021, the County had the following investments:

	Less Than One Year
MN Association of Governments Investing for Counties (MAGIC) Fund Portfolio	\$ 11,968,325

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, 2021, 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 - Delinquent	\$ 84,621	\$ -
Special Assessments	409,133	-
Accounts	293,725	-
Interest	12,081	-
Loans	3,008,526	2,898,238
Due from Other Governments	5,732,562	-
Total Governmental Activities	\$ 9,540,648	\$ 2,898,238

**NOBLES COUNTY
 WORTHINGTON, MINNESOTA
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2021**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

3. Operating Leases

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 2021, the County recorded rental revenue of \$35,342 related to this agreement. Future minimum lease payments are as follows:

<u>Year Ending December 31,</u>	
2022	\$ 26,976
2023	27,440
2024	27,903
2025	28,366
2026	28,830
2027-2028	44,055
Total	<u>\$ 183,570</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 2021, the County recorded rental revenue of \$34,057 related to this agreement. Future minimum lease payments are as follows:

<u>Year Ending December 31,</u>	
2022	\$ 34,608
2023	17,454
Total	<u>\$ 52,062</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 2021. Future minimum lease payments are as follows:

<u>Year Ending December 31,</u>	
2022	<u>\$ 197,288</u>

**NOBLES COUNTY
WORTHINGTON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

4. Capital Assets

Capital asset activity for the year ended December 31, 2021, was as follows:

	Beginning Balance	Additions/ Transfers	Deletions	Ending Balance
GOVERNMENTAL ACTIVITIES				
Capital Assets, Not Being Depreciated				
Land	\$ 1,328,750	\$ -	\$ -	\$ 1,328,750
Construction-in-Process	2,015,913	4,060,037	4,611,268	1,464,682
Total Capital Assets, Not Being Depreciated	3,344,663	4,060,037	4,611,268	2,793,432
Capital Assets, Being Depreciated				
Buildings	30,168,662	122,899	-	30,291,561
Improvements Other Than Buildings	2,490,909	94,896	-	2,585,805
Machinery and Equipment	10,799,909	487,820	216,939	11,070,790
Infrastructure	93,107,756	4,583,019	-	97,690,775
Total Capital Assets, Being Depreciated	136,567,236	5,288,634	216,939	141,638,931
Less Accumulated Depreciation for				
Buildings	16,262,404	955,068	-	17,217,472
Improvements Other Than Buildings	1,231,562	57,426	-	1,288,988
Machinery, Furniture, and Equipment	7,059,740	614,718	216,939	7,457,519
Infrastructure	35,536,018	1,902,774	-	37,438,792
Total Accumulated Depreciation	60,089,724	3,529,986	216,939	63,402,771
Total Capital Assets, Being Depreciated, Net	76,477,512	1,758,648	-	78,236,160
Governmental Activities Capital Assets, Net	<u>\$ 79,822,175</u>	<u>\$ 5,818,685</u>	<u>\$ 4,611,268</u>	<u>\$ 81,029,592</u>

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

Governmental Activities	
General Government	\$ 1,083,219
Public Safety	116,990
Highways and Streets, Including Depreciation of Infrastructure Assets	2,295,635
Sanitation	8,978
Human Services	2,439
Culture and Recreation	22,725
Total Depreciation Expense - Governmental Activities	<u>\$ 3,529,986</u>

**NOBLES COUNTY
 WORTHINGTON, MINNESOTA
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2021**

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, 2021, is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Family Services Fund	\$ 24,491
General Fund	Ditch Special Revenue Fund	1,172,914
Total Due to General Fund		\$ 1,197,405

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.

C. Liabilities

1. Payables

Payables at December 31, 2021, were as follows:

Accounts	\$ 668,442
Salaries	209,113
Contracts	15,587
Due to Other Governments	541,293
Total Payables	\$ 1,434,435

**NOBLES COUNTY
WORTHINGTON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

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, 2021
2017A G.O. Capital Improvement Plan Bonds	2033	\$385,000 - \$510,000	2.00 - 3.00	\$ 6,540,000	\$ 5,375,000
2017B Taxable G.O. Tax Abatement Bonds	2033	\$140,000 - \$205,000	2.50 - 3.25	2,575,000	2,135,000
2016A General Obligation State Aid Road Bonds	2027	\$765,000- \$1,090,000	3.00	9,505,000	6,080,000
2009B Jail Lease Revenue Refunding Bonds	2022	\$250,000 - \$455,000	2.00 - 3.75	4,125,000	440,000
Add: Unamortized Premium				-	240,377
Total Bonds Outstanding, Net				<u>\$ 22,745,000</u>	<u>\$ 14,270,377</u>

3. Debt Service Requirements

Debt service requirements at December 31, 2021, were as follows:

Year Ending December 31,	Lease Revenue Refunding Bonds	
	Principal	Interest
2022	\$ 440,000	\$ 8,250

Year Ending December 31,	Loans Payable - Direct Borrowing		General Obligation State Aid Bonds	
	Principal	Interest	Principal	Interest
2022	\$ 35,210	\$ -	\$ 940,000	\$ 168,300
2023	94,196	-	970,000	139,650
2024	84,925	-	995,000	110,175
2025	64,962	-	1,025,000	79,875
2026	59,655	-	1,060,000	48,600
2027-2031	182,537	-	1,090,000	16,350
2032	5,110	-	-	-
Total	<u>\$ 526,595</u>	<u>\$ -</u>	<u>\$ 6,080,000</u>	<u>\$ 562,950</u>

**NOBLES COUNTY
 WORTHINGTON, MINNESOTA
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2021**

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
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	430,000	97,900	170,000	44,426
2027-2031	2,305,000	315,462	925,000	140,544
2032-2033	1,005,000	30,375	405,000	13,244
Total	<u>\$ 5,375,000</u>	<u>\$ 930,237</u>	<u>\$ 2,135,000</u>	<u>\$ 420,745</u>

Year Ending December 31,	Capital Lease	
	Principal	Interest
2022	\$ 52,291	\$ 2,419
2023	5,185	333
2024	5,350	169
Total	<u>\$ 62,826</u>	<u>\$ 2,921</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 2032. 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, 2021**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities (Continued)

5. Capital Lease

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, 2021**

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, 2021, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
GOVERNMENTAL ACTIVITIES					
Bonds Payable					
G.O. Refunding Bonds	\$ 305,000	\$ -	\$ 305,000	\$ -	\$ 440,000
G.O. State Aid Bonds	6,995,000	-	915,000	6,080,000	940,000
G.O. Capital Improvement Plan Bonds	5,770,000	-	395,000	5,375,000	400,000
Taxable G.O. Tax Abatement Bonds	2,285,000	-	150,000	2,135,000	155,000
Lease Revenue Refunding	870,000	-	430,000	440,000	-
Plus: Premium on Bonds	427,087	-	186,710	240,377	-
Total Bonds Payable	16,652,087	-	2,381,710	14,270,377	1,935,000
Capital Leases	135,135	-	72,309	62,826	52,291
Loans Payable - Direct Borrowing	619,045	58,500	150,950	526,595	35,210
Compensated Absences	1,237,542	894,013	1,062,377	1,069,178	122,417
Governmental Activity Long-Term Liabilities	<u>\$ 18,643,809</u>	<u>\$ 952,513</u>	<u>\$ 3,667,346</u>	<u>\$ 15,928,976</u>	<u>\$ 2,144,918</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, 2021**

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

Certain full time and part-time employees of the County are covered by the General Employees Plan. 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, 2021**

NOTE 3 DEFINED BENEFIT PENSION PLANS (CONTINUED)

B. Benefits Provided (Continued)

1. General Employee Plan Benefits

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

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

2. Police and Fire Plan Benefits

Benefits for Police and Fire Plan members first hired after June 30, 2010, but before July 1, 2014, vest on a prorated basis from 50 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, 2021**

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

C. Contributions

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

1. General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2021 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, 2021 were \$599,952. 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, 2021**

NOTE 3 DEFINED BENEFIT PENSION PLANS (CONTINUED)

C. Contributions (Continued)

2. Police and Fire Fund Contributions

Police and Fire members were required to contribute 11.80% of their annual covered salary in fiscal year 2021 and the County was required to contribute 17.70% for Police and Fire Plan members. The County's contributions to the Police and Fire Fund for the year ended December 31, 2021 were \$189,265. 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 in fiscal year 2021 and the County was required to contribute 8.75% for Correctional Plan Members. The County's contributions to the Correctional Fund for the year ended December 31, 2021 were \$115,332. 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, 2021, the County reported a liability of \$4,710,304 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 non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the County totaled \$143,883.

The net pension liability was measured as of June 30, 2021, 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, 2020 through June 30, 2021, relative to the total employer contributions received from all of PERA's participating employers. The County's proportion share was 0.1103% at the end of the measurement period and 0.1099% for the beginning of the period.

County's Proportionate Share of the Net Pension Liability	\$	4,710,304
State's Proportionate Share of the Net Pension Liability Associated with the County		143,883
Total	\$	4,854,187

**NOBLES COUNTY
WORTHINGTON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

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, 2021, the County recognized pension expense of \$45,614 for its proportionate share of the General Employees Plan's pension expense. In addition, the County recognized an additional \$17,648 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, 2021, 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	\$ 28,939	\$ 144,149
Changes in Actuarial Assumptions	2,876,014	104,195
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	4,079,322
Changes in Proportion and Differences Between County Contributions and Proportionate Share of Contributions	18,247	109,264
County Contributions Subsequent to the Measurement Date	297,710	-
Total	<u>\$ 3,220,910</u>	<u>\$ 4,436,930</u>

The \$297,710 reported as deferred outflows of resources related to pensions resulting from the County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2022. 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>
2022	\$ (264,417)
2023	(106,060)
2024	(30,609)
2025	(1,112,644)

**NOBLES COUNTY
WORTHINGTON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 3 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

2. Police and Fire Plan Pension Costs

At December 31, 2021, the County reported a liability of \$703,967 for its proportionate share of the Police and Fire Plan net pension liability. The net pension liability was measured as of June 30, 2021, 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, 2020, through June 30, 2021, relative to the total employer contributions received from all of PERA's participating employers. The County's proportion share was 0.0912% at the end of the measurement period and 0.0916% for the beginning of the period.

The State of Minnesota contributed \$18 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2021. The contribution consisted of \$9 million in direct state aid that does meet the definition of a special funding situation and \$9 million in supplemental state aid that does not meet the definition of a special funding situation. The \$9 million direct state aid was paid on October 1, 2020. Thereafter, by October 1 of each year, the state will pay \$9 million to the Police and Fire Fund until full funding is reached or July 1, 2048, whichever is earlier. The \$9 million in supplemental state aid will continue until the fund is 90% funded, or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90% funded, whichever occurs later. Strong asset returns for the fiscal year ended 2021 will accelerate the phasing out of these state contributions, although we do not anticipate them to be phased out during the fiscal year ending 2022.

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 \$9 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 June 30, 2021, the County recognized pension expense (revenue) of \$(45,476) for its proportionate share of the Police and Fire Plan's pension expense. The County recognized \$8,208 as grant revenue for its proportionate share of the State of Minnesota's pension expense for the contribution of \$9 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 \$8,208 for the year ended December 31, 2021 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, 2021**

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	\$	703,967
State's Proportionate Share of the Net Pension Liability Associated with the County		31,648
Total	\$	<u>735,615</u>

At December 31, 2021, 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	\$ 135,205	\$ -
Changes in Actuarial Assumptions	1,034,648	386,787
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	1,345,103
Changes in Proportion and Differences Between County Contributions and Proportionate Share of Contributions	68,693	64,578
County Contributions Subsequent to the Measurement Date	91,111	-
Total	<u>\$ 1,329,657</u>	<u>\$ 1,796,468</u>

\$91,111 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, 2022. 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
2022	\$ (468,557)
2023	(71,758)
2024	(90,776)
2025	(152,227)
2026	225,396

**NOBLES COUNTY
 WORTHINGTON, MINNESOTA
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2021**

NOTE 3 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

3. Correctional Plan Pension Costs

At December 31, 2021, the County reported an asset of \$101,032 for its proportionate share of the Correctional Plan's net pension asset. The net pension asset was measured as of June 30, 2021, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date. The County's proportion of the net pension asset was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2020, through June 30, 2021, relative to the total employer contributions received from all of PERA's participating employers. The County's proportion share was 0.615% at the end of the measurement period and 0.595% for the beginning of the period.

For the year ended December 31, 2021, the County recognized pension expense (revenue) of \$(259,960) for its proportionate share of the Correctional Plan's pension expense.

At December 31, 2021, 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	\$ -	\$ 57,622
Changes in Actuarial Assumptions	632,434	9,470
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	811,129
Changes in Proportion and Differences Between County Contributions and Proportionate Share of Contributions	19,366	12,778
County Contributions Subsequent to the Measurement Date	56,667	-
Total	<u>\$ 708,467</u>	<u>\$ 890,999</u>

The \$56,667 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized an addition to the net pension asset in the year ended December 31, 2022.

**NOBLES COUNTY
 WORTHINGTON, MINNESOTA
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2021**

NOTE 3 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

3. Correctional Plan Pension Costs (Continued)

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
2022	\$ (38,933)
2023	1,250
2024	18,955
2025	(220,471)

4. Total Pension Expense

Governmental activities recognized pension expense (revenue) of \$(233,966) for the year ended December 31, 2021.

E. Long-Term Expected Return on Investment

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	33.5 %	5.10 %
International Equity	16.5	5.30
Fixed Income	25.0	0.75
Private Markets	25.0	5.90
Totals	100.0 %	

**NOBLES COUNTY
WORTHINGTON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 3 DEFINED BENEFIT PENSION PLANS (CONTINUED)

F. Actuarial Methods and Assumptions

The total pension liability in the June 30, 2021 actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 6.5%. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 6.5% was deemed to be within that range of reasonableness for financial reporting purposes.

Inflation is assumed to be 2.25% for the General Employees Plan, 2.25% for the Police and Fire Plan, and 2.25% for the Correctional Plan. Benefit increases after retirement are assumed to be 1.25% for the General Employees Plan and 2% for the Correction Plan. The Police and Fire Plan benefit increase is fixed at 1% per year and that increase was used in the valuation.

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25% after one year of service to 3.0% after 29 years of service and 6.0% per year thereafter. In the Police and Fire Plan, salary growth assumptions range from 11.75% after one year of service to 3.0% after 24 years of service. In the Correctional Plan, salary growth assumptions range from 11.0% at age 20 to 3.0% at age 60.

Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table. Mortality rates for the Police and Fire Plan and the Correctional Plans are based on the Pub-2010 Public Safety Employee Mortality tables. The tables are adjusted slightly to fit PERA's experience.

Actuarial assumptions for the General Employees Plan are reviewed every four years. 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 most recent four-year experience studies for the Police and Fire and the Correctional Plan were completed in 2020 were adopted by the Board and became effective with the July 1, 2021 actuarial valuation.

The following changes in actuarial assumptions and plan provisions occurred in 2021:

General Employees Fund

Changes in Actuarial Assumptions:

- The investment return and single discount rates were changed from 7.50% to 6.50%, for financial reporting purposes.
- The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

Changes in Plan Provisions:

- There were no changes in plan provisions since the previous valuation.

**NOBLES COUNTY
WORTHINGTON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 3 DEFINED BENEFIT PENSION PLANS (CONTINUED)

F. Actuarial Methods and Assumptions (Continued)

Police and Fire Fund

Changes in Actuarial Assumptions:

- The investment return and single discount rates were changed from 7.50% to 6.50%, for financial reporting purposes.
- The inflation assumption was changed from 2.50% to 2.25%.
- The payroll growth assumption was changed from 3.25% to 3.00%.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 Public Safety Mortality table. The mortality improvement scale was changed from MP-2019 to MP-2020.
- The base mortality table for disabled annuitants was changed from the RP-2014 healthy annuitant mortality table (with future mortality improvement according to Scale MP-2019) to the Pub-2010 Public Safety disabled annuitant mortality table (with future mortality improvement according to Scale MP-2020).
- Assumed rates of salary increase were modified as recommended in the July 14, 2020 experience study. The overall impact is a decrease in gross salary increase rates.
- Assumed rates of retirement were changed as recommended in the July 14, 2020 experience study. The changes result in slightly more unreduced retirements and fewer assumed early retirements.
- Assumed rates of withdrawal were changed from select and ultimate rates to service-based rates. The changes result in more assumed terminations.
- Assumed rates of disability were increased for ages 25-44 and decreased for ages over 49. Overall, proposed rates result in more projected disabilities.
- Assumed percent married for active female members was changed from 60% to 70%. Minor changes to form of payment assumptions were applied.

Changes in Plan Provisions:

- There have been no changes in plan provisions since the prior valuation.

**NOBLES COUNTY
WORTHINGTON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 3 DEFINED BENEFIT PENSION PLANS (CONTINUED)

F. Actuarial Assumptions (Continued)

Correctional Fund

Changes in Actuarial Assumptions:

- The investment return and single discount rates were changed from 7.50% to 6.50%, for financial reporting purposes.
- The inflation assumption was changed from 2.50% to 2.25%.
- The payroll growth assumption was changed from 3.25% to 3.00%.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 Public Safety Mortality table. The mortality improvement scale was changed from MP-2019 to MP-2020.
- The base mortality table for disabled annuitants was changed from the RP-2014 healthy annuitant mortality table (with future mortality improvement according to Scale MP-2019) to the Pub-2010 Public Safety disabled annuitant mortality table (with future mortality improvement according to Scale MP-2020).
- Assumed rates of salary increase were modified as recommended in the July 10, 2020 experience study. The overall impact is a decrease in gross salary increase rates.
- Assumed rates of retirement were changed as recommended in the July 10, 2020 experience study. The changes result in slightly more unreduced retirements and fewer assumed early retirements.
- Assumed rates of withdrawal were changed as recommended in the July 10, 2020 experience study. The new rates predict more terminations, both in the three-year select period (based on service) and the ultimate rates (based on age).
- Assumed rates of disability lowered.
- Assumed percent married for active members was lowered from 85% to 75%.
- Minor changes to form of payment assumptions were applied.

Changes in Plan Provisions:

- There have been no changes in plan provisions since the prior valuation.

G. Discount Rate

The discount rate used to measure the total pension liability in 2021 was 6.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net positions of the General Employees Fund, the Police and Fire Fund, and the Correctional Fund were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**NOBLES COUNTY
WORTHINGTON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 3 DEFINED BENEFIT PENSION PLANS (CONTINUED)

H. 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 (Asset)	Discount Rate	Net Pension Liability (Asset)
1% Decrease	5.50%	\$9,606,616	5.50%	\$ 2,234,977	5.50%	\$ 1,051,472
Current	6.50	4,710,304	6.50	703,967	6.50	(101,032)
1% Increase	7.50	692,581	7.50	(551,081)	7.50	(1,015,666)

I. 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.

J. 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	\$ 4,710,304	\$ 703,967	\$ -	\$ 5,414,271
Net Pension Asset	-	-	101,032	101,032
Deferred Outflows of Resources Related to Pensions	3,220,910	1,329,657	708,467	5,259,034
Deferred Inflows of Resources Related to Pensions	4,436,930	1,796,468	890,999	7,124,397
Pension Expense (Revenue)	63,262	(37,268)	(259,960)	(233,966)

**NOBLES COUNTY
WORTHINGTON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 4 PUBLIC EMPLOYEES DEFINED CONTRIBUTION PENSION PLAN

Commissioners of the County are covered by the Defined Contribution Plan, a multiple-employer deferred compensation plan administered by PERA. The Defined Contribution Plan is a tax qualified plan under Section 401(a) of the Internal Revenue Code and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. *Minnesota Statutes*, Chapter 353D.03, specifies plan provisions, including the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes 5% of salary which is matched by the elected official's employer. 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 year ending December 31, 2021, was \$6,440, equal to the contractually required contributions for the 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 defined benefit 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, 2021**

NOTE 5 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

C. Employees Covered by Benefit Terms

At December 31, 2021, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefit Payments	14
Active Plan Members	<u>176</u>
Total	<u><u>190</u></u>

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

D. Total OPEB Liability

The County's total OPEB liability of \$440,228 was measured as of December 31, 2021 and was determined by an actuarial valuation as of December 31, 2021.

E. Actuarial Methods and Assumptions

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

The total OPEB liability in the December 31, 2021 actuarial valuation was determined using the entry age normal level % of salary method, where:

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

The total OPEB liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.25%
Salary Increases	3.00%
Health Care Trend Rates	7.0% decreasing to 4.5%

**NOBLES COUNTY
 WORTHINGTON, MINNESOTA
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2021**

NOTE 5 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

E. Actuarial Methods and Assumptions (Continued)

The discount rate as of December 31, 2021 was 2.25% 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-2021 for active employees and retirees, and SOA Pub-2010 Continuing Survivor Headcount Weighted Mortality Table fully generational using Scale MP-2021 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, 2021	\$ 407,249
Changes for the Year:	
Service Cost	38,296
Interest	9,033
Differences Between Expected and Actual Experience	19,432
Change in Assumptions	5,304
Benefit Payments	(39,086)
Net Changes	32,979
Balances at December 31, 2021	\$ 440,228

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, 2021 (measurement date). The discount rate is 2.12% as of January 1, 2021 and 2.25% as of December 31, 2021. The impact of this change is a decrease in liabilities.
- Health Care trend rates have been set to an initial rate of 7.0%, 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 for active and retirees to SOA Pub-2010 General Headcount Weighted Mortality Table fully generational using Scale MP-2021 and for Surviving Spouses to SOA Pub-2010 Continuing Survivor Headcount Weighted Mortality Table fully generational using Scale MP-2021. The impact of this change is a slight increase in liability.
- Salary scale rates have been updated based on the most recent Public Employees Retirement Association of Minnesota Actuarial report as of July 1, 2021. This change resulted in a slight decrease 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, 2021**

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 in Discount Rate (1.25%)	Current Discount Rate (2.25%)	1% Increase in Discount Rate (3.25%)
OPEB Liability	\$ 462,615	\$ 440,228	\$ 418,491

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 in Trend Rate (6.0% decreasing to 3.50%)	Current Trend Rates (7.0% decreasing to 4.50%)	1% Increase in Trend Rate (8.0% decreasing to 5.50%)
OPEB Liability	\$ 402,781	\$ 440,228	\$ 484,316

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

For the year ended December 31, 2021, the County recognized OPEB expense of \$65,076. At December 31, 2021 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	\$ 95,276	\$ 8,316
Change of Assumptions	48,491	61,499
Total	\$ 143,767	\$ 69,815

**NOBLES COUNTY
 WORTHINGTON, MINNESOTA
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2021**

NOTE 5 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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

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

<u>Year Ending December 31,</u>	<u>Future Recognition</u>
2022	\$ 17,747
2023	17,747
2024	12,429
2025	10,472
2026	4,268
Thereafter	11,289

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 2021. 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.

**NOBLES COUNTY
WORTHINGTON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 6 RISK MANAGEMENT (CONTINUED)

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.

Lincoln-Pipestone Rural Water System

At December 31, 2021, the Lincoln-Pipestone Rural Water System had \$33,107,000 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.

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

A. Contingent Liabilities (Continued)

Lincoln-Pipestone Rural Water System (Continued)

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

The total outstanding balance of bonds issued by Nobles County for the Lincoln-Pipestone Rural Water System is \$16,400,000 at December 31, 2021.

B. Joint Ventures

Lincoln-Pipestone Rural Water System

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

Bonds were issued by Lincoln County, Jackson County, Nobles County, and Yellow Medicine County to finance the construction of the Rural Water System. Costs assessed to municipalities and special assessments levied against benefited properties pay approximately 85% of the amount necessary to retire principal and interest on the bonds.

The remainder of the funds necessary to retire the outstanding bonds and interest will be provided by appropriations from the Lincoln-Pipestone Rural Water System.

The Lincoln-Pipestone Rural Water System's 2021 financial report shows total net position of \$58,302,179 including unrestricted net position of \$11,028,377. The increase in net position for the year ended December 31, 2021, was \$819,959.

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

Southwest Regional Solid Waste Commission

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

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

B. Joint Ventures (Continued)

Southwest Regional Solid Waste Commission (Continued)

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

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

City of Worthington/Nobles County Public Transportation

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

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

The County retains no fiscal interest and has 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.

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

B. Joint Ventures (Continued)

Southwestern Minnesota Adult Mental Health Consortium Board (Continued)

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

The following is a summary of the Consortium Board's annual financial report for the year ended December 31, 2021:

Total Assets	\$ 1,525,869
Total Liabilities	184,107
Total Net Position	1,341,762
Total Revenues	2,031,026
Total Expenses	2,003,147
Net Change in Net Position	27,879

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 2021, Nobles County paid a total of \$449,923 to Southwestern Mental Health Center, Inc., for mental health services. Complete financial statements for the Southwestern Mental Health Center, Inc., can be obtained at 216 E. Luverne Street, Luverne, Minnesota 56156.

Southwest Minnesota Regional Emergency Communications Board

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

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

B. Joint Ventures (Continued)

Southwest Minnesota Regional Emergency Communications Board (Continued)

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

Financing is provided by appropriations from member parties and by state and federal grants. During 2021, Nobles County contributed \$2,920 to the Joint Powers board. There were no audited financial statements available for the year ended December 31, 2021.

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 2021, Nobles County did not have any contributions to 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.

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 2021.

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

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

B. Joint Ventures (Continued)

Advocate Connect Educate of Southwest Minnesota (ACE SW MN)

Nobles County, in conjunction with Lincoln, Murray, Cottonwood, Redwood, and Rock counties and the Southwest Regional Development Commission, pursuant to Minn. Stat. §471.59, have formed an agreement to coordinate the delivery of volunteer services to nonprofit community service entities under the authority of the counties. Advocate Connect Educate of Southwest Minnesota's (original name of Retired and Senior Volunteer Program of Southwest Minnesota) Board comprises one voting member from each participating county and one voting member of the ACE SW MN Advisory Council. In 2021, the County made contributions of \$42,222 to the ACE SW MN. There were no audited financial statements available for the year ended December 31, 2021.

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.

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 2021, Nobles County provided \$36,093 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.

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

B. Joint Ventures (Continued)

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 \$93,925 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, 2021, was \$217,825.

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.

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

B. Joint Ventures (Continued)

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 2021, the County made no contributions to Counties Providing Technology, but did receive a \$25,000 share of profit distribution from 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 2021, 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. During the year, the County made no payments to the District.

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. During the year, the County made no payments to the District.

**NOBLES COUNTY
WORTHINGTON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

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. During the year, the County made no payments to the District.

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 2021, 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. During 2021, Nobles County paid \$15 to Region Five.

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. During the year, the County made no payments to Sentence to Service.

**NOBLES COUNTY
WORTHINGTON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

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 2021.

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 had no contributions to the Southwest Minnesota Public Safety Board during 2021, but paid \$4,000 in maintenance fees during the year.

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 \$24,964 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. During 2021, Nobles County contributed \$3,120 to this entity.

**NOBLES COUNTY
WORTHINGTON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

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 2021, the county abated taxes totaling \$105,905 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 2021, there were five pay-as-you-go notes within the County, administered by the City of Worthington. The tax increment taxes collected during 2021 totaled \$302,269. 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 \$18,067 for the year ending December 31, 2021, 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 for 2021 is \$2,871.

**NOBLES COUNTY
 WORTHINGTON, MINNESOTA
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2021**

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. The total amount of tax abatement for 2021 is \$15,195.
- The County’s share of the property tax generated by a building construction for a term of 5 years starting in 2022 with the annual amount of the tax abatement equal to a set percent of the County’s share of real estate taxes levied upon the facility, based on the agreed five year schedule. 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 during the 5 years is based on new construction value added of \$1,225,400.

As of December 31, 2021, 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 2021 budgets as follows:

Fund	Expenditures	Budget	Excess
Major Governmental Funds:			
Debt Service Fund	\$ 2,878,341	\$ 2,247,161	\$ 631,180
Ditch Fund	1,174,341	514,498	659,843
Nonmajor Governmental Funds:			
Property Forfeiture Fund	32,896	19,000	13,896

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 \$(657,205). 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, 2021**

NOTE 10 SUBSEQUENT EVENTS

Judicial Ditches Improvements

Nobles County and Jackson County Minnesota entered into a joint powers agreement on 5/17/22 to make improvements to Judicial Ditches (the Project). The costs of the improvements are proposed to be shared by Counties in proportion to the benefits received. Nobles County financed the costs of the Project in its entirety by issuance of General Obligation Drainage Bonds, Series 2022A in the amount of \$20,455,000 on June 6, 2022. A portion of the Bonds are secured by a General Obligation Drainage Note, Series 2022, in the amount of \$6,935,000 issued by Jackson County and sold to Nobles County to finance the costs of the portion of the Project located in Jackson County. The note is secured, to the extent necessary, by the full faith, credit and unlimited taxing powers of Jackson County, and to the extent necessary, the full faith, credit and unlimited taxing powers of Nobles.

State and Local Coronavirus Recovery Funds

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% in calendar year 2021 and the remaining 50% no earlier than 12 months from the first payment. The U.S Treasury I 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 of which \$2,100,590 was received in May 2021 and recorded as unearned revenue as of December 31, 2021.

National Prescription Opiate Litigation Settlement

During 2022, final settlement agreements were reached with pharmaceutical companies and distributors as part of the National Prescription Opiate Litigation. For the County, the amount to be received because of this litigation is \$346,785 to be received over 18 years, which has been recorded as due from other governments in the current year.

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

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

	Measurement Date June 30, 2021	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	0.1103%	0.1099%	0.1125%	0.1142%	0.1145%	0.1125%	0.1086%
County's Proportionate Share of the Net Pension Liability	\$ 4,710,304	\$ 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	\$ 143,883	\$ 203,201	\$ 193,158	\$ 207,730	\$ 91,939	\$ 119,227	\$ -
Total Proportionate Share of the Net Pension Liability	\$ 4,854,187	\$ 6,792,208	\$ 6,413,031	\$ 6,543,078	\$ 7,401,543	\$ 9,253,669	\$ 5,628,216
County's Covered Payroll	\$ 7,948,371	\$ 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	59.26%	84.01%	78.00%	82.56%	101.21%	130.89%	86.66%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	87.00%	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	0.0912%	0.0916%	0.0958%	0.0923%	0.0860%	0.0900%	0.0900%
County's Proportionate Share of the Net Pension Liability	\$ 703,967	\$ 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	\$ 31,648	\$ 28,426	\$ -	\$ -	\$ -	\$ -	\$ -
Total Proportionate Share of the Net Pension Liability	\$ 735,615	\$ 1,235,812	\$ 1,019,888	\$ 983,823	\$ 1,161,102	\$ 3,611,857	\$ 1,022,611
County's Covered Payroll	\$ 1,075,178	\$ 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	65.47%	116.55%	101.02%	101.18%	131.90%	418.46%	120.00%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	93.66%	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 or Asset	0.6150%	0.5950%	0.5868%	0.6212%	0.5900%	0.5900%	0.5800%
County's Proportionate Share of the Net Pension Liability or Asset	\$ (101,032)	\$ 161,365	\$ 81,241	\$ 102,168	\$ 1,681,506	\$ 2,155,353	\$ 89,668
County's Covered Payroll	\$ 1,354,760	\$ 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 or Asset as a Percentage of Its Covered Payroll	7.46%	12.42%	6.47%	8.05%	143.45%	192.89%	8.63%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability or Asset	101.61%	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 compiled, the County will present information for only those years for which information is available.

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

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

	2021	2020	2019	2018	2017	2016	2015	2014
PERA - General Employees Retirement Plan								
Statutorily Required Contribution	\$ 599,952	\$ 611,814	\$ 591,243	\$ 591,147	\$ 563,466	\$ 541,706	\$ 490,424	\$ 468,336
Contributions in Relation to the Statutorily Required Contribution	(599,952)	(611,814)	(591,243)	(591,147)	(563,466)	(541,706)	(490,424)	(468,336)
Contribution Deficiency (Excess)	<u>\$ -</u>							
County's Covered Payroll	\$ 7,999,360	\$ 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%	7.50%	7.25%
PERA - Public Employees Police and Fire Plan								
Statutorily Required Contribution	\$ 189,265	\$ 191,755	\$ 171,186	\$ 164,104	\$ 148,432	\$ 138,884	\$ 141,394	\$ 120,801
Contributions in Relation to the Statutorily Required Contribution	(189,265)	(191,755)	(171,186)	(164,104)	(148,432)	(138,884)	(141,394)	(120,801)
Contribution Deficiency (Excess)	<u>\$ -</u>							
County's Covered Payroll	\$ 1,069,293	\$ 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%	17.70%	16.95%	16.20%	16.20%	16.20%	16.20%	15.30%
PERA - Local Government Correctional Plan								
Statutorily Required Contribution	\$ 115,332	\$ 122,045	\$ 110,905	\$ 110,293	\$ 107,969	\$ 100,668	\$ 92,662	\$ 89,639
Contributions in Relation to the Statutorily Required Contribution	(115,332)	(122,045)	(110,905)	(110,293)	(107,969)	(100,668)	(92,662)	(89,639)
Contribution Deficiency (Excess)	<u>\$ -</u>							
County's Covered Payroll	\$ 1,318,080	\$ 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%	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 MEASUREMENT PERIODS**

	2021	2020	2019	2018	2017
Total OPEB Liability					
Service Cost	\$ 38,296	\$ 32,767	\$ 24,809	\$ 23,963	\$ 16,848
Interest	9,033	12,869	13,666	11,093	9,547
Changes of Assumptions	19,432	22,472	46,023	(9,296)	(4,259)
Differences Between Expected and Actual Experience	5,304	(8,791)	(2,589)	22,994	227,170
Benefit Payments	(39,086)	(27,873)	(27,326)	(30,101)	(19,509)
Net Change in Total OPEB Liability	<u>32,979</u>	<u>31,444</u>	<u>54,583</u>	<u>18,653</u>	<u>229,797</u>
Total OPEB Liability - Beginning	<u>407,249</u>	<u>375,805</u>	<u>321,222</u>	<u>302,569</u>	<u>72,772</u>
Total OPEB Liability - Ending	<u><u>\$ 440,228</u></u>	<u><u>\$ 407,249</u></u>	<u><u>\$ 375,805</u></u>	<u><u>\$ 321,222</u></u>	<u><u>\$ 302,569</u></u>
Covered-Employee Payroll	\$ 10,169,121	\$ 9,606,056	\$ 9,177,575	\$ 9,721,318	\$ 9,415,320
County's Total OPEB Liability as a Percentage of Covered-Employee Payroll	4.3%	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, 2021**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 9,224,909	\$ 9,224,909	\$ 9,042,225	\$ (182,684)
Licenses and Permits	92,700	92,700	86,903	(5,797)
Intergovernmental	1,197,771	1,197,771	1,904,769	706,998
Charges for Services	1,163,393	1,163,393	1,101,066	(62,327)
Fines and Forfeits	3,000	3,000	12,764	9,764
Gifts and Contributions	-	-	5,250	5,250
Interest on Investments	150,000	150,000	69,289	(80,711)
Miscellaneous	815,308	815,308	818,824	3,516
Total Revenues	12,647,081	12,647,081	13,041,090	394,009
EXPENDITURES				
CURRENT				
GENERAL GOVERNMENT				
Commissioners	252,379	252,379	225,085	27,294
Courts	135,000	135,000	81,142	53,858
Law Library	20,000	20,000	11,327	8,673
County Administration	610,584	610,584	572,284	38,300
County Auditor-Treasurer	810,846	810,846	751,195	59,651
Finance	359,245	359,245	365,629	(6,384)
County Assessor	747,707	747,707	669,343	78,364
Elections	52,636	52,636	29,483	23,153
Data Processing	715,332	715,332	541,642	173,690
Central Services	36,865	36,865	32,569	4,296
Attorney	942,655	942,655	904,629	38,026
Recorder	341,339	341,339	287,520	53,819
Buildings and Plant	1,303,813	1,303,813	1,297,820	5,993
Veterans Service Officer	79,088	79,088	73,884	5,204
Planning and Zoning	147,381	147,381	138,501	8,880
Other General Government	613,276	613,276	493,664	119,612
Total General Government	7,168,146	7,168,146	6,475,717	692,429
PUBLIC SAFETY				
Sheriff	2,394,737	2,394,737	2,304,914	89,823
Coroner	60,000	60,000	52,313	7,687
County Jail	2,436,889	2,436,889	2,356,714	80,175
Civil Defense	86,979	86,979	101,504	(14,525)
Total Public Safety	4,978,605	4,978,605	4,815,445	163,160

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, 2021**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
EXPENDITURES (CONTINUED)				
CURRENT (CONTINUED)				
CONSERVATION OF NATURAL RESOURCES				
County Extension	\$ 154,110	\$ 154,110	\$ 133,761	\$ 20,349
ECONOMIC DEVELOPMENT				
Economic Development	3,965	3,965	3,965	-
Economic Assistance	-	-	433,708	(433,708)
Community Development	145,003	145,003	138,284	6,719
Total Economic Development	148,968	148,968	575,957	(426,989)
INTERGOVERNMENTAL				
Culture and Recreation	162,398	162,398	196,514	(34,116)
CAPITAL OUTLAY	189,935	189,935	299,100	(109,165)
DEBT SERVICE				
Principal	-	-	72,309	(72,309)
Interest	-	-	4,687	(4,687)
Total Debt Service	-	-	76,996	(76,996)
Total Expenditures	12,802,162	12,802,162	12,573,490	228,672
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(155,081)	(155,081)	467,600	622,681
OTHER FINANCING SOURCES (USES)				
Transfers In	6,000	11,500	-	(11,500)
Transfers Out	(5,500)	(5,500)	-	5,500
Proceeds from Sale of Assets	15,000	15,000	73,382	58,382
Total Other Financing Sources (Uses)	15,500	21,000	73,382	52,382
NET CHANGE IN FUND BALANCE	\$ (139,581)	\$ (134,081)	540,982	\$ 675,063
Fund Balance - Beginning of Year			11,321,486	
FUND BALANCE - END OF YEAR			<u>\$ 11,862,468</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, 2021**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 1,140,766	\$ 1,140,766	\$ 1,160,891	\$ 20,125
Local Sales Tax	-	-	1,452,905	1,452,905
Special Assessments	-	-	7,577	7,577
Licenses and Permits	46,000	46,000	250,396	204,396
Intergovernmental	9,072,859	9,072,859	6,941,964	(2,130,895)
Charges for Services	1,515,500	1,515,500	1,756,457	240,957
Miscellaneous	41,800	41,800	25,567	(16,233)
Total Revenues	11,816,925	11,816,925	11,595,757	(221,168)
EXPENDITURES				
CURRENT				
HIGHWAY AND STREETS				
Administration	277,161	277,161	252,267	24,894
Maintenance	1,627,174	1,627,174	1,427,249	199,925
Construction	6,743,570	6,743,570	4,135,205	2,608,365
Equipment and Maintenance Shops	902,225	902,225	890,016	12,209
Other	59,988	59,988	50,483	9,505
Total Highways and Streets	9,610,118	9,610,118	6,755,220	2,854,898
SANITATION				
Solid Waste	432,750	432,750	43,993	388,757
Recycling	477,425	477,425	332,540	144,885
Total Sanitation	910,175	910,175	376,533	533,642
CULTURE AND RECREATION				
Parks	181,773	181,773	181,768	5
CONSERVATION OF NATURAL RESOURCES				
Agricultural Inspection	129,863	129,863	87,285	42,578
Water Planning	448,671	448,671	218,043	230,628
Total Conservation of Natural Resources	578,534	578,534	305,328	273,206
INTERGOVERNMENTAL	470,000	470,000	507,477	(37,477)
CAPITAL OUTLAY	413,800	413,800	460,017	(46,217)
DEBT SERVICE				
Principal	40,000	40,000	150,950	(110,950)
Total Expenditures	12,204,400	12,204,400	8,737,293	3,467,107
EXCESS OF REVENUES OVER (UNDER)				
EXPENDITURES	(387,475)	(387,475)	2,858,464	3,245,939
OTHER FINANCING SOURCES				
Loans	180,000	180,000	58,500	(121,500)
Proceeds from Sale of Assets	-	-	15,000	15,000
Total Other Financing Sources	180,000	180,000	73,500	(106,500)
NET CHANGE IN FUND BALANCE	<u>\$ (207,475)</u>	<u>\$ (207,475)</u>	2,931,964	<u>\$ 3,139,439</u>
Fund Balance - Beginning of Year			10,956,215	
Decrease in Inventory			(5,770)	
FUND BALANCE - END OF YEAR			<u>\$ 13,882,409</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, 2021**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 3,749,255	\$ 3,749,255	\$ 3,662,730	\$ (86,525)
Licenses and Permits	2,500	2,500	3,000	500
Intergovernmental	4,249,521	4,249,521	3,713,246	(536,275)
Charges for Services	297,244	297,244	263,140	(34,104)
Miscellaneous	597,200	597,200	920,579	323,379
Total Revenues	8,895,720	8,895,720	8,562,695	(333,025)
EXPENDITURES				
CURRENT				
HUMAN SERVICES				
Income Maintenance	2,302,529	2,302,529	2,196,409	106,120
Social Services	5,233,327	5,233,327	3,941,524	1,291,803
Total Human Services	7,535,856	7,535,856	6,137,933	1,397,923
HEALTH				
Community Health	1,117,039	1,117,039	819,342	297,697
INTERGOVERNMENTAL	217,825	217,825	217,825	-
CAPITAL OUTLAY	25,000	25,000	-	25,000
Total Expenditures	8,895,720	8,895,720	7,175,100	1,720,620
NET CHANGE IN FUND BALANCE	\$ -	\$ -	1,387,595	\$ 1,387,595
Fund Balance - Beginning of Year			2,540,002	
FUND BALANCE - END OF YEAR			\$ 3,927,597	

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

**NOBLES COUNTY
 WORTHINGTON, MINNESOTA
 BUDGETARY COMPARISON SCHEDULE
 DITCH SPECIAL REVENUE FUND
 YEAR ENDED DECEMBER 31, 2021**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		
REVENUES				
Special Assessments	\$ 494,214	\$ 494,214	\$ 635,183	\$ 140,969
Intergovernmental	-	-	1,367	1,367
Miscellaneous Revenue	<u>25,000</u>	<u>25,000</u>	<u>1,654</u>	<u>(23,346)</u>
 Total Revenues	 519,214	 519,214	 638,204	 118,990
 EXPENDITURES				
CURRENT				
CONSERVATION OF NATURAL RESOURCES				
Other	<u>514,498</u>	<u>514,498</u>	<u>1,174,341</u>	<u>(659,843)</u>
 EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	 4,716	 4,716	 (536,137)	 (540,853)
 OTHER FINANCING USES				
Transfers Out	<u>(6,040)</u>	<u>(6,040)</u>	<u>-</u>	<u>6,040</u>
 NET CHANGE IN FUND BALANCE	 <u>\$ (1,324)</u>	 <u>\$ (1,324)</u>	 (536,137)	 <u>\$ (534,813)</u>
 Fund Balance - Beginning of Year			 <u>(121,068)</u>	
 FUND BALANCE - END OF YEAR			 <u>\$ (657,205)</u>	

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

**NOBLES COUNTY
WORTHINGTON, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2021**

I. Budgetary Information

The Board of County Commissioners adopts an annual budget for the General Fund, all major special revenue funds and the Debt Service Fund. 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 County Board did not adopt a budget for the Opioid Response Fund.

The budgets may be amended or modified at any time by the Board of County Commissioners. There were no budget amendments during 2021.

II. Excess of Expenditures Over Budget

The Ditch Special Revenue Fund had expenditures of \$1,174,341 and budgeted expenditures of \$514,498. The Excess of expenditures over budget totaled \$659,843 for the year ended December 31, 2021.

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

2021

Changes in Actuarial Assumptions

- The investment return and single discount rates were changed from 7.50% to 6.50%, for financial reporting purposes.
- The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

Changes in Plan Provisions

- There have been no changes in plan provisions since the prior valuation.

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.

**NOBLES COUNTY
WORTHINGTON, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2021**

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

General Employees Fund (Continued)

2020 (Continued)

- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions

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

2019

Changes in Actuarial Assumptions

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

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.

**NOBLES COUNTY
WORTHINGTON, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2021**

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

General Employees Fund (Continued)

2018 (Continued)

- Postretirement benefit increases were changed from 1.00 percent per year with a provision to increase to 2.50 percent upon attainment of 90.00 percent funding ratio to 50.00 percent of the Social Security Cost of Living Adjustment, not less than 1.00 percent and not more than 1.50 percent, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017

Changes in Actuarial Assumptions

- The combined service annuity (CSA) loads were changed from 0.80 percent for active members and 60.00 percent for vested and nonvested deferred members. The revised CSA load are now 0.00 percent for active member liability, 15.00 percent for vested deferred member liability, and 3.00 percent for nonvested deferred member liability.
- The assumed postretirement benefit increase rate was changed for 1.00 percent per year for all years to 1.00 percent per year through 2044 and 2.50 percent per year thereafter.

Changes in Plan Provisions

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

2016

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

**NOBLES COUNTY
WORTHINGTON, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2021**

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

General Employees 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 2035 and 2.50 percent per year thereafter.

Changes in Plan Provisions

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

Police and Fire Fund

2021

Changes in Actuarial Assumptions

- The investment return and single discount rates were changed from 7.50% to 6.50%, for financial reporting purposes.
- The inflation assumption was changed from 2.50% to 2.25%.
- The payroll growth assumption was changed from 3.25% to 3.00%.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 Public Safety Mortality table. The mortality improvement scale was changed from MP-2019 to MP-2020.
- The base mortality table for disabled annuitants was changed from the RP-2014 healthy annuitant mortality table (with future mortality improvement according to Scale MP-2019) to the Pub-2010 Public Safety disabled annuitant mortality table (with future mortality improvement according to Scale MP-2020).
- Assumed rates of salary increase were modified as recommended in the July 14, 2020 experience study. The overall impact is a decrease in gross salary increase rates.
- Assumed rates of retirement were changed as recommended in the July 14, 2020 experience study. The changes result in slightly more unreduced retirements and fewer assumed early retirements.
- Assumed rates of withdrawal were changed from select and ultimate rates to service-based rates. The changes result in more assumed terminations.
- Assumed rates of disability were increased for ages 25-44 and decreased for ages over 49. Overall, proposed rates result in more projected disabilities.
- Assumed percent married for active female members was changed from 60% to 70%. Minor changes to form of payment assumptions were applied.

Changes in Plan Provisions

- There have been no changes in plan provisions since the prior valuation.

**NOBLES COUNTY
WORTHINGTON, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2021**

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

Police and Fire Fund (Continued)

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.

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.

**NOBLES COUNTY
WORTHINGTON, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2021**

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

Police and Fire Fund (Continued)

2017 (Continued)

- 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.

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.

**NOBLES COUNTY
WORTHINGTON, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2021**

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

Correctional Fund

2021

Changes in Actuarial Assumptions:

- The investment return and single discount rates were changed from 7.50% to 6.50%, for financial reporting purposes.
- The inflation assumption was changed from 2.50% to 2.25%.
- The payroll growth assumption was changed from 3.25% to 3.00%.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 Public Safety Mortality table. The mortality improvement scale was changed from MP-2019 to MP-2020.
- The base mortality table for disabled annuitants was changed from the RP-2014 healthy annuitant mortality table (with future mortality improvement according to Scale MP-2019) to the Pub-2010 Public Safety disabled annuitant mortality table (with future mortality improvement according to Scale MP-2020).
- Assumed rates of salary increase were modified as recommended in the July 10, 2020 experience study. The overall impact is a decrease in gross salary increase rates.
- Assumed rates of retirement were changed as recommended in the July 10, 2020 experience study. The changes result in slightly more unreduced retirements and fewer assumed early retirements.
- Assumed rates of withdrawal were changed as recommended in the July 10, 2020 experience study. The new rates predict more terminations, both in the three-year select period (based on service) and the ultimate rates (based on age).
- Assumed rates of disability lowered.
- Assumed percent married for active members was lowered from 85% to 75%.
- Minor changes to form of payment assumptions were applied.

Changes in Plan Provisions

- There have been no changes in Plan Provisions since the prior valuation.

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.

**NOBLES COUNTY
WORTHINGTON, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2021**

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

Correctional Fund (Continued)

2018

Changes in Actuarial Assumptions

- The single discount rate was changed from 5.96 percent per annum to 7.50 percent per annum.
- The mortality projection scale was changed from MP-2016 to MP-2017.
- The assumed postretirement benefit increase was changed from 2.50 percent per year to 2.00 percent per year.

Changes in Plan Provisions

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Postretirement benefit increases were changed from 2.50 percent per year with a provision to reduce to 1.00 percent if the funding status declines to a certain level, to 100 percent of the Social Security Cost of Living Adjustment, not less than 1.00 percent and not more than 2.50 percent, beginning January 1, 2019. If the funding status declines to 85.00 percent for two consecutive years or 80.00 percent for one year, the maximum increase will be lowered to 1.50 percent.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

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.

**NOBLES COUNTY
WORTHINGTON, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2021**

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

Correctional Fund (Continued)

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.

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

2021

- The discount rate assumption has been updated based on the yield for 20-year-tax-exempt general obligation municipal bonds as of December 31, 2021 (measurement date). The discount rate is 2.12% as of January 1, 2021 and 2.25% as of December 31, 2021. The impact of this change is a decrease in liabilities.
- Health Care trend rates have been set to an initial rate of 7.0%, 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 for active and retirees to SOA Pub-2010 General Headcount Weighted Mortality Table fully generational using Scale MP-2021 and for Surviving Spouses to SOA Pub-2010 Continuing Survivor Headcount Weighted Mortality Table fully generational using Scale MP-2021. The impact of this change is a slight increase in liability.
- Salary scale rates have been updated based on the most recent Public Employees Retirement Association of Minnesota Actuarial report as of July 1, 2021. This change resulted in a slight decrease in liabilities.

2020

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

**NOBLES COUNTY
WORTHINGTON, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2021**

III. Other Postemployment Benefits - Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions (Continued)

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, 2021**

NONMAJOR GOVERNMENTAL FUNDS

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 Opioid Response Special Revenue Fund accounts for the county's portion of the State of Minnesota's share of the national opioid settlement. Financing is provided by the settlement agreement reached with pharmaceutical companies and distributors.

**NOBLES COUNTY
 WORTHINGTON, MINNESOTA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 DECEMBER 31, 2021**

	Nonmajor Special Revenue Funds				Total
	Building	Library	Property Forfeiture	Opioid Response	
ASSETS					
Cash and Pooled Investments	\$ 1,918,958	\$ 533,186	\$ 345,445	\$ -	\$ 2,797,589
Petty Cash and Change Funds	-	55	-	-	55
Taxes Receivable - Delinquent	3	3,953	1,097	-	5,053
Accounts Receivable, Net	-	152	-	-	152
Due from Other Governments	-	-	-	346,785	346,785
Prepaid Items	-	184	-	-	184
Total Assets	<u>\$ 1,918,961</u>	<u>\$ 537,530</u>	<u>\$ 346,542</u>	<u>\$ 346,785</u>	<u>\$ 3,149,818</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
LIABILITIES					
Accounts Payable	\$ 2,556	\$ 4,640	\$ 200	\$ -	\$ 7,396
Salaries Payable	-	6,028	-	-	6,028
Due to Other Governments	-	913	-	-	913
Total Liabilities	2,556	11,581	200	-	14,337
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue - Tax Related	3	3,953	1,097	-	5,053
Unavailable Revenue - Other	-	-	-	346,785	346,785
Total Deferred Inflows of Resources	3	3,953	1,097	346,785	351,838
FUND BALANCES					
Nonspendable:					
Prepaid Items	-	184	-	-	184
Restricted:					
Donations	-	18,925	-	-	18,925
Committed:					
Building	1,916,402	-	-	-	1,916,402
Library	-	502,887	-	-	502,887
Property Forfeiture	-	-	345,245	-	345,245
Total Fund Balances	<u>1,916,402</u>	<u>521,996</u>	<u>345,245</u>	<u>-</u>	<u>2,783,643</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 1,918,961</u>	<u>\$ 537,530</u>	<u>\$ 346,542</u>	<u>\$ 346,785</u>	<u>\$ 3,149,818</u>

**NOBLES COUNTY
 WORTHINGTON, MINNESOTA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED DECEMBER 31, 2021**

	Nonmajor Special Revenue Funds				Total
	Building	Library	Property Forfeiture	Opioid Response	
REVENUES					
Taxes	\$ 903,619	\$ 645,082	\$ 14,315	\$ -	\$ 1,563,016
Charges for Services	-	3,726	-	-	3,726
Gifts and Contributions	-	2,537	-	-	2,537
Miscellaneous	37,391	11,222	6,906	-	55,519
Total Revenues	941,010	662,567	21,221	-	1,624,798
EXPENDITURES					
CURRENT					
General Government	-	-	32,896	-	32,896
Culture and Recreation	-	633,240	-	-	633,240
CAPITAL OUTLAY	420,987	-	-	-	420,987
Total Expenditures	420,987	633,240	32,896	-	1,087,123
NET CHANGE IN FUND BALANCES	520,023	29,327	(11,675)	-	537,675
Fund Balance - Beginning of Year	1,396,379	492,669	356,920	-	2,245,968
FUND BALANCE - END OF YEAR	\$ 1,916,402	\$ 521,996	\$ 345,245	\$ -	\$ 2,783,643

**NOBLES COUNTY
 WORTHINGTON, MINNESOTA
 BUDGETARY COMPARISON SCHEDULE
 DEBT SERVICE FUND
 YEAR ENDED DECEMBER 31, 2021**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 564,979	\$ 564,979	\$ 555,232	\$ (9,747)
Intergovernmental	1,111,125	1,111,125	1,111,125	-
Interest on Investments	91,732	91,732	93	(91,639)
Miscellaneous	199,972	199,972	297,341	97,369
Total Revenues	<u>1,967,808</u>	<u>1,967,808</u>	<u>1,963,791</u>	<u>(4,017)</u>
EXPENDITURES				
DEBT SERVICE				
Principal	1,797,000	1,797,000	2,195,000	(398,000)
Interest	358,429	358,429	431,086	(72,657)
Administrative (Fiscal) Charges	91,732	91,732	252,255	(160,523)
Total Expenditures	<u>2,247,161</u>	<u>2,247,161</u>	<u>2,878,341</u>	<u>(631,180)</u>
NET CHANGE IN FUND BALANCE	<u>\$ (279,353)</u>	<u>\$ (279,353)</u>	<u>(914,550)</u>	<u>\$ (635,197)</u>
Fund Balance - Beginning of Year			<u>4,678,459</u>	
FUND BALANCE - END OF YEAR			<u><u>\$ 3,763,909</u></u>	

**NOBLES COUNTY
 WORTHINGTON, MINNESOTA
 BUDGETARY COMPARISON SCHEDULE
 BUILDING SPECIAL REVENUE FUND
 YEAR ENDED DECEMBER 31, 2021**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Property Taxes	\$ 665,000	\$ 665,000	\$ 903,619	\$ 238,619
Miscellaneous	42,000	42,000	37,391	(4,609)
Total Revenues	707,000	707,000	941,010	234,010
EXPENDITURES				
CURRENT				
BUILDING AND PLANT				
Building and Plant	707,000	707,000	-	707,000
CAPITAL OUTLAY	375,000	375,000	420,987	(45,987)
Total Expenditures	1,082,000	1,082,000	420,987	661,013
NET CHANGE IN FUND BALANCE	<u>\$ (375,000)</u>	<u>\$ (375,000)</u>	520,023	<u>\$ 895,023</u>
Fund Balance - Beginning of Year			1,396,379	
FUND BALANCE - END OF YEAR			<u>\$ 1,916,402</u>	

**NOBLES COUNTY
 WORTHINGTON, MINNESOTA
 BUDGETARY COMPARISON SCHEDULE
 LIBRARY SPECIAL REVENUE FUND
 YEAR ENDED DECEMBER 31, 2021**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 660,032	\$ 660,032	\$ 645,082	\$ (14,950)
Charges for Services	4,925	4,925	3,726	(1,199)
Gifts and Contributions	-	-	2,537	2,537
Miscellaneous	4,400	4,400	11,222	6,822
Total Revenues	669,357	669,357	662,567	(6,790)
EXPENDITURES				
CURRENT				
CULTURE AND RECREATION				
County/Regional Library	669,357	669,357	633,240	36,117
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	29,327	<u>\$ 29,327</u>
Fund Balance - Beginning of Year			492,669	
FUND BALANCE - END OF YEAR			<u>\$ 521,996</u>	

**NOBLES COUNTY
 WORTHINGTON, MINNESOTA
 BUDGETARY COMPARISON SCHEDULE
 PROPERTY FORFEITURE SPECIAL REVENUE FUND
 YEAR ENDED DECEMBER 31, 2021**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 14,000	\$ 14,000	\$ 14,315	\$ 315
Miscellaneous	5,000	5,000	6,906	1,906
Total Revenues	19,000	19,000	21,221	2,221
EXPENDITURES				
CURRENT				
GENERAL GOVERNMENT				
Other General Government	19,000	19,000	32,896	(13,896)
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	(11,675)	<u>\$ (11,675)</u>
Fund Balance - Beginning of Year			356,920	
FUND BALANCE - END OF YEAR			<u>\$ 345,245</u>	

**NOBLES COUNTY
WORTHINGTON, MINNESOTA
DESCRIPTION OF CUSTODIAL FUNDS
YEAR ENDED DECEMBER 31, 2021**

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, 2021**

	Custodial Funds		
	Taxes and Penalties	Jail Inmate	Sheriff Trust
ASSETS			
Cash and Pooled Investments	\$ 489,886	\$ 21,522	\$ 2,150
Taxes for Other Governments	256,631	-	-
Total Assets	746,517	21,522	2,150
LIABILITIES			
Due to Other Governments	420,945	-	-
DEFERRED INFLOWS OF RESOURCES			
Taxes Collected for Subsequent Period	68,941	-	-
NET POSITION			
Restricted:			
Individuals, Organizations, and Other Governments	\$ 256,631	\$ 21,522	\$ 2,150

**NOBLES COUNTY
 WORTHINGTON, MINNESOTA
 COMBINING STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS – CUSTODIAL FUNDS (CONTINUED)
 DECEMBER 31, 2021**

Custodial Funds		
Estate Recoveries	State Revenue	Total Custodial Funds
\$ 12,394	\$ 120,373	\$ 646,325
-	-	256,631
12,394	120,373	902,956
12,394	120,373	553,712
-	-	68,941
-	-	-
\$ -	\$ -	\$ 280,303

**NOBLES COUNTY
 WORTHINGTON, MINNESOTA
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FIDUCIARY FUNDS – CUSTODIAL FUNDS
 YEAR ENDED DECEMBER 31, 2021**

	Custodial Funds		
	Taxes and Penalties	Jail Inmate	Sheriff Trust
ADDITIONS			
Contributions:			
Individuals	\$ -	\$ 245,414	\$ 20,090
Taxes for Other Governments	22,445,553	-	-
Licenses and Fees Collected for State	-	-	-
Total Additions	<u>22,445,553</u>	<u>245,414</u>	<u>20,090</u>
DEDUCTIONS			
Beneficiary Payments to Individuals	-	241,515	-
Payments to State	-	-	-
Payments to Other Governments	22,525,162	-	18,190
Total Deductions	<u>22,525,162</u>	<u>241,515</u>	<u>18,190</u>
NET INCREASE (DECREASE) IN FIDUCIARY NET POSITION	(79,609)	3,899	1,900
Fiduciary Net Position - Beginning of Year	<u>336,240</u>	<u>17,623</u>	<u>250</u>
FIDUCIARY NET POSITION - END OF YEAR	<u><u>\$ 256,631</u></u>	<u><u>\$ 21,522</u></u>	<u><u>\$ 2,150</u></u>

**NOBLES COUNTY
 WORTHINGTON, MINNESOTA
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FIDUCIARY FUNDS – CUSTODIAL FUNDS (CONTINUED)
 YEAR ENDED DECEMBER 31, 2021**

<u>Custodial Funds</u>		
<u>Estate Recoveries</u>	<u>State Revenue</u>	<u>Total Custodial Funds</u>
\$ -	\$ -	\$ 265,504
-	-	22,445,553
<u>377,231</u>	<u>7,507,240</u>	<u>7,884,471</u>
<u>377,231</u>	<u>7,507,240</u>	<u>30,595,528</u>
-	-	241,515
377,231	-	377,231
-	<u>7,507,240</u>	<u>30,050,592</u>
<u>377,231</u>	<u>7,507,240</u>	<u>30,669,338</u>
-	-	(73,810)
-	-	<u>354,113</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 280,303</u>

**NOBLES COUNTY
 WORTHINGTON, MINNESOTA
 SCHEDULE OF INTERGOVERNMENTAL REVENUE
 YEAR ENDED DECEMBER 31, 2021**

	<u>Total Primary Government</u>
SHARED REVENUE	
STATE	
Highway Users Tax	\$ 7,150,204
County Program Aid	804,302
PERA Indirect Aid	25,856
Disparity Reduction Aid	68,485
Police Aid	126,398
Enhanced 911	143,076
Aquatic Invasive Species	51,040
Riparian Protection Aid	137,184
Market Value Credit	316,585
Total Shared Revenue	8,823,130
REIMBURSEMENT FOR SERVICES	
STATE	
Minnesota Department of Human Services	937,048
PAYMENTS	
Local	
Local - Payments in Lieu of Taxes	238,292
GRANTS	
STATE	
Minnesota Department of Health	242,834
Human Services	790,117
Natural Resources	22,786
Public Safety	35,511
Transportation	218,350
Veterans Services	10,000
Water and Soil Resources Board	44,441
Pollution Control Agency	77,666
Peace Officer Standards and Training Board	13,395
Total State	1,455,100
FEDERAL	
Department of Agriculture	423,097
Justice	28,980
Transportation	241,947
Health and Human Services	1,479,813
Homeland Security	45,064
Total Federal	2,218,901
Total State and Federal Grants	3,674,001
Total Intergovernmental Revenue	\$ 13,672,471

**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), as of and for the year ended December 31, 2021, 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 21, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified 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 2021-001 through 2021-003 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2021-004 to be a significant deficiency.

Report on Compliance and Other Matters

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

County’s Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the County’s response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The County’s response was not subjected to the other auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on the response.

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 the County’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Alexandria, Minnesota
September 21, 2022



**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

Opinion on Each Major Federal Program

We have audited Nobles County's (the County's) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2021. The County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the County complied, in all material respects, with the 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, 2021.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the County's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the County's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over compliance. Accordingly, no such opinion is expressed.

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

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2021-005. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the County's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The County's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2021-005 and 2021-006, to be significant deficiencies.

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

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

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



CliftonLarsonAllen LLP

Alexandria, Minnesota
September 21, 2022

**NOBLES COUNTY
 WORTHINGTON, MINNESOTA
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 DECEMBER 31, 2021**

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 Federal Programs:

<u>Assistance Listing Numbers</u>	<u>Name of Federal Program or Cluster</u>
20.205	COVID-19 Highway Planning and Construction Cluster
93.778	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, 2021**

SECTION II – FINANCIAL STATEMENT FINDINGS

2021-001 Segregation of Duties

Type of Finding: Material Weakness in Internal Control Over Financial Reporting

Criteria or Specific Requirement: 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: 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 2020-001.

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 and Planned Corrective Actions: There is no disagreement with the audit finding.

**NOBLES COUNTY
WORTHINGTON, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
DECEMBER 31, 2021**

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

2021-002 Audit Adjustments

Type of Finding: Material Weakness in Internal Control Over Financial Reporting

Criteria or Specific Requirement: 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: As part of the audit, we proposed entries to properly state accounts receivable, due from other governments, loans receivable, unavailable revenues, unearned revenues, and revenues. Entries were also proposed to properly state accounts payable, due to other governments, expenditures, fund balance, interfund activity and balances in the custodial funds and applicable governmental funds also affected by the misstatements. A material journal entry was also proposed to properly account for the activity with Lincoln Pipestone Rural Water.

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 2020-002.

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 and Planned Corrective Actions: There is no disagreement with the audit finding.

**NOBLES COUNTY
WORTHINGTON, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
DECEMBER 31, 2021**

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

2021-003 Annual Financial Reporting Under Generally Accepted Accounting Principles (GAAP)

Type of Finding: Material Weakness in Internal Control Over Financial Reporting

Criteria or Specific Requirement: 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: The board of county commissioners and management of the County share the ultimate responsibility for the County's internal control system. While it is acceptable to outsource various accounting functions, the responsibility for internal control cannot be outsourced. The County engages CLA to assist in preparing its financial statements and accompanying disclosures. However, as independent auditors, CLA cannot be considered part of the County's internal control system. As part of its internal control over the preparation of the financial statements, including disclosures, the County has implemented a comprehensive review procedure to ensure that the financial statements, including disclosures, are complete and accurate. Such review procedures should be performed by an individual possessing a thorough understanding of generally accepted accounting principles and knowledge of the County's activities and operations.

Cause: The County personnel have not monitored recent accounting developments to the extent necessary to enable them to prepare the County's financial statements and related disclosures, to provide a high level of assurance that potential omissions or other errors that are material would be identified and corrected on a timely basis.

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 2020-004.

Recommendation: The County should evaluate their financial reporting processes and controls, including the expertise of its internal staff, to determine whether additional controls over the preparation of annual financial statements can be implemented to provide reasonable assurance that financial statements are prepared in accordance with U.S. GAAP.

View of Responsible Officials and Planned Corrective Actions: There is no disagreement with the audit finding.

**NOBLES COUNTY
WORTHINGTON, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
DECEMBER 31, 2021**

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

2021-004 Bank Reconciliations

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

Criteria or Specific Requirement: 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: The cash reconciliation includes several reconciling items that should be resolved within the accounting system.

Cause: Past practice and employee turnover.

Effect: The reconciliation with large reconciling items that are not resolved between the bank statements and the accounting system could result in errors going undetected.

Repeat Finding: Yes, previously reported as finding 2020-005.

Recommendation: We recommend management implement procedures to ensure cash balances are reconciled completely, and all related cash adjustments are posted to the general ledger.

View of Responsible Officials and Planned Corrective Actions: There is no disagreement with the audit finding.

**NOBLES COUNTY
WORTHINGTON, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
DECEMBER 31, 2021**

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2021-005 Special Provisions

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

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

Assistance Listing Number: 93.778

Pass Through Agency: Minnesota Department of Human Services

Federal Award Identification Number and Pass Through Numbers: 2105MN5ADM, 2105MN5MAP

Award Periods: Year ended December 31, 2021

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

Criteria or Specific Requirement: 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: Reports filed by collaborative members were missing documentation of review by the County and paper copies of all submitted reports were not kept on file.

Questioned Costs: None.

Context: For the quarterly 3220 reports, filed by collaborative members, 2 of 2 tested were missing documentation of review by the County 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*.

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: Yes, previously reported at 2020-007.

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 and Planned Corrective Actions: There is no disagreement with the audit finding.

**NOBLES COUNTY
WORTHINGTON, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
DECEMBER 31, 2021**

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

2021-006 Reporting

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

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

Assistance Listing Number: 93.778

Pass Through Agency: Minnesota Department of Human Services

Federal Award Identification Number and Pass Through Numbers: 2105MN5ADM, 2105MN5MAP

Award Periods: Year ended December 31, 2021

Type of Finding: Significant Deficiency in Internal Control Over Compliance

Criteria or Specific Requirement: 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.

Condition: Certain reports tested were missing signatures indicating review and approval.

Questioned Costs: None.

Context: 2 of 2 quarterly 3220 LCTS reports tested were missing signatures indicating review and approval. One of one annual CTC report was missing evidence of review. The sample size was based on guidance from chapter 11 of the AICPA Audit Guide, *Government Auditing Standards and Single Audits*.

Cause: The County has not implemented review procedures.

Effect: Errors in the reports would not be detected prior to submission.

Repeat Finding: No.

Recommendation: We recommend the County implement procedures to ensure the report is formally reviewed and approved by someone other than the person who prepared the reports.

View of Responsible Officials and Planned Corrective Actions: There is no disagreement with the audit finding.

**NOBLES COUNTY
WORTHINGTON, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
DECEMBER 31, 2021**

SECTION IV – OTHER ITEMS FOR CONSIDERATION – MINNESOTA LEGAL COMPLIANCE

2021-007 Unclaimed Property

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

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

Cause: No formal procedures are in place to ensure unclaimed property is handled in accordance with state statutes.

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

Repeat Finding: Yes, previously reported as finding 2020-010.

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

View of Responsible Officials and Planned Corrective Actions: There is no disagreement with the audit finding.

2021-008 Publish all claims exceeding \$2,000 in Board Minutes

Criteria or Specific Requirement: Minnesota Statute § 375.12 requires that the County must publish all claims exceeding \$2,000 and a statement showing total number of claims that did not exceed \$2,000 and their total dollar amount in the publication of the board minutes.

Condition: The County did not publish claims exceeding \$2,000 and a statement with the total number of claims that did not exceed \$2,000 with a total dollar amount in the publication of the board minutes.

Cause: Staff were unfamiliar with the compliance requirement.

Effect: The County has not complied with Minn. Stat. § 375.12

Repeat Finding: No.

Recommendation: We recommend the County publish the claims exceeding \$2,000 and a statement with the total number of claims and total dollar amount of the claims that did not exceed \$2,000.

View of Responsible Officials and Planned Corrective Actions: There is no disagreement with the audit finding.

**NOBLES COUNTY
WORTHINGTON, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
DECEMBER 31, 2021**

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

2021-009 Annually Publish Statement of Receipts and Expenditures of the Preceding Year

Criteria or Specific Requirement: Minnesota Statute § 375.17 requires that the County must publish annually no later than the first Tuesday after the first Monday in March, make a full and accurate statement of the receipts and expenditures of the preceding year.

Condition: The County did not publish a statement of receipts and expenditures by the first Tuesday after the first Monday in March.

Cause: Staff were unfamiliar with the compliance requirement.

Effect: The County has not complied with Minn. Stat. § 375.17

Repeat Finding: No.

Recommendation: We recommend the County publish a statement of receipts and expenditures by the first Tuesday after the first Monday in March.

View of Responsible Officials and Planned Corrective Actions: There is no disagreement with the audit finding.

SECTION V – PREVIOUSLY REPORTED ITEMS RESOLVED

2020-003 Timely Deposits

2020-006 Medical Assistance Program: Eligibility

2020-008 Electronic Wire Transfer – Annual Delegation of Authority

2020-009 Unclaimed Property Tax Overpayment

2020-011 Ditch Balances

2020-012 Timely Payment to Taxing Districts

**NOBLES COUNTY
WORTHINGTON, MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2021**

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-through Entity Identifying Number	Total Federal Expenditures	Passed Through to Subrecipients
U.S. Department of Agriculture				
Passed Through Minnesota Department of Health WIC Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	202MN 004W1003	\$ 186,385	\$ -
Passed Through Minnesota Department of Human Services State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (Total SNAP Cluster \$236,712) Total Department of Agriculture	10.561	212MN101S2514	<u>236,712</u> 423,097	- -
U.S. Department of Justice				
Pass Through Minnesota Department of Public Safety Crime Victim Assistance	16.575	F-CVS-2020-NOBLES AO	28,980	-
U.S. Department of Transportation				
Passed Through Minnesota Department of Transportation COVID-19 Highway Planning and Construction (Part of Highway Planning and Construction Cluster)	20.205	HIP-CRRSAA	241,947	-
U.S. Department of Health and Human Services				
Passed Through Minnesota Department of Health Public Health Emergency Preparedness	93.069	NU9OTP922026	11,999	-
Early Hearing Detection and Intervention	93.251	H61MC00035	1,400	-
COVID-19 Immunization Cooperative Agreements	93.268	6NH23IP00737-0502	30,712	-
COVID-19 Epidemiology and Laboratory Capacity for Infectious Diseases	93.323	NU0CK000508	8,815	-
Temporary Assistance for Needy Families (Total TANF \$64,419)	93.558	NGA 1801MNTANF	13,113	-
Maternal and Child Health Services Block Grant to the States	93.994	NGA BO4MC32551	25,420	-
Passed Through Minnesota Department of Human Services MaryLee Allen Promoting Safe and Stable Families Program	93.556	2101MNFSS	6,618	-
Temporary Assistance for Needy Families (Total TANF \$64,419)	93.558	2101MNTANF	51,306	-
Child Support Enforcement	93.563	2101MNCSES	97,186	-
Child Support Enforcement (Total Child Support Enforcement \$307,667)	93.563	2101MNCES	210,481	-
Refugee and Entrant Assistance State/Replacement Designee Administered Programs	93.566	2101MNRCA	525	-
Community-Based Child Abuse Prevention Grants	93.590	1901MNBCAP	2,371	-
Child Care and Development Block Grant (Total CCDF Cluster \$4,930)	93.575	2101MNCDD	4,930	-
Stephanie Tubbs Jones Child Welfare Services Program	93.645	2101MNCWC3	2,688	-
COVID-19 Stephanie Tubbs Jones Child Welfare Services Program (Total Stephanie Tubbs Jones Child Welfare Services Program \$5,477)	93.645	2101MNCWC3	2,789	-
Foster Care Title IV-E	93.658	2101MNFOST	69,096	-
Social Services Block Grant	93.667	2101MNSOSR	112,693	-
Child Abuse and Neglect State Grants	93.669	2101MNNCAN	1,534	-
John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674	2101MNCILP	4,276	-
COVID-19 John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674	2101MNCILP	6,407	-
(Total John H. Chafee Foster Care Program for Successful Transition to Adulthood \$10,683)				
Children's Health Insurance Program	93.767	2105MN0R21	1,217	-
Medical Assistance Program (Total Medicaid Cluster \$819,820)	93.778	2105MN5MAP	8,762	-
Medical Assistance Program (Total Medicaid Cluster \$819,820) Total Department of Health and Human Services	93.778	2105MN5ADM	<u>811,058</u> 1,485,396	- -
U.S. Department of Homeland Security				
Passed Through Minnesota Department of Public Safety Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	Not Provided	1,367	-
Emergency Management Performance Grants	97.042	F-EMPG-2020- NOBLES CO-3471	43,697	-
Total Department of Homeland Security			<u>45,064</u>	-
Total Expenditures of Federal Awards			<u>\$ 2,224,484</u>	<u>\$ -</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, 2021**

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, 2021. 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. 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	\$ 2,218,901
Expenditures Included on the Schedule of Expenditures of Federal Awards that are not Considered 2021 Intergovernmental Revenues (Current Year Deferred Inflows of Resources)	<u>5,583</u>
Expenditures per Schedule of Expenditures of Federal Awards	<u><u>\$ 2,224,484</u></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 (the County), as of and for the year ended December 31, 2021, 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 21, 2022.

In connection with our audit, we noted that Nobles County failed to comply with provisions of the miscellaneous provisions section 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 2021-007 through 2021-009. 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 claims and disbursements, contracting – bid law, conflicts of interest, depositories of public funds and public 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. The County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Alexandria, Minnesota
September 21, 2022



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