

BROWN COUNTY, MINNESOTA
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2019

**BROWN COUNTY
NEW ULM, MINNESOTA**

TABLE OF CONTENTS

	<u>Exhibit</u>	<u>Page</u>
Introductory Section		
Organization		1
Financial Section		
Independent Auditors' Report		2
Management's Discussion and Analysis		5
Basic Financial Statements		
County-Wide Financial Statements		
Statement of Net Position	1	14
Statement of Activities	2	16
Fund Financial Statements		
Balance Sheet - Governmental Funds	3	18
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position – Governmental Activities	4	20
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds	5	21
Reconciliation of the Changes in Fund Balances of Governmental Funds to the Statement of Activities – Governmental Activities	6	23
Budgetary Comparison Statements		
General Fund	7	25
Road and Bridge Special Revenue Fund	8	28
Human Services Special Revenue Fund	9	29
Landfill Special Revenue Fund	10	30
County Ditch Special Revenue Fund	11	31
Statement of Fiduciary Net Position – Agency Funds	12	32
Notes to the Financial Statements		33
Required Supplementary Information		
Schedule of Changes in Total OPEB Liability, Related Ratios – Other Postemployment Benefits	A-1	86
PERA General Employees Retirement Plan		
Schedule of Proportionate Share of Net Pension Liability	A-2	87
Schedule of Contributions	A-3	88
PERA Public Employees Police and Fire Plan		
Schedule of Proportionate Share of Net Pension Liability	A-4	89
Schedule of Contributions	A-5	90

**BROWN COUNTY
NEW ULM, MINNESOTA**

TABLE OF CONTENTS

	<u>Exhibit</u>	<u>Page</u>
Financial Section		
Required Supplementary Information (Continued)		
PERA Public Employees Local Government Correctional Service Retirement Plan		
Schedule of Proportionate Share of Net Pension Liability	A-6	91
Schedule of Contributions	A-7	92
Notes to the Required Supplementary Information		93
Supplementary Information		
Combining and Individual Fund Financial Statements and Schedules		
Nonmajor Governmental Fund		100
Budgetary Comparison Schedule – Building and Capital Improvements Capital Projects Fund	B-1	101
Agency Funds		102
Combining Statement of Changes in Assets and Liabilities – All Agency Funds	C-1	103
Schedules		
Schedule of Deposits and Investments	D-1	108
Schedule of Intergovernmental Revenue – Governmental Funds	D-2	109
Schedule of Expenditures of Federal Awards	D-3	111
Notes to the Schedule of Expenditures of Federal Awards		113

INTRODUCTORY

**BROWN COUNTY
NEW ULM, MINNESOTA**

ORGANIZATION
2019

Office	Name	Term Expires
Commissioners		
1st District	David Borchert*	January 2021
2nd District	Anton Berg	January 2021
3rd District	Scott Windschitl	January 2021
4th District	Dean Simonsen	January 2023
5th District	Jeff Veerkamp	January 2023
Officers		
Elected		
Attorney	Charles Hanson	January 2023
Auditor/Treasurer	Jean Prochniak	January 2023
County Recorder	Betti Kamolz	January 2023
Sheriff	Jason Seidl	January 2023
Appointed		
Administrator	Sam Hansen	Indefinite
Assessor	Anne Grunert	December 31, 2020
Human Services Director	Barb Dietz	Indefinite
Coroner	Terry Knowles, M.D.	December 31, 2022
Probation Director	Les Schultz	Indefinite
Highway Engineer	Wayne Stevens	April 30, 2022
Human Resources Director	Ruth Schaefer	Indefinite
Planning and Zoning Administrator	Laine Sletta	Indefinite
Public Health Director	Karen Moritz	Indefinite
Veterans Service Officer	Greg Peterson	April 11, 2021
Lay Board Member	Elizabeth Mohr	December 31, 2019
Lay Board Member	Judy Kuster	December 31, 2019

*Chair

This Page Has Been Intentionally Left Blank.

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

Board of Directors
Brown County
New Ulm, Minnesota

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. The South Country Health Alliance (SCHA) is a joint venture discussed in Note 5.C to the financial statements. The county's investment in SCHA, \$2,819,299, represents 2.1% and 2.6%, respectively, of the assets and net position of the governmental activities. The financial statements of SCHA, were prepared in accordance with financial reporting provisions permitted by the Minnesota Department of Health. We have applied procedures on the conversion adjustment to the financial statements of SCHA, which conform the financial reporting of the investment in joint venture to accounting principles accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the SCHA were not audited in accordance with *Government Auditing Standards*.

Auditors' Responsibility (Continued)

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Brown County as of December 31, 2019, and the respective changes in financial position and the respective budgetary comparison of the General Fund, Road and Bridge Fund Special Revenue Fund, Human Services Special Revenue Fund, Landfill Special Revenue Fund, and County Ditch Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter Regarding Restatement

During the year ended December 31, 2019, the County restated fund balance in the Road and Bridge Fund and net position for Governmental Activities, to correct errors in the previously issued financial statements (see Note 1.E.). Our auditors' opinion was not modified with respect to the restatement.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and required supplementary information, as listed on the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Matters (Continued)

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Brown County's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is also presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2020 on our consideration of Brown County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Brown 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 Brown County's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Brainerd, Minnesota
September 25, 2020

This Page Has Been Intentionally Left Blank.

MANAGEMENT'S DISCUSSION AND ANALYSIS

**BROWN COUNTY
NEW ULM, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019
(Unaudited)**

As management of Brown County, we offer readers of the Brown County financial statements this narrative overview and analysis of the financial activities of Brown County for the fiscal year ended December 31, 2019. We encourage readers to consider the information presented here in conjunction with the County's basic financial statements following this section. All amounts, unless otherwise indicated, are expressed in whole dollars.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of Brown County exceeded its liabilities and deferred inflows of resources at the close of 2019 by \$109,505,034. Of this amount, \$3,651,112 (unrestricted net position) may be used to meet Brown County's ongoing obligations to citizens and creditors.
- Brown County's total net position increased by \$4,223,986 in 2019 (after restatement), or 4.0 percent.
- At the close of 2019, Brown County's governmental funds reported combined ending fund balances of \$21,650,437. The amount of \$2,904,859 is unassigned and is available for spending at the County's discretion.
- At the close of 2019, unassigned fund balance for the General Fund was \$3,978,867, or 27.8 percent, of total General Fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

This Management's Discussion and Analysis is intended to serve as an introduction to Brown County's basic financial statements. Brown County's basic financial statements are comprised of three components: (1) county-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

County-Wide Financial Statements

The county-wide financial statements are designed to provide readers with a broad overview of Brown County's finances in a manner similar to a private-sector business.

The statement of net position presents information on all of Brown County's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of Brown County is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows only in future fiscal periods (for example, uncollected taxes and earned but unused vacation leave).

The county-wide financial statements list the functions of Brown County principally supported by taxes and intergovernmental revenues. The governmental activities of Brown County include general government, public safety, highways and streets, sanitation, human services, health, culture and recreation, economic development, and conservation of natural resources. There are no business-type activities within Brown County's financial structure that are intended to recover all or a significant portion of their costs through user fees and charges.

The county-wide financial statements can be found on Exhibits 1 and 2.

Fund Financial Statements

A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. Brown County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Brown County can be divided into two categories: governmental funds and fiduciary funds.

Because the focus of governmental funds is narrower than that of the county-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the county-wide financial statements. By doing so, readers may better understand the long-term impact of the County's short-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Governmental funds--Governmental funds are used to account for essentially the same functions reported as governmental activities in the county-wide financial statements. However, unlike the county-wide financial statements, County fund-level financial statements focus on short-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the County's short-term financing requirements.

Brown County reports five major funds and one nonmajor governmental fund. The major funds are: the General Fund, Road and Bridge Special Revenue Fund, Human Services Special Revenue Fund, Landfill Special Revenue Fund, and County Ditch Special Revenue Fund. The nonmajor governmental fund is the Building and Capital Improvements Capital Projects Fund. Information is presented separately for the major funds and in the aggregate for the nonmajor funds in Exhibits 3 and 5.

Fiduciary funds--Fiduciary funds are used to account for assets held by the County as an agent for individuals, private organizations, other governments, or other funds. Brown County's fiduciary funds consist of 12 agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. In addition, the agency funds are not reflected in the county-wide financial statements because those resources are not available to support the County's programs.

Brown County's governmental fund financial statements are on Exhibits 3 through 11, and Brown County's fiduciary funds are on Exhibit 12.

Notes to the Financial Statements

Notes to the financial statements provide additional information essential to a full understanding of the data provided.

Other Information

In addition to the basic financial statements and notes, this report also presents certain required supplementary information concerning Brown County's progress in funding its obligation to provide other postemployment benefits to its employees and schedules of the proportionate share of net pension liability and schedules of contributions. Required supplementary information can be found on Exhibits A-1 through A-7. In addition, the County also provides supplementary information on Brown County's deposits and investments, intergovernmental revenues, and expenditures of federal awards (Exhibits D-1 through D-3).

Brown County adopts an annual appropriated budget for its General Fund, the special revenue funds, and the capital projects fund. Budgetary comparison statements have been provided to demonstrate compliance with these budgets.

COUNTY-WIDE FINANCIAL ANALYSIS

Over time, net position serves as a useful indicator of the County's financial position. Brown County's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$109,505,034 at the close of 2019. The largest portion of Brown County's net position (87.9 percent) reflects its investment in capital assets (such as land, buildings, and equipment); however, it should be noted that these assets are not available for future spending. Comparative data with 2018 is presented.

Table 1
Governmental Net Position

	<u>2019</u>	<u>2018</u>
Assets		
Current and other assets	\$ 30,986,069	\$ 32,670,891
Capital assets	<u>100,818,504</u>	<u>95,108,203</u>
Total Assets	<u>\$ 131,804,573</u>	<u>\$ 127,779,094</u>
Deferred Outflows of Resources	<u>\$ 1,838,983</u>	<u>\$ 3,461,711</u>
Liabilities		
Long-term liabilities outstanding	\$ 18,323,949	\$ 18,794,214
Other liabilities	<u>1,960,009</u>	<u>2,051,367</u>
Total Liabilities	<u>\$ 20,283,958</u>	<u>\$ 20,845,581</u>
Deferred Inflows of Resources	<u>\$ 3,854,564</u>	<u>\$ 5,258,176</u>
Net Position		
Investment in capital assets	\$ 96,262,527	\$ 90,467,918
Restricted	9,591,395	11,070,309
Unrestricted	<u>3,651,112</u>	<u>3,598,821</u>
Total Net Position	<u>\$ 109,505,034</u>	<u>\$ 105,137,048</u>

The unrestricted net position amount of \$3,651,112 as of December 31, 2019, may be used to meet the County's ongoing obligations to citizens and creditors.

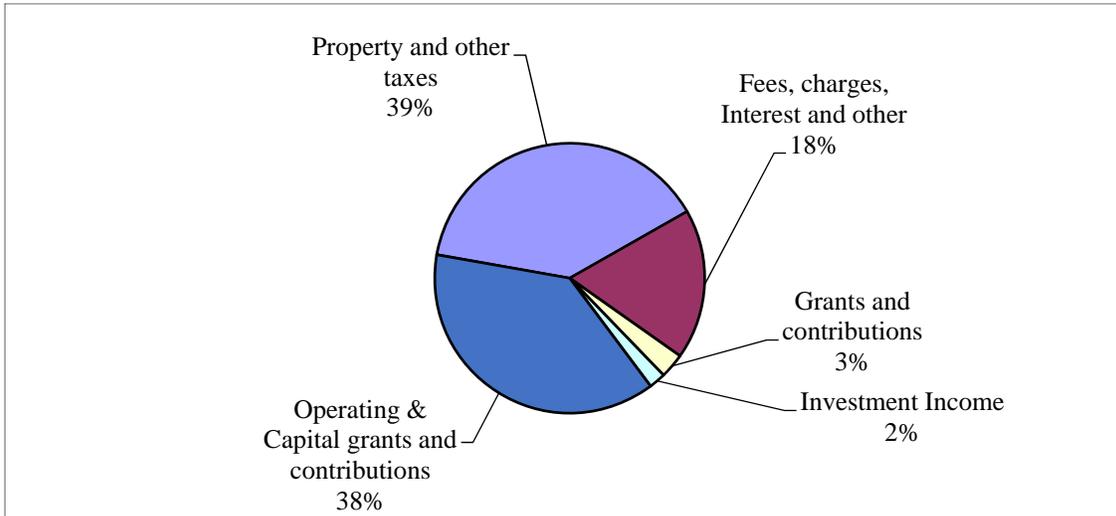
Governmental Activities

The County's activities from operations increased net position by \$4,223,986, or 4.0 percent (\$105,281,048, as restated, in 2018 to \$109,505,034 in 2019). Table 2 summarizes the changes in net position for 2018.

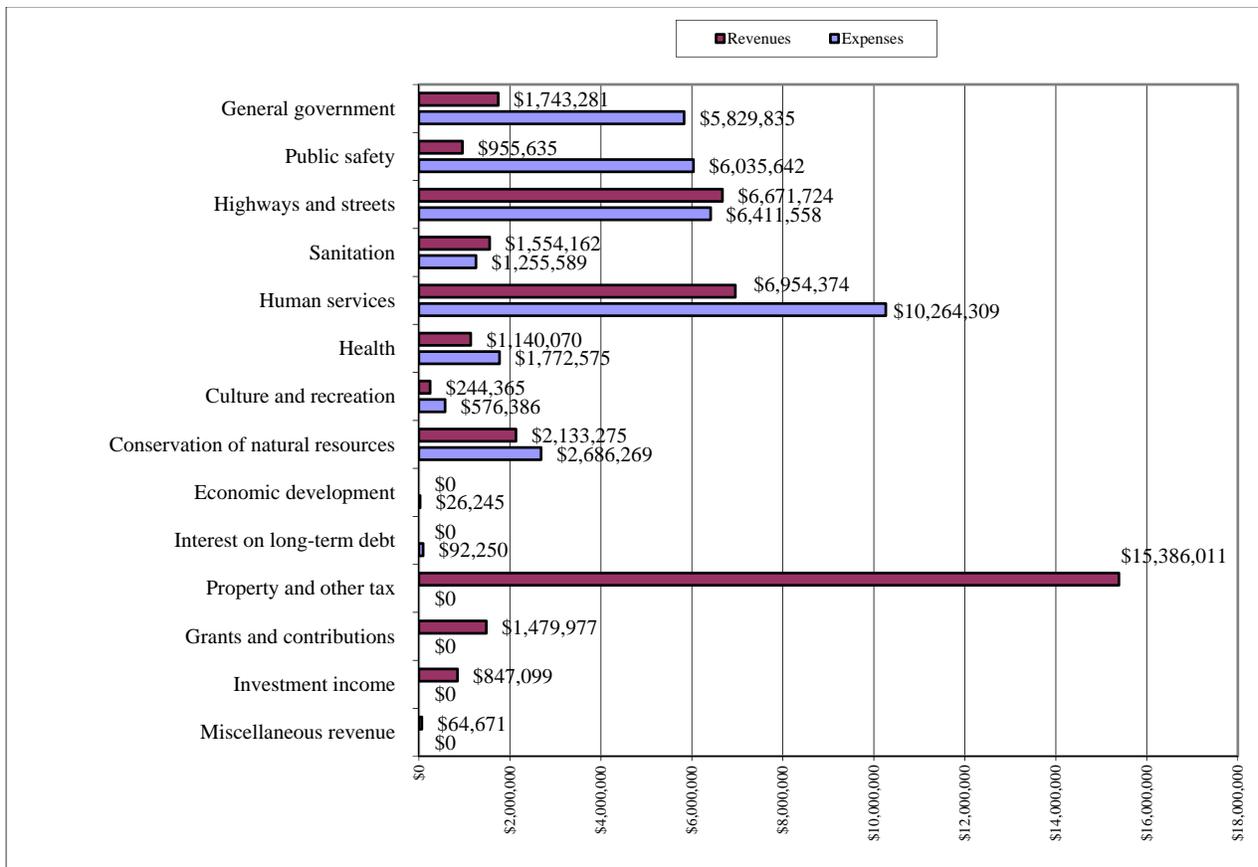
Table 2
Changes in Governmental Net Position

	<u>2019</u>	<u>2018</u>
Revenues		
Program revenues		
Charges for services	\$ 6,846,006	\$ 6,928,226
Operating grants and contributions	14,480,036	13,767,379
Capital grants and contributions	70,844	136,886
General revenues		
Property taxes	12,943,073	12,808,252
Other	4,834,685	4,361,735
Total Revenues	<u>\$ 39,174,644</u>	<u>\$ 38,002,478</u>
Expenses		
General government	\$ 5,829,835	\$ 5,263,601
Public safety	6,035,642	5,803,255
Highways and streets	6,411,558	6,135,890
Sanitation	1,255,589	979,380
Human services	10,264,309	10,435,950
Health	1,772,575	1,728,775
Culture and recreation	576,386	386,330
Conservation of natural resources	2,686,269	2,722,747
Economic development	26,245	16,245
Interest	92,250	64,431
Total Expenses	<u>\$ 34,950,658</u>	<u>\$ 33,536,604</u>
Increase in Net Position	\$ 4,223,986	\$ 4,465,874
Net Position – January 1	\$ 105,137,048	\$ 100,671,174
Restatement (Note 1.E.)	144,000	-
Net Position – January 1, as restated	<u>\$ 105,281,048</u>	<u>\$ 100,671,174</u>
Net Position - December 31	<u>\$ 109,505,034</u>	<u>\$ 105,137,048</u>

Revenues by Source - 2019



Expenses and Revenues - 2019



Total revenues for the County were \$39,174,644, while total expenses were \$34,950,658. This reflects a \$4,223,986 increase in net position for the year ended December 31, 2019.

(Unaudited)

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the County's governmental funds is to provide information on short-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$21,650,437, a decrease of \$3,295,730 in comparison with the prior year, after the restatement and the change in inventories. Of this amount, \$2,904,859 constitutes unassigned fund balance. The remainder of fund balance is nonspendable, restricted, or assigned to indicate that it is not available for new spending.

The General Fund is the chief operating fund of Brown County. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$3,978,867, while total General Fund balance was \$6,714,811. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 27.8 percent of total General Fund expenditures, while total fund balance represents 47.0 percent of that same amount. In 2019, the total fund balance in the General Fund increased \$1,015,166.

In 2019, the Road and Bridge Special Revenue Fund reported a decrease in operations of \$4,166,367 and a decrease in inventories of \$5,683. This decrease was a budgeted use of fund balance in 2019 and was anticipated.

In 2019, the Human Services Special Revenue Fund's fund balance decreased by \$561,108. This decrease is due mainly to an unbudgeted South Country Health Alliance capital call.

In 2019, the Landfill Special Revenue Fund's fund balance increased by \$452,246. This increase was mainly due to an increase in tipping fees in 2019.

In 2019, the County Ditch Fund's fund balance decreased by \$412,248. This decrease was due to more ditch repair expenditures than special assessment revenues during 2019.

General Fund Budgetary Highlights

There were no changes between the original budget and the final amended budget. Total General Fund revenues exceeded budgeted revenues by \$1,132,993 due, in large part, to unbudgeted special assessments collections and from investment earnings in 2019. Overall, actual expenditures exceeded budgeted expenditures by \$90,573.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The County's investment in capital assets for its governmental activities as of December 31, 2019, amounts to \$100,818,504 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, and infrastructure. The total increase in the County's investment in capital assets for the current fiscal year was \$5,710,301.

Table 3
Governmental Capital Assets
(Net of Depreciation)

	<u>2019</u>	<u>2018</u>
Land	\$ 1,838,388	\$ 1,838,388
Construction in progress	8,454,289	348,977
Land improvements	2,499,528	2,577,899
Buildings and improvements	11,167,898	11,399,594
Machinery, furniture, and equipment	3,060,127	3,221,735
Computer software - intangible	570,735	572,145
Infrastructure	<u>73,227,539</u>	<u>75,149,465</u>
Totals	<u>\$ 100,818,504</u>	<u>\$ 95,108,203</u>

Additional information on the County's capital assets can be found in the notes to the financial statements.

Long-Term Debt

At the end of the current fiscal year, the County has total general obligation bonds outstanding of \$3,995,000.

Table 4
Governmental Outstanding Debt

	<u>2019</u>	<u>2018</u>
General obligation bonds	<u>\$ 3,995,000</u>	<u>\$ 4,435,000</u>

Additional information on the County's long-term debt can be found in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

- The COVID-19 pandemic has cast a cloud of uncertainty over County finances for the next 2-3 years. The County enters into this period with good but not excessive fund balances. While reserves can help the County sustain services in the short-term, it is unlikely the County can maintain current spending levels over a downturn lasting more than two years.
- Brown County's average unemployment rate was approximately 3.5 percent as of the end of 2019. This was slightly above the statewide rate.
- Mortgage interest rates remained mostly unchanged in 2019, resulting in a stable volume of mortgage refinancing.
- At the end of 2019, Brown County set its 2020 revenue and expenditure budgets.

REQUESTS FOR INFORMATION

This annual financial report is designed to provide a general overview of the County's finances for all those with an interest in the County's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Brown County Auditor/Treasurer, Brown County Courthouse, 14 South State Street, P. O. Box 115, New Ulm, Minnesota 56073.

This Page Has Been Intentionally Left Blank.

BASIC FINANCIAL STATEMENTS

COUNTY-WIDE FINANCIAL STATEMENTS

**BROWN COUNTY
NEW ULM, MINNESOTA**

EXHIBIT 1

**STATEMENT OF NET POSITION
DECEMBER 31, 2019**

Assets

Cash and pooled investments	\$	21,533,498
Taxes receivable		
Prior		81,241
Special assessments receivable		
Prior		29,158
Current		385,262
Noncurrent		375,102
Accounts receivable - net		1,278,841
Accrued interest receivable		38,197
Due from other governments		4,131,465
Inventories		314,006
Investment in joint venture		2,819,299
Capital assets		
Non-depreciable		10,292,677
Depreciable - net of accumulated depreciation		90,525,827
		131,804,573
Total Assets	\$	131,804,573

Deferred Outflows of Resources

Deferred pension outflows	\$	1,808,089
Deferred other postemployment benefit outflows		30,894
		1,838,983
Total Deferred Outflows of Resources	\$	1,838,983

Liabilities

Accounts payable	\$	478,508
Salaries payable		484,598
Contracts payable		624,132
Due to other governments		259,001
Accrued interest payable		26,103
Unearned revenue		87,667
Long-term liabilities		
Due within one year		792,446
Due in more than one year		6,847,949
Net pension liability		9,940,019
Other postemployment liability - Due within one year		35,787
Other postemployment liability - Due in more than one year		707,748
		20,283,958
Total Liabilities	\$	20,283,958

**BROWN COUNTY
NEW ULM, MINNESOTA**

**EXHIBIT 1
(Continued)**

**STATEMENT OF NET POSITION
DECEMBER 31, 2019**

Deferred Inflows of Resources

Prepaid property taxes	\$	61,411
Deferred pension inflows		3,774,497
Deferred other postemployment benefit inflows		18,656
		<hr/>
Total Deferred Inflows of Resources	\$	3,854,564

Net Position

Net investment in capital assets	\$	96,262,527
Restricted for		
General government		101,760
Public safety		575,881
Highways and streets		3,147,395
Sanitation		74,444
Human services		3,051,681
Conservation of natural resources		1,080,504
Landfill closure/postclosure		1,559,730
Unrestricted		3,651,112
		<hr/>
Total Net Position	\$	109,505,034

**BROWN COUNTY
NEW ULM, MINNESOTA**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Expenses	Fees, Charges, Fines, and Other
<u>Functions/Programs</u>		
Primary government		
Governmental activities		
General government	\$ 5,829,835	\$ 1,434,161
Public safety	6,035,642	285,970
Highways and streets	6,411,558	65,441
Sanitation	1,255,589	1,482,285
Human services	10,264,309	1,241,024
Health	1,772,575	585,167
Culture and recreation	576,386	16,470
Conservation of natural resources	2,686,269	1,735,488
Economic development	26,245	-
Interest	92,250	-
	\$ 34,950,658	\$ 6,846,006
Total Governmental Activities	\$ 34,950,658	\$ 6,846,006

General Revenues

Property taxes
Taxes-Local transit sales taxes
Taxes-Wheelage
Grants and contributions not restricted
to specific programs
Payments in lieu of tax
Investment income
Miscellaneous

Total general revenues

Change in net position

Net Position - January 1

Restatement (See Note 1.E.)

Net Position - January 1, restated

Net Position - December 31

EXHIBIT 2

Program Revenues			Net (Expense)
Operating Grants and Contributions	Capital Grants and Contributions		Revenue and Changes in Net Position
\$ 309,120	\$ -	\$	(4,086,554)
669,665	-		(5,080,007)
6,535,439	70,844		260,166
71,877	-		298,573
5,713,350	-		(3,309,935)
554,903	-		(632,505)
227,895	-		(332,021)
397,787	-		(552,994)
-	-		(26,245)
-	-		(92,250)
\$ 14,480,036	\$ 70,844	\$	(13,553,772)
		\$	12,943,073
			1,806,397
			602,042
			1,479,977
			34,499
			847,099
			64,671
		\$	17,777,758
		\$	4,223,986
			105,137,048
			144,000
			105,281,048
		\$	109,505,034

This Page Has Been Intentionally Left Blank.

FUND FINANCIAL STATEMENTS

**BROWN COUNTY
NEW ULM, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2019**

	General	Road and Bridge
<u>Assets</u>		
Cash and pooled investments	\$ 5,980,851	\$ 5,612,054
Taxes receivable		
Prior	55,532	8,864
Special assessments		
Prior	9,630	-
Current	90,403	-
Noncurrent	198,963	-
Accounts receivable	204,218	-
Accrued interest receivable	38,197	-
Due from other funds	29,520	8,183
Due from other governments	232,884	2,786,487
Advances to other funds	813,983	-
Inventories	-	314,006
	\$ 7,654,181	\$ 8,729,594
 <u>Liabilities, Deferred Inflows of Resources and Fund Balances</u>		
Liabilities		
Accounts payable	\$ 104,874	\$ 11,877
Salaries payable	269,121	50,478
Contracts payable	26,928	396,036
Due to other funds	3,705	-
Due to other governments	13,540	685
Unearned revenue	83,752	2,004
Advances from other funds	-	-
	\$ 501,920	\$ 461,080
Deferred Inflows of Resources		
Prepaid property taxes	42,469	5,961
Unavailable revenue	394,981	2,413,228
	\$ 437,450	\$ 2,419,189
Fund Balances		
Nonspendable	\$ 813,983	\$ 314,006
Restricted	1,099,312	740,937
Assigned	822,649	4,794,382
Unassigned	3,978,867	-
	\$ 6,714,811	\$ 5,849,325
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 7,654,181	\$ 8,729,594

EXHIBIT 3

Human Services	Landfill	County Ditch	Nonmajor Building and Capital Improvements	Total Governmental Funds
\$ 4,155,197	\$ 4,491,594	\$ 662,827	\$ 630,975	\$ 21,533,498
15,510	-	-	1,335	81,241
-	15,524	4,004	-	29,158
-	-	294,859	-	385,262
-	-	176,139	-	375,102
989,531	85,092	-	-	1,278,841
-	-	-	-	38,197
488	-	-	-	38,191
815,413	7,265	288,620	796	4,131,465
-	-	-	-	813,983
-	-	-	-	314,006
\$ 5,976,139	\$ 4,599,475	\$ 1,426,449	\$ 633,106	\$ 29,018,944
\$ 227,868	\$ 92,112	\$ 41,777	\$ -	\$ 478,508
160,825	4,111	63	-	484,598
-	-	201,168	-	624,132
10,269	-	24,217	-	38,191
217,452	-	27,324	-	259,001
-	1,911	-	-	87,667
-	-	813,983	-	813,983
\$ 616,414	\$ 98,134	\$ 1,108,532	\$ -	\$ 2,786,080
11,595	-	-	1,386	61,411
996,199	13,269	702,438	901	4,521,016
\$ 1,007,794	\$ 13,269	\$ 702,438	\$ 2,287	\$ 4,582,427
\$ -	\$ -	\$ -	\$ -	\$ 1,127,989
32,685	3,028,351	689,487	-	5,590,772
4,319,246	1,459,721	-	630,819	12,026,817
-	-	(1,074,008)	-	2,904,859
\$ 4,351,931	\$ 4,488,072	\$ (384,521)	\$ 630,819	\$ 21,650,437
\$ 5,976,139	\$ 4,599,475	\$ 1,426,449	\$ 633,106	\$ 29,018,944

**BROWN COUNTY
NEW ULM, MINNESOTA**

EXHIBIT 4

**RECONCILIATION OF THE FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION--GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2019**

Fund balances - total governmental funds (Exhibit 3)		\$	21,650,437
Amounts reported for governmental activities in the statement of net position are different because:			
Investments in joint venture are recorded in governmental activities and are not financial resources. Therefore, they are not reported in the governmental funds.			2,819,299
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.			100,818,504
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred inflows of resources in the governmental funds.			4,521,016
Deferred outflows of resources and deferred inflows of resources are created as a result of various differences related to pensions that are not recognized in the governmental funds.			
Deferred pension outflows	\$	1,808,089	
Deferred pension inflows		<u>(3,774,497)</u>	(1,966,408)
Deferred outflows of resources and deferred inflows of resources are created as a result of various differences related to other postemployment benefits not recognized in the governmental funds.			
Deferred other postemployment benefits outflows	\$	30,894	
Deferred other postemployment benefits inflows		<u>(18,656)</u>	12,238
Governmental funds do not report a liability for accrued interest on long-term liabilities until due and payable.			(26,103)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.			
General obligation bonds	\$	(3,995,000)	
Unamortized premium on bonds		(138,925)	
Loans payable		(304,732)	
Compensated absences		(1,807,561)	
Estimated liability for landfill closure/postclosure		(1,394,177)	
Net pension liability		(9,940,019)	
Total OPEB liability		<u>(743,535)</u>	<u>(18,323,949)</u>
Net Position of Governmental Activities (Exhibit 1)			<u><u>\$ 109,505,034</u></u>

This Page Has Been Intentionally Left Blank.

**BROWN COUNTY
NEW ULM, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019**

	General	Road and Bridge
Revenues		
Taxes	\$ 8,989,057	\$ 3,651,269
Special assessments	422,150	-
Licenses and permits	30,978	-
Intergovernmental	2,671,517	4,957,078
Charges for services	1,760,704	35,615
Fines and forfeits	17,400	-
Gifts and contributions	125	-
Investment earnings	860,542	-
Miscellaneous	584,481	28,659
	\$ 15,336,954	\$ 8,672,621
Expenditures		
Current		
General government	\$ 5,367,256	\$ -
Public safety	6,109,657	-
Highways and streets	-	12,061,329
Sanitation	-	-
Human services	-	-
Health	1,741,825	-
Culture and recreation	342,604	-
Conservation of natural resources	433,182	-
Economic development	26,245	-
Intergovernmental	-	415,949
Debt service		
Principal	270,771	440,000
Interest	2,994	110,673
	\$ 14,294,534	\$ 13,027,951
Excess of Revenues Over (Under) Expenditures	\$ 1,042,420	\$ (4,355,330)
Other Financing Sources (Uses)		
Transfers in	\$ -	\$ 188,963
Transfers out	(396,254)	-
Proceeds from loans	369,000	-
	\$ (27,254)	\$ 188,963
Net Change in Fund Balance	\$ 1,015,166	\$ (4,166,367)
Fund Balance - January 1	5,699,645	9,877,375
Restatement (See Note 1.E.)	-	144,000
Fund Balance - January 1, restated	5,699,645	10,021,375
Increase (decrease) in inventories	-	(5,683)
Fund Balance - December 31	\$ 6,714,811	\$ 5,849,325

EXHIBIT 5

Human Services	Landfill	County Ditch	Nonmajor Building and Capital Improvements	Total Governmental Funds
\$ 2,423,180	\$ -	\$ -	\$ 290,171	\$ 15,353,677
-	401,177	1,721,425	-	2,544,752
-	360	-	-	31,338
6,102,202	72,149	108,578	223,353	14,134,877
1,077,111	1,087,742	-	-	3,961,172
-	-	-	-	17,400
9,261	-	-	-	9,386
-	-	-	-	860,542
105,318	12,725	-	8,644	739,827
\$ 9,717,072	\$ 1,574,153	\$ 1,830,003	\$ 522,168	\$ 37,652,971
\$ -	\$ -	\$ -	\$ 88,269	\$ 5,455,525
-	-	-	-	6,109,657
-	-	-	-	12,061,329
-	1,215,090	-	-	1,215,090
10,368,837	-	-	-	10,368,837
-	-	-	-	1,741,825
-	-	-	206,424	549,028
-	-	2,254,913	-	2,688,095
-	-	-	-	26,245
-	-	-	-	415,949
-	-	-	-	710,771
-	-	-	-	113,667
\$ 10,368,837	\$ 1,215,090	\$ 2,254,913	\$ 294,693	\$ 41,456,018
\$ (651,765)	\$ 359,063	\$ (424,910)	\$ 227,475	\$ (3,803,047)
\$ 90,657	\$ 93,183	\$ 12,662	\$ 10,789	\$ 396,254
-	-	-	-	(396,254)
-	-	-	-	369,000
\$ 90,657	\$ 93,183	\$ 12,662	\$ 10,789	\$ 369,000
\$ (561,108)	\$ 452,246	\$ (412,248)	\$ 238,264	\$ (3,434,047)
4,913,039	4,035,826	27,727	392,555	24,946,167
-	-	-	-	144,000
4,913,039	4,035,826	27,727	392,555	25,090,167
-	-	-	-	(5,683)
\$ 4,351,931	\$ 4,488,072	\$ (384,521)	\$ 630,819	\$ 21,650,437

**BROWN COUNTY
NEW ULM, MINNESOTA**

EXHIBIT 6

**RECONCILIATION OF THE CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES--GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019**

Change in fund balances - total governmental funds (Exhibit 5) \$ (3,434,047)

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

In the funds, distributions of joint venture equity interest are reported as revenue.

In the statement of net position, an asset is reported for the equity interest, and distributions, increases, and decreases in joint venture equity are reported in the statement of activities. The adjustment is the increase or decrease in equity in the joint venture.

221,198

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlay expenditures
Depreciation expense

\$ 8,790,625
(3,065,892)

5,724,733

The net effect of various miscellaneous transactions involving capital assets (such as sales, trade-ins, and retirements) is to decrease net position.

Net book value of assets disposed of

(14,432)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Increase in deferred inflows of resources for unavailable revenues

1,499,789

The issuance of long-term debt (such as bonds or loans) 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. Neither transaction, however, has any effect on net position.

Proceeds of new debt
Loans Issued
Amortization of bond premium
Principal payments on debt

\$ (369,000)
18,064
710,771

359,835

**BROWN COUNTY
NEW ULM, MINNESOTA**

**EXHIBIT 6
(Continued)**

**RECONCILIATION OF THE CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES--GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019**

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.

Decrease in inventories	\$ (5,683)	
Decrease in deferred pension outflows	(1,634,248)	
Increase in deferred other postemployment outflows	11,520	
Decrease in accrued interest payable	3,353	
Decrease in compensated absences payable	131,873	
Decrease in net pension liability	4,829	
Increase in other postemployment benefits liability	(37,278)	
Decrease in landfill postclosure care costs	11,006	
Decrease in deferred pension inflows	1,400,194	
Increase in deferred other postemployment inflows	<u>(18,656)</u>	<u>(133,090)</u>
Change in Net Position of Governmental Activities (Exhibit 2)		<u><u>\$ 4,223,986</u></u>

This Page Has Been Intentionally Left Blank.

**BROWN COUNTY
NEW ULM, MINNESOTA**

EXHIBIT 7

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 8,901,367	\$ 8,901,367	\$ 8,989,057	\$ 87,690
Special assessments	182,693	182,693	422,150	239,457
Licenses and permits	34,230	34,230	30,978	(3,252)
Intergovernmental	2,654,440	2,654,440	2,671,517	17,077
Charges for services	1,894,849	1,894,849	1,760,704	(134,145)
Fines and forfeits	12,050	12,050	17,400	5,350
Gifts and contributions	100	100	125	25
Investment earnings	195,953	195,953	860,542	664,589
Miscellaneous	328,279	328,279	584,481	256,202
Total Revenues	\$ 14,203,961	\$ 14,203,961	\$ 15,336,954	\$ 1,132,993
Expenditures				
Current				
General government				
Commissioners	\$ 275,420	\$ 275,420	\$ 269,182	\$ 6,238
Courts	126,139	126,139	117,848	8,291
Law library	19,250	19,250	24,807	(5,557)
County auditor/treasurer	691,905	691,905	651,151	40,754
License bureau	278,124	278,124	323,684	(45,560)
County assessor	577,460	577,460	552,575	24,885
Elections	18,850	18,850	19,717	(867)
Accounting and auditing	60,000	60,000	63,128	(3,128)
Data processing	580,569	580,569	563,043	17,526
Central services	211,654	211,654	272,981	(61,327)
Personnel administration	281,441	281,441	316,269	(34,828)
Attorney	628,324	628,324	627,656	668
Recorder	491,754	491,754	491,797	(43)
Planning and zoning	167,502	167,502	163,420	4,082
Buildings and plant	643,117	643,117	617,638	25,479
Veterans service officer	139,199	139,199	139,162	37
Veterans shuttle	14,212	14,212	13,218	994
Other	302,672	302,672	139,980	162,692
Total general government	\$ 5,507,592	\$ 5,507,592	\$ 5,367,256	\$ 140,336

**BROWN COUNTY
NEW ULM, MINNESOTA**

**EXHIBIT 7
(Continued)**

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Current (Continued)				
Public safety				
Sheriff	\$ 2,434,305	\$ 2,434,305	\$ 2,582,243	\$ (147,938)
Boat and water safety	7,516	7,516	23,230	(15,714)
Emergency services	62,128	62,128	70,570	(8,442)
Coroner	12,000	12,000	30,886	(18,886)
E-911 system	107,406	107,406	109,486	(2,080)
County jail	1,594,759	1,594,759	1,592,340	2,419
Probation and parole	1,805,580	1,805,580	1,698,285	107,295
Sheriff's contingency	3,000	3,000	1,412	1,588
Snowmobile safety	3,399	3,399	1,205	2,194
Total public safety	\$ 6,030,093	\$ 6,030,093	\$ 6,109,657	\$ (79,564)
Health				
Nursing service	\$ 1,805,435	\$ 1,805,435	\$ 1,741,825	\$ 63,610
Culture and recreation				
Historical society	\$ 91,427	\$ 91,427	\$ 91,427	\$ -
Parks	122,215	122,215	93,527	28,688
County/regional library	81,515	81,515	81,515	-
Snowmobile trails	-	-	52,674	(52,674)
Other	23,224	23,224	23,461	(237)
Total culture and recreation	\$ 318,381	\$ 318,381	\$ 342,604	\$ (24,223)
Conservation of natural resources				
Cooperative extension	\$ 84,956	\$ 84,956	\$ 78,807	\$ 6,149
Soil and water conservation	122,921	122,921	122,921	-
Agricultural society/County fair	28,500	28,500	28,500	-
Water planning	78,813	78,813	76,134	2,679
Wetlands	18,332	18,332	17,982	350
Septic loan program	102,761	102,761	101,137	1,624
Other conservation	-	-	7,701	(7,701)
Total conservation of natural resources	\$ 436,283	\$ 436,283	\$ 433,182	\$ 3,101

**BROWN COUNTY
NEW ULM, MINNESOTA**

*EXHIBIT 7
(Continued)*

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Current (Continued)				
Economic development				
Community development	\$ 26,245	\$ 26,245	\$ 26,245	\$ -
Debt service				
Principal	\$ 75,598	\$ 75,598	\$ 270,771	\$ (195,173)
Interest	4,334	4,334	2,994	1,340
Total debt services	<u>\$ 79,932</u>	<u>\$ 79,932</u>	<u>\$ 273,765</u>	<u>\$ (193,833)</u>
Total Expenditures	<u>\$ 14,203,961</u>	<u>\$ 14,203,961</u>	<u>\$ 14,294,534</u>	<u>\$ (90,573)</u>
Excess of Revenues Over (Under)				
Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,042,420</u>	<u>\$ 1,042,420</u>
Other Financing Sources (Uses)				
Transfers out	\$ -	\$ -	\$ (396,254)	\$ (396,254)
Proceeds from loans	-	-	369,000	369,000
Total Other Financing Sources (Uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (27,254)</u>	<u>\$ (27,254)</u>
Net Change in Fund Balance	\$ -	\$ -	\$ 1,015,166	\$ 1,015,166
Fund Balance - January 1	<u>5,699,645</u>	<u>5,699,645</u>	<u>5,699,645</u>	<u>-</u>
Fund Balance - December 31	<u>\$ 5,699,645</u>	<u>\$ 5,699,645</u>	<u>\$ 6,714,811</u>	<u>\$ 1,015,166</u>

**BROWN COUNTY
NEW ULM, MINNESOTA**

EXHIBIT 8

**BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 3,262,156	\$ 3,262,156	\$ 3,651,269	\$ 389,113
Intergovernmental	5,491,066	5,491,066	4,957,078	(533,988)
Charges for services	20,000	20,000	35,615	15,615
Miscellaneous	44,875	44,875	28,659	(16,216)
Total Revenues	\$ 8,818,097	\$ 8,818,097	\$ 8,672,621	\$ (145,476)
Expenditures				
Current				
Highway and streets				
Administration	\$ 411,138	\$ 411,138	\$ 446,469	\$ (35,331)
Maintenance	2,039,423	2,039,423	2,128,736	(89,313)
Construction	8,764,267	8,764,267	8,540,805	223,462
Equipment maintenance and shop	760,033	760,033	714,675	45,358
Materials and services for resale	176,000	176,000	230,644	(54,644)
Total Highways and streets	\$ 12,150,861	\$ 12,150,861	\$ 12,061,329	\$ 89,532
Intergovernmental				
Highways and streets	\$ 416,000	\$ 416,000	\$ 415,949	\$ 51
Debt Service				
Principal	440,000	440,000	440,000	-
Interest	110,673	110,673	110,673	-
Total Debt Service	\$ 550,673	\$ 550,673	\$ 550,673	\$ -
Total Expenditures	\$ 13,117,534	\$ 13,117,534	\$ 13,027,951	\$ 89,583
Excess of Revenues Over (Under) Expenditures	\$ (4,299,437)	\$ (4,299,437)	\$ (4,355,330)	\$ (55,893)
Other Financing Sources (Uses)				
Transfers in	114,437	114,437	188,963	74,526
Net Change in Fund Balance	\$ (4,185,000)	\$ (4,185,000)	\$ (4,166,367)	\$ 18,633
Fund Balance - January 1	9,877,375	9,877,375	9,877,375	-
Restatement (See Note 1.E.)	-	-	144,000	144,000
Fund Balance - January 1, as restated	9,877,375	9,877,375	10,021,375	144,000
Increase (decrease) in inventories	-	-	(5,683)	(5,683)
Fund Balance - December 31	\$ 5,692,375	\$ 5,692,375	\$ 5,849,325	\$ 156,950

The notes to the financial statements are an integral part of this statement.

**BROWN COUNTY
NEW ULM, MINNESOTA**

EXHIBIT 9

**BUDGETARY COMPARISON SCHEDULE
HUMAN SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 2,427,630	\$ 2,427,630	\$ 2,423,180	\$ (4,450)
Intergovernmental	5,870,097	5,870,097	6,102,202	232,105
Charges for services	1,182,037	1,182,037	1,077,111	(104,926)
Gifts and contributions	7,600	7,600	9,261	1,661
Miscellaneous	70,455	70,455	105,318	34,863
Total Revenues	\$ 9,557,819	\$ 9,557,819	\$ 9,717,072	\$ 159,253
Expenditures				
Current				
Human services				
Income maintenance	\$ 2,589,583	\$ 2,589,583	\$ 2,697,204	\$ (107,621)
Social services	6,412,681	6,412,681	6,896,986	(484,305)
Heartland express	778,904	778,904	774,647	4,257
Total Expenditures	\$ 9,781,168	\$ 9,781,168	\$ 10,368,837	\$ (587,669)
Excess of Revenues Over (Under)				
Expenditures	\$ (223,349)	\$ (223,349)	\$ (651,765)	\$ (428,416)
Other Financing Sources (Uses)				
Transfers in	73,349	73,349	90,657	17,308
Net Change in Fund Balance	\$ (150,000)	\$ (150,000)	\$ (561,108)	\$ (411,108)
Fund Balance - January 1	4,913,039	4,913,039	4,913,039	-
Fund Balance - December 31	\$ 4,763,039	\$ 4,763,039	\$ 4,351,931	\$ (411,108)

**BROWN COUNTY
NEW ULM, MINNESOTA**

EXHIBIT 10

**BUDGETARY COMPARISON SCHEDULE
LANDFILL SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Special assessments	\$ 397,879	\$ 397,879	\$ 401,177	\$ 3,298
Licenses and permits	300	300	360	60
Intergovernmental	74,858	74,858	72,149	(2,709)
Charges for services	739,250	739,250	1,087,742	348,492
Miscellaneous	17,000	17,000	12,725	(4,275)
Total Revenues	\$ 1,229,287	\$ 1,229,287	\$ 1,574,153	\$ 344,866
Expenditures				
Current				
Sanitation				
Solid waste	\$ 1,444,501	\$ 1,444,501	\$ 1,215,090	\$ 229,411
Excess of Revenues Over (Under)				
Expenditures	\$ (215,214)	\$ (215,214)	\$ 359,063	\$ 574,277
Other Financing Sources (Uses)				
Transfers in	99,400	99,400	93,183	(6,217)
Net Change in Fund Balance	\$ (115,814)	\$ (115,814)	\$ 452,246	\$ 568,060
Fund Balance - January 1	4,035,826	4,035,826	4,035,826	-
Fund Balance - December 31	\$ 3,920,012	\$ 3,920,012	\$ 4,488,072	\$ 568,060

**BROWN COUNTY
NEW ULM, MINNESOTA**

EXHIBIT 11

**BUDGETARY COMPARISON SCHEDULE
COUNTY DITCH SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Special assessments	\$ 55,450	\$ 55,450	\$ 1,721,425	\$ 1,665,975
Intergovernmental	-	-	108,578	108,578
Total Revenues	\$ 55,450	\$ 55,450	\$ 1,830,003	\$ 1,774,553
Expenditures				
Current				
Conservation of natural resources				
Ditch maintenance	\$ 63,950	\$ 63,950	\$ 2,254,913	\$ (2,190,963)
Excess of Revenues Over (Under)				
Expenditures	\$ (8,500)	\$ (8,500)	\$ (424,910)	\$ (416,410)
Other Financing Sources (Uses)				
Transfers in	8,500	8,500	12,662	4,162
Net Change in Fund Balance	\$ -	\$ -	\$ (412,248)	\$ (412,248)
Fund Balance - January 1	27,727	27,727	27,727	-
Fund Balance - December 31	\$ 27,727	\$ 27,727	\$ (384,521)	\$ (412,248)

This Page Has Been Intentionally Left Blank.

FIDUCIARY FUNDS

**BROWN COUNTY
NEW ULM, MINNESOTA**

EXHIBIT 12

**STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
DECEMBER 31, 2019**

	<u>Agency Funds</u>
<u>Assets</u>	
Cash and pooled investments	\$ <u><u>961,480</u></u>
<u>Liabilities</u>	
Due to other governments	\$ <u><u>961,480</u></u>

This Page Has Been Intentionally Left Blank.

**BROWN COUNTY
NEW ULM, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019

1. Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

Brown County was established February 11, 1856, and is an organized county having the powers, duties, and privileges granted counties by Minn. Stat. ch. 373. As required by accounting principles generally accepted in the United States of America, these financial statements present Brown County (primary government). The County is governed by a five-member Board of Commissioners elected from districts within the County. The Board is organized with a chair and vice chair elected at the annual meeting in January of each year.

Joint Ventures and Jointly-Governed Organizations

The County participates in several joint ventures described in Note 5.C. The County also participates in the jointly-governed organizations described in Note 5.D.

B. Basic Financial Statements

1. County-Wide Statements

The county-wide financial statements (the statement of net position and the statement of activities) display information about the primary government and its component unit. 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.

**BROWN COUNTY
NEW ULM, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

1. County-Wide Statements (Continued)

In the county-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, and (3) unrestricted. The County first utilizes restricted resources to finance qualifying activities.

The statement of activities demonstrates the degree to which the direct expenses of each function of the County's governmental activities are offset by program revenues. Direct expenses are those 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 restricted to meeting the operational or capital requirements of a particular function or activity. Revenues 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 in a separate column in the fund financial statements. The remaining governmental fund is reported as a nonmajor fund.

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 accounted for in another fund.

The Road and Bridge Special Revenue Fund accounts for restricted revenues from the federal and state government, as well as assigned property tax revenues used for the construction and maintenance of roads, bridges, and other projects affecting County roadways.

**BROWN COUNTY
NEW ULM, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

The Human Services Special Revenue Fund is used to account for restricted revenue sources from the federal, state, and other oversight agencies, as well as assigned property tax revenues from the County to be used for economic assistance and community social services programs.

The Landfill Special Revenue Fund is used to account for restricted revenue sources from the federal and state government, as well as assigned special assessment and service revenues from the County to be used for the cost of County landfill and recycling operations.

The County 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.

Additionally, the County reports the following funds/fund types:

The Building and Capital Improvements Capital Projects Fund is used to account for assigned property tax revenues to be used to pay the cost of constructing and maintaining County buildings.

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

C. Measurement Focus and Basis of Accounting

The county-wide financial statements are reported using the economic resources measurement focus and the full 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. Shared revenues are generally recognized in the period the appropriation goes into effect. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**BROWN COUNTY
NEW ULM, MINNESOTA**

1. Summary of Significant Accounting Policies

C. Measurement Focus and Basis of Accounting (Continued)

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. Brown County considers all revenues as available if collected within 60 days after the end of the current period. Property and other taxes, shared revenues, licenses, and interest are all considered susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent that they have matured. Proceeds of 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 and then unrestricted resources as needed.

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

1. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Auditor/Treasurer for the purpose of increasing earnings through investment activities. Pooled investments are reported at their fair value at December 31, 2019. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments are credited to the General Fund. Other funds are allocated interest as transfers from the General Fund based on the average cash balance of the fund. Pooled investment earnings for 2019 were \$860,542.

Brown 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 Minn. Stat. § 471.59. The investment in the pool is measured at the net asset value per share provided by the pool.

**BROWN COUNTY
NEW ULM, MINNESOTA**

1. Summary of Significant Accounting Policies

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

2. Receivables and Payables

Activities between funds representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “advances to/from other funds.” Advances made by the General Fund are offset by nonspendable fund balance to indicate that they are not available for appropriation and are not expendable available resources. All other outstanding balances between funds are reported as “due to/from other funds.”

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 May 15 and the second half payment due October 15. Unpaid property taxes at December 31 become liens on the respective property and are classified in the financial statements as delinquent taxes receivable. Special assessments receivable consist of delinquent special assessments payable in the years 2014 through 2019 and current/noncurrent special assessments payable in 2020 and after. Unpaid special assessments at December 31 are classified in the financial statements as delinquent special assessments.

No allowance for accounts receivable and uncollectible taxes/special assessments has been provided because such amounts are not expected to be material.

3. Inventories

The Road and Bridge Special Revenue Fund inventory is valued using the weighted average method. Inventories in governmental funds are recorded as expenditures when purchased rather than when consumed. Inventories at the county-wide level are reported as expenses when consumed.

Inventories, as reported in the fund financial statements, are offset by nonspendable fund balance to indicate that they do not constitute available spendable resources.

4. Capital Assets

Capital assets, which include property, plant, equipment, intangibles, and infrastructure assets (for example, roads, bridges, and similar items) are reported in the governmental activities column in the county-wide financial statements. Capital

**BROWN COUNTY
NEW ULM, MINNESOTA**

1. Summary of Significant Accounting Policies

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

4. Capital Assets (Continued)

assets are defined by the County as assets with an initial, individual cost of more than \$5,000 (\$100,000 for infrastructure) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value on the date of donation.

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

Property, plant, and equipment of the County, as well as its component unit, are depreciated/amortized using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	20 - 150
Land improvements	3 - 150
Infrastructure	50 - 150
Intangibles	5 - 20
Machinery, furniture, and equipment	3 - 20

5. Compensated Absences

The liability for compensated absences reported in the financial statements consists of unpaid, accumulated annual vacation 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 county-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The current portion is the greater of the prior year actual severance payout or the average of the previous five years of severance payouts. Compensated absences are liquidated by the General Fund, and the Road and Bridge, Human Services, and Landfill Special Revenue Funds.

**BROWN COUNTY
NEW ULM, MINNESOTA**

1. Summary of Significant Accounting Policies

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

6. Long-Term Obligations

In the county-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as an other financing source. 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.

7. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expenditure/expense) until then. The County reports deferred outflows of resources only under the full accrual basis of accounting associated with pension plans and other postemployment benefits (OPEB) and, accordingly, they are reported only in the statement of net position.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The County has three types of deferred inflows. Prepaid property taxes represent the County's share of tax collections collected prior to year-end that were not due until the following year. Since the property taxes were levied for use in a future year, the revenue is deferred and recognized in the period for which the amount is levied. These amounts arise under both the modified accrual and the full accrual basis of accounting and are reported in both the governmental fund balance sheet and

**BROWN COUNTY
NEW ULM, MINNESOTA**

1. Summary of Significant Accounting Policies

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

7. Deferred Outflows/Inflows of Resources (Continued)

the statement of net position. The County reports unavailable revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Unavailable revenue arises only under a modified accrual basis of accounting and, accordingly, is reported only in the governmental funds balance sheet. The unavailable revenue amount is deferred and recognized as an inflow of resources in the period that the amounts become available. The County also reports deferred inflows of resources associated with pension benefits. These inflows arise only under the full accrual basis of accounting and, accordingly, are reported only in the statement of net position.

8. Pension Plan

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. Plan investments are reported at fair value. The net pension liability is liquidated by the General Fund, and the Road and Bridge, Human Services, and Landfill Special Revenue Funds.

9. Unearned Revenue

Governmental funds and county-wide financial statements report unearned revenue in connection with resources that have been received, but not yet earned.

10. Classification of Net Position

Net position in the county-wide financial statements is classified in the following categories:

Net investment in capital assets - the amount of net position representing capital assets, net of accumulated depreciation, and reduced by outstanding debt attributed to the acquisition, construction, or improvement of the assets.

**BROWN COUNTY
NEW ULM, MINNESOTA**

1. Summary of Significant Accounting Policies

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

10. Classification of Net Position (Continued)

Restricted net position - the amount of net position for which external restrictions have been imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position - the amount of net position that does not meet the definition of restricted or net investment in capital assets.

11. Classification of Fund Balances

The County's fund balance policy established a minimum unrestricted fund balance within the range of 35 to 50 percent of fund operating revenues. In the event the unrestricted fund balance drops below the established minimum level, the County Board will develop a plan to replenish the fund balance to the established level.

Fund balance is divided into five classifications based primarily on the extent to which the County is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

Restricted - amounts for which constraints have been placed on the use of resources, either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Committed - amounts that can be used only for the specific purposes imposed by formal action (resolution) of the County Board. Those committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts.

**BROWN COUNTY
NEW ULM, MINNESOTA**

1. Summary of Significant Accounting Policies

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

11. Classification of Fund Balances (Continued)

Assigned - amounts that the County intends to use for specific purposes that do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the County Board.

Unassigned - the residual classification for the General Fund; it includes all spendable amounts not contained in the other fund balance classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted or committed.

The County applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

12. 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 certain estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources; and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**BROWN COUNTY
NEW ULM, MINNESOTA**

1. Summary of Significant Accounting Policies

E. Change in Accounting Principles

During the year ended December 31, 2019, the County recorded a prior period adjustment for \$164,000 to record revenue for local option sales taxes that should have been revenue in 2018. This correction requires the restatement of the December 31, 2018 fund balance of the road and bridge fund and net position of the governmental activities.

	Road and Bridge Fund	Governmental Activities
Fund Balance/Net Position, January 1, 2019, as previously reported	\$ 9,877,375	\$ 105,137,048
Local Option Sales Tax	144,000	144,000
Fund Balance/Net Position, January 1, 2019, as restated	\$ 10,021,375	\$ 105,281,048

2. Stewardship, Compliance, and Accountability

A. Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund, special revenue funds, and the capital projects fund. All annual appropriations lapse at year-end.

On or before mid-August of each year, all departments submit requests for appropriations to the County Auditor/Treasurer so that a budget can be prepared. Before October 31, the proposed budget is presented to the County Board for review.

The Board holds public hearings, and a final budget must be prepared and adopted no later than December 31.

The appropriated budget is prepared by fund, function, and department. Transfers of appropriations within a department and between departments require approval of the County Board. The legal level of budgetary control--the level at which expenditures may not legally exceed appropriations--is the fund level.

**BROWN COUNTY
NEW ULM, MINNESOTA**

2. Stewardship, Compliance, and Accountability

B. Excess of Expenditures Over Budget

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

	Expenditures	Budget	Excess
General Fund	\$ 14,294,534	\$ 14,203,961	\$ 90,573
Special Revenue Funds			
Human Services	10,368,837	9,781,168	587,669
County Ditch	2,254,913	63,950	2,190,963

The excess of expenditures over budget was funded by unanticipated revenues and available fund balance.

C. Deficit Fund Equity

The County Ditch Special Revenue Fund has a deficit fund balance of \$384,521 as of December 31, 2019, with 24 ditches reflecting deficit balances. The deficits will be eliminated with future special assessment levies against the benefited properties. The following is a summary of the individual ditch systems:

70 ditches with positive fund balances	\$ 689,487	
24 ditches with negative fund balances		(1,074,008)
Total Fund Balance		\$ (384,521)

**BROWN COUNTY
NEW ULM, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

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

Primary government	
Cash and pooled investments	\$ 21,533,498
Fiduciary funds	
Agency funds	
Cash and pooled investments	<u>961,480</u>
 Total Cash and Investments	 <u><u>\$ 22,494,978</u></u>

a. Deposits

The County is authorized by Minn. Stat. § 118A.02 to designate depositories for public funds. The County is required by Minn. Stat. § 118A.03 to protect deposits with insurance, surety bond, or collateral. The market value of collateral pledged shall be at least ten percent more than the amount on deposit at the close of the financial institution's banking day, not covered by insurance or bonds.

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

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits may not be returned to it. The County's policy states all deposits should be fully collateralized. As of December 31, 2019, the County's deposits were not exposed to custodial credit risk.

**BROWN COUNTY
NEW ULM, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments

The County may invest in the following types of investments as authorized by Minn. Stat. §§ 118A.04 and 118A.05:

- (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 Minn. Stat. § 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;
- (4) time deposits fully insured by the Federal Deposit Insurance Corporation or 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.

**BROWN COUNTY
NEW ULM, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Fair Value of Investments

The County measures and records its investments using fair value measurement guidelines established by accounting principles generally accepted in the United States of America. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- *Level 1:* Quoted prices for identical investments in active markets;
- *Level 2:* Observable inputs other than quoted market prices; and
- *Level 3:* Unobservable inputs.

At December 31, 2019, the County had the following recurring fair value measurements.

	December 31, 2019	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Investments by fair value value				
Debt Securities				
U.S. agencies	\$ 5,629,082	\$ -	\$ 5,629,082	\$ -
Negotiable certificates of deposit	3,343,288	-	3,343,288	-
Total Debt Securities	<u>\$ 8,972,370</u>	<u>\$ -</u>	<u>\$ 8,972,370</u>	<u>\$ -</u>
Investments Measured at the net asset value (NAV)				
MAGIC Portfolio	<u>\$ 9,953,448</u>			

**BROWN COUNTY
NEW ULM, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments

Fair Value of Investments (Continued)

Debt securities classified in Level 2 are valued using matrix pricing based on the securities' relationship to benchmark quoted prices.

MAGIC is a local government investment pool which is quoted at a net asset value (NAV). The County invests in this pool for the purpose of the joint investment of the County's money with those of other counties to enhance the investment earnings accruing to each member.

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 net asset value not reasonably practical.

Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. It is the County's policy to minimize its exposure to interest rate risk by investing operating funds primarily in shorter-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 required for operations.

**BROWN COUNTY
NEW ULM, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. It is the County's policy to invest only in the safest types of securities; pre-qualify the financial institutions, brokers/dealers, and advisors with which an entity will do business; and diversify the investment portfolio so that potential losses on individual securities are minimized.

Custodial Credit Risk

The custodial credit risk for investments 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. The County's policy states the County will minimize investment custodial credit risk by permitting brokers that obtained investments to hold them only to the extent there is SIPC (Securities Investor Protection Corporation) coverage and excess SIPC coverage available. Securities purchased that exceed available SIPC coverage shall be transferred to the County's custodian. At December 31, 2019, none of the County's investments were exposed to custodial credit risk.

Concentration of Credit Risk

The 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 to diversify its investment portfolio to avoid overconcentration of investments from a specific issuer, excluding U.S. Treasury securities, which may be held without limit.

**BROWN COUNTY
NEW ULM, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

The following table presents the County's deposit and investment balances at December 31, 2019, and information relating to potential investment risks:

	Credit Risk Rating (2)	Concentration Risk Over 5 Percent of Portfolio	Interest Rate Risk			Carrying (Fair) Value
			Less Than 1 Year	1 - 5 Years	More Than 5 years	
U.S. government securities/bonds						
Federal Home Loan Mortgage Corporation (1)	AAA	24.0%	\$ -	\$ 4,533,482	\$ -	\$ 4,533,482
Federal Farm Credit Bank (1)	AAA	5.8%	-	1,095,600	-	1,095,600
Total U.S. government securities/bonds			\$ -	\$ 5,629,082	\$ -	\$ 5,629,082
Investment pools - MAGIC Fund	N/R	N/A	9,953,448	-	-	9,953,448
Negotiable certificates of deposit (1)	N/R	<5.0%	1,656,030	1,687,258	-	3,343,288
Total investments			<u>\$ 11,609,478</u>	<u>\$ 7,316,340</u>	<u>\$ -</u>	<u>\$ 18,925,818</u>
Deposits						3,567,020
Change funds						2,140
Total Cash and Investments						<u>\$ 22,494,978</u>

(1) These investments have step provisions which could result in them being called prior to maturity.

(2) As rated by Standard and Poors

N/R - Not Rated

N/A - Not Applicable

<5.0% - Concentration by individual issuer is Less than 5% of investments

**BROWN COUNTY
NEW ULM, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets (Continued)

2. Receivables

Receivables as of December 31, 2019, for the County's governmental activities are as follows:

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental Activities		
Taxes - delinquent	\$ 81,241	\$ -
Special assessments - delinquent	29,158	-
Special assessments	760,364	375,102
Accounts	1,278,841	-
Accrued interest	38,197	-
Due from other governments	4,131,465	-
	<u>6,319,266</u>	<u>375,102</u>
Total Governmental Activities	<u>\$ 6,319,266</u>	<u>\$ 375,102</u>

3. Capital Assets

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

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 1,838,388	\$ -	\$ -	\$ 1,838,388
Construction in progress	348,977	8,359,282	253,970	8,454,289
Total capital assets not depreciated	<u>\$ 2,187,365</u>	<u>\$ 8,359,282</u>	<u>\$ 253,970</u>	<u>\$ 10,292,677</u>
Capital assets depreciated				
Buildings and improvements	\$ 15,728,032	\$ -	\$ -	\$ 15,728,032
Land improvements	4,702,732	-	-	4,702,732
Machinery, furniture, and equipment	8,742,024	480,963	303,479	8,919,508
Computer software - intangible	871,875	71,326	-	943,201
Infrastructure - highway	104,407,595	133,024	3,000	104,537,619
Infrastructure - dam	2,098,857	-	-	2,098,857
Total capital assets depreciated	<u>\$ 136,551,115</u>	<u>\$ 685,313</u>	<u>\$ 306,479</u>	<u>\$ 136,929,949</u>

**BROWN COUNTY
NEW ULM, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

	Beginning Balance	Increase	Decrease	Ending Balance
Less: accumulated depreciation for				
Buildings and improvements	\$ 4,328,437	\$ 231,697	\$ -	\$ 4,560,134
Land improvements	2,124,834	78,370	-	2,203,204
Machinery, furniture, and equipment	5,520,290	626,971	287,880	5,859,381
Computer software - intangible	299,729	72,737	-	372,466
Infrastructure - highway	30,988,267	2,041,951	4,167	33,026,051
Infrastructure - dam	368,720	14,166	-	382,886
	<u>\$ 43,630,277</u>	<u>\$ 3,065,892</u>	<u>\$ 292,047</u>	<u>\$ 46,404,122</u>
Total accumulated depreciation				
Total capital assets depreciated, net	<u>\$ 92,920,838</u>	<u>\$ (2,380,579)</u>	<u>\$ 14,432</u>	<u>\$ 90,525,827</u>
Governmental Activities				
Capital Assets, Net	<u>\$ 95,108,203</u>	<u>\$ 5,978,703</u>	<u>\$ 268,402</u>	<u>\$ 100,818,504</u>

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

Governmental Activities		
General government	\$	205,386
Public safety		228,171
Highways and streets, including depreciation of infrastructure assets		2,469,777
Sanitation		49,056
Human services		78,049
Health		5,321
Culture and recreation, including depreciation of infrastructure assets		24,994
Conservation of natural resources		5,138
		<u>5,138</u>
Total Depreciation Expense - Governmental Activities	<u>\$</u>	<u>3,065,892</u>

**BROWN COUNTY
NEW ULM, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

B. Interfund Receivables, Payables, and Transfers

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

1. Due To/From Other Funds

Receivable Fund	Payable Fund	Amount	Purpose
General	Human Services	\$ 5,303	Labor and Interest
	County Ditch	24,217	Interest on advance
Total due to General Fund		<u>\$ 29,520</u>	
Road and Bridge	General	\$ 3,217	Fuel
	Human Services	4,966	Fuel and service work
Total due to Road and Bridge Fund		<u>\$ 8,183</u>	
Human Services	General	\$ 488	Postage
Total Due To/From Other Funds		<u>\$ 38,191</u>	

The interfund receivables and payables are expected to be paid within one year of December 31, 2019.

2. Advances From/To Other Funds

Receivable Fund	Payable Fund	Amount	Amounts Not Scheduled to be Paid During the Subsequent Year
General	County Ditch	<u>\$ 813,983</u>	<u>\$ 161,668</u>

The advance from the General Fund to the County Ditch Special Revenue Fund was to cover the costs of establishing buffer strips on drainage systems.

**BROWN COUNTY
NEW ULM, MINNESOTA**

3. Detailed Notes on All Funds

B. Interfund Receivables, Payables, and Transfers (Continued)

3. Transfers

Interfund transfers for the year ended December 31, 2019, consisted of transfers from the General Fund to allocate investment earnings:

Transfers Out	Transfers In	Amount	Purpose
General	Road and Bridge	\$ 188,963	Allocated Interest
	Human Services	90,657	Allocated Interest
	Landfill	93,183	Allocated Interest
	County Ditch	12,662	Allocated Interest
	Building and Capital Improvements	10,789	Allocated Interest
		<u>396,254</u>	
Total Transfers In/Out		<u>\$ 396,254</u>	

C. Liabilities and Deferred Inflows of Resources

1. Construction and Other Contract Commitments

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

	Spent-to-date	Remaining Commitment
Road and Bridge Fund		
CSAH 10, 11 & 13 Debris Cleanup	\$ 65,730	\$ 23,543
CSAH 8 Engineering Analysis	26,751	37,521
CSAH 7 Shoulder Widening & Regrade	1,218,126	166,154
Building and Capital Improvements Fund		
Historical Society Building Restoration	-	459,667
General Fund		
Pictometry	101,044	85,766

**BROWN COUNTY
NEW ULM, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources (Continued)

2. Long-Term Debt

Bonds

Types of Indebtedness	Maturity Date	Installment Amount	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2019
2017A G.O. State Aid Bonds	2027	\$440,000- \$545,000	2.05 - 3.00	\$ 4,875,000	\$ 3,995,000
Plus: Unamortized Bond Premium					<u>138,924</u>
Total General Obligation Bonds, Net					<u>\$ 4,133,924</u>

State aid bonds will be retired by the Road and Bridge Special Revenue Fund.

Loans Payable

The County entered into loan agreements with the Minnesota Pollution Control Agency for funding Clean Water Partnership (CWP) Projects and loan agreements with the Minnesota Department of Agriculture for financing the repair of failing septic systems. The loans are secured by special assessments placed on the individual parcels. Loan payments are reported in the General Fund.

Types of Indebtedness	Maturity Date	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2019
Ag Best Management Practices Drainage Buffer Loans	2025	\$14,775- \$39,425	-	\$ 369,000	\$ 169,000
Ag Best Management Practices Septic System Replacement Loans	2029	\$1,153- \$3,785	-	78,088	34,377
2007 Middle Minnesota Watershed CWP Project	2020	\$ 18,121	2.00	327,008	35,706
2007 Cottonwood River Watershed Pollution Reduction Project	2020	\$ 6,413	2.00	115,735	12,637
2009 Cottonwood River Watershed Phosphorus TMDL Continuation CWP Project	2022	\$ 9,147	2.00	165,066	<u>53,012</u>
Total Loans Payable					<u>\$ 304,732</u>

**BROWN COUNTY
NEW ULM, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources (Continued)

3. Debt Service Requirements

Year Ending December 31,	General Obligation Bonds		Loans Payable	
	Principal	Interest	Principal	Interest
2020	\$ 450,000	\$ 97,323	\$ 73,183	\$ 1,700
2021	465,000	83,598	25,255	626
2022	480,000	69,423	20,348	271
2023	490,000	54,873	54,868	-
2024	505,000	39,948	79,570	-
2025-2029	1,605,000	49,228	51,508	-
Total	<u>\$ 3,995,000</u>	<u>\$ 394,393</u>	<u>\$ 304,732</u>	<u>\$ 2,597</u>

4. Changes in Long-Term Liabilities

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
2017A G.O. State Aid Bonds	\$ 4,435,000	\$ -	\$ 440,000	\$ 3,995,000	\$ 450,000
Plus: Unamortized Bond Premium	156,989	-	18,064	138,925	-
Total Bonds Payable	\$ 4,591,989	\$ -	\$ 458,064	\$ 4,133,925	\$ 450,000
Landfill closure/postclosure liability	1,405,183		11,006	1,394,177	-
Loans payable	206,503	369,000	270,771	304,732	73,183
Compensated absences	1,939,434	1,710,501	1,842,374	1,807,561	269,263
Long-Term Liabilities	<u>\$ 8,143,109</u>	<u>\$ 2,079,501</u>	<u>\$ 2,582,215</u>	<u>\$ 7,640,395</u>	<u>\$ 792,446</u>

**BROWN COUNTY
NEW ULM, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources (Continued)

5. Landfill Closure and Postclosure Care Costs

State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the County reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$1,394,177 landfill closure and postclosure care liability at December 31, 2019, represents the cumulative amount reported to date based on the use of 58 percent of the ultimate capacity of the landfill. The County will recognize the remaining estimated cost of closure and postclosure care of \$1,006,454 as the remaining capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2019. The County expects to close the landfill in 2041. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

The County is required by state and federal laws and regulations to make annual contributions to a trust to finance closure and postclosure care. The County is in compliance with these requirements and, at December 31, 2019, investments of \$2,953,907 are restricted for these purposes. Accumulated annual contributions and any payments of landfill postclosure care costs are reported in the Landfill Special Revenue Fund. Brown County expects that future inflation costs will be paid from investment earnings on these annual contributions. However, if investment earnings are inadequate or additional postclosure care requirements are determined (due to changes in technology or applicable laws and regulations, for example), these costs may need to be covered by charges to future landfill users or from future tax revenue.

**BROWN COUNTY
NEW ULM, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources (Continued)

6. Unavailable Revenue

Unavailable revenues as of December 31, 2019, for the County's governmental funds are as follows:

	Unavailable Revenue
Taxes and special assessments, delinquent and noncurrent	\$ 842,396
Highway allotments that do not provide current financial resources	2,334,974.00
Grants and intergovernmental revenues	545,259.00
Charges for services	794,739.00
Interest	3,648.00
Total Governmental Funds	\$ 4,521,016

D. Fund Balances

The detail of Brown County's fund balance classification is as follows:

	General	Road and Bridge	Human Services	Landfill	County Ditch	Nonmajor Building and Capital Improvements	Total Governmental Funds
Nonspendable:							
Advance to other funds	\$ 813,983	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 813,983
Inventories	-	314,006	-	-	-	-	314,006
Total nonspendable	\$ 813,983	\$ 314,006	\$ -	\$ -	\$ -	\$ -	\$ 1,127,989
Restricted:							
Recorder's equipment purchases	19,081	-	-	-	-	-	19,081
Enhanced 911	501,205	-	-	-	-	-	501,205
Land records	34,288	-	-	-	-	-	34,288
Sheriff contingency	3,681	-	-	-	-	-	3,681
Gun permits program	35,570	-	-	-	-	-	35,570
Probation special needs program	14,071	-	-	-	-	-	14,071
Septic/sewer loans	464,583	-	-	-	-	-	464,583
Attorney forfeitures	5,479	-	-	-	-	-	5,479
Sheriff non-DWI forfeitures	917	-	-	-	-	-	917
Sheriff DWI forfeitures	20,437	-	-	-	-	-	20,437
Highway construction	-	740,937	-	-	-	-	740,937
Donations	-	-	32,685	-	-	-	32,685
Landfill closure/postclosure	-	-	-	2,953,907	-	-	2,953,907
Solid waste operations	-	-	-	74,444	-	-	74,444
Ditch maintenance and construction	-	-	-	-	689,487	-	689,487
Total restricted	\$ 1,099,312	\$ 740,937	\$ 32,685	\$ 3,028,351	\$ 689,487	\$ -	\$ 5,590,772

**BROWN COUNTY
NEW ULM, MINNESOTA**

3. Detailed Notes on All Funds

D. Fund Balances (Continued)

	General	Road and Bridge	Human Services	Landfill	County Ditch	Nonmajor Building and Capital Improvements	Total Governmental Funds
Assigned:							
Tax and license software	\$ 268,412	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 268,412
Jail commissions	47,756	-	-	-	-	-	47,756
County septic loans	240,066	-	-	-	-	-	240,066
Parks	172,293	-	-	-	-	-	172,293
Veterans shuttle	55,685	-	-	-	-	-	55,685
Boat and water safety	37,247	-	-	-	-	-	37,247
Well sealing program	1,190	-	-	-	-	-	1,190
Road and bridge	-	4,794,382	-	-	-	-	4,794,382
Human services	-	-	4,319,246	-	-	-	4,319,246
Landfill	-	-	-	1,459,721	-	-	1,459,721
Capital improvements	-	-	-	-	-	630,819	630,819
Total assigned	<u>\$ 822,649</u>	<u>\$ 4,794,382</u>	<u>\$ 4,319,246</u>	<u>\$ 1,459,721</u>	<u>\$ -</u>	<u>\$ 630,819</u>	<u>\$ 12,026,817</u>
Unassigned	<u>\$ 3,978,867</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,074,008)</u>	<u>\$ -</u>	<u>\$ 2,904,859</u>
Total Fund Balances	<u>\$ 6,714,811</u>	<u>\$ 5,849,325</u>	<u>\$ 4,351,931</u>	<u>\$ 4,488,072</u>	<u>\$ (384,521)</u>	<u>\$ 630,819</u>	<u>\$ 21,650,437</u>

E. Other Postemployment Benefits (OPEB)

Plan Description

Brown County administers an Other Postemployment Benefits plan, a single-employer defined benefit health care plan, to eligible retirees and their dependents.

The County provides health insurance benefits for eligible retired employees and their dependents as required by Minn. Stat. § 471.61, subd. 2b. Retirees are required to pay 100 percent of the total premium cost. Since the premium is determined on the entire active and retiree population, the retirees are receiving an implicit rate subsidy.

No assets have been accumulated in a trust that meets the criteria in paragraph 4 of GASB 75. The OPEB plan does not issue a stand-alone financial report.

As of the December 31, 2019, actuarial valuation, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	2
Active plan participants	<u>227</u>
Total	<u>229</u>

**BROWN COUNTY
NEW ULM, MINNESOTA**

3. Detailed Notes on All Funds

E. Other Postemployment Benefits (OPEB) (Continued)

Total OPEB Liability

The County's total OPEB liability of \$743,535 was measured as of December 31, 2019, and was determined by an actuarial valuation as of that date. The OPEB liability is liquidated through governmental funds that have personal services.

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

Inflation	2.50 percent
Salary increases	3.00 percent, average wage inflation plus productivity increases
Health care cost trend	6.25 percent, decreasing 0.25 percent per year to an ultimate rate of 5.00 percent

The current year discount rate is 3.80 percent, which is a change from the prior year rate of 3.30 percent. The discount rate was selected from a yield for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Mortality rates are based on RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale (with Blue Collar adjustment for Police and Fire Personnel).

The actuarial assumptions are currently based on a combination of historical information and the most recent actuarial valuation for PERA as of June 30, 2017.

Changes in the Total OPEB Liability

	<u>Total OPEB liability</u>
Balance as of January 1, 2018	\$ 706,257
Changes for the Year:	
Service Cost	\$ 54,260
Interest	24,780
Benefit Payments	(19,374)
Changes in Assumptions	(22,388)
Net Change	<u>\$ 37,278</u>
Balance as of December 31, 2019	<u>\$ 743,535</u>

**BROWN COUNTY
NEW ULM, MINNESOTA**

3. Detailed Notes on All Funds

E. Other Postemployment Benefits (OPEB) (Continued)

OPEB Liability Sensitivity

The following presents the total OPEB liability of the County, calculated using the discount rate previously disclosed, as well as what the County's total OPEB liability would be if it were calculated using a discount rate that is 1.0 percentage point lower or 1.0 percentage point higher than the current discount rate:

	<u>Discount Rate</u>	<u>Total OPEB Liability</u>
1% Decrease	2.80%	\$ 797,842
Current	3.80	743,535
1% Increase	4.80	692,647

The following presents the total OPEB liability of the County, calculated using the health care cost trend previously disclosed, as well as what the County's total OPEB liability would be if it were calculated using health care cost trend rates that are 1.0 percentage point lower or 1.0 percentage point higher than the current health care cost trend rate:

	<u>Health Care Trend Rate</u>	<u>Total OPEB Liability</u>
1% Decrease	5.25% Decreasing to 4.0%	\$ 665,806
Current	6.25% Decreasing to 5.0%	743,535
1% Increase	7.25% Decreasing to 6.0%	834,341

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

For the year ended December 31, 2019, the County recognized OPEB expense of \$75,308. The County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual economic experience	\$ -	\$ 18,656
Changes in actuarial assumptions	30,894	-
Total	<u>\$ 30,894</u>	<u>\$ 18,656</u>

**BROWN COUNTY
NEW ULM, MINNESOTA**

3. Detailed Notes on All Funds

E. Other Postemployment Benefits (OPEB) (Continued)

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 Ended December 31</u>	<u>OPEB Expense Amount</u>
2020	\$ (3,732)
2021	(3,732)
2022	(3,732)
2023	(3,732)
2024	(3,732)
Thereafter	-

Changes in Actuarial Methods and Assumptions

The following changes in actuarial methods and assumptions occurred in 2019:

- The discount rate used changed from 3.30 percent to 3.80 percent.

F. Defined Benefit Pension Plans

1. Plan Description

All full-time and certain part-time employees of Brown County are covered by defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Plan (the General Employees Plan), the Public Employees Police and Fire Plan (the Police and Fire Plan), and the Public Employees Local Government Correctional Service Retirement Plan (the Correctional Plan), which are cost-sharing, multiple-employer retirement plans. These plans are established and administered in accordance with Minn. Stat. chs. 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

**BROWN COUNTY
NEW ULM, MINNESOTA**

3. Detailed Notes on All Funds

F. Defined Benefit Pension Plans

1. Plan Description (Continued)

The General Employees Plan (accounted for in the General Employees Fund) has multiple benefit structures with members belonging to the Coordinated Plan, the Basic Plan, or the Minneapolis Employees Retirement Fund. Coordinated Plan members are covered by Social Security and Basic Plan and Minneapolis Employees Retirement Fund members are not. The Basic Plan was closed to new members in 1967. The Minneapolis Employees Retirement Fund was closed to new members during 1978 and merged into the General Employees Plan in 2015. All new members must participate in the Coordinated Plan, for which benefits vest after five years of credited service. No County employees belong to either the Basic Plan or the Minneapolis Employees Retirement Fund.

Police officers, firefighters, and peace officers who qualify for membership by statute are covered by the Police and Fire Plan (accounted for in the Police and Fire Fund). For members first hired after June 30, 2010, but before July 1, 2014, benefits vest on a prorated basis starting with 50 percent after five years and increasing ten percent for each year of service until fully vested after ten years. Benefits for members first hired after June 30, 2014, vest on a prorated basis from 50 percent after ten years and increasing five percent for each year of service until fully vested after 20 years.

Local government employees of a county-administered facility who are responsible for the direct security, custody, and control of the county correctional facility and its inmates are covered by the Correctional Plan (accounted for in the Correctional Fund). For members hired after June 30, 2010, benefits vest on a prorated basis starting with 50 percent after five years and increasing ten percent for each year of service until fully vested after ten years.

2. Benefits Provided

PERA provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefit provisions are established by state statute and can be modified only by the state legislature. Benefit increases are provided to benefit recipients each January.

**BROWN COUNTY
NEW ULM, MINNESOTA**

3. Detailed Notes on All Funds

F. Defined Benefit Pension Plans

2. Benefits Provided (Continued)

Beginning January 1, 2019, General Employees Plan benefit recipients will receive a post-retirement increase equal to 50 percent of cost of living adjustment announced by the Social Security Administration, with a minimum increase of at least 1.00 percent and maximum of 1.50 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under the Rule of 90 are exempt from the delay to normal retirement.

Beginning January 1, 2019 Police and Fire Plan benefit recipients will receive a 1.00 percent post-retirement increase. Recipients that have been receiving the annuity or benefit for at least 36 months as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least 25 months but less than 36 months as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

Beginning January 1, 2019, Correctional Plan benefit recipients will receive a post-retirement increase equal to 100 percent of the cost of living adjustment announced by the Social Security Administration, with a minimum increase of at least 1.00 percent and maximum of 2.50 percent. If the Correctional Plan's funding status declines to 85 percent or below for two consecutive years or 80 percent one year, the maximum will be lowered from 2.50 percent to 1.50 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

The benefit provisions stated in the following paragraph of this section are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits but are not yet receiving them are bound by the provisions in effect at the time they last terminated their public service.

**BROWN COUNTY
NEW ULM, MINNESOTA**

3. Detailed Notes on All Funds

F. Defined Benefit Pension Plans (Continued)

2. Benefits Provided (Continued)

Benefits are based on a member's highest average salary for any 60 consecutive months of allowable service, age, and years of credit at termination of service. In the General Employees Plan, two methods are used to compute benefits for Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Coordinated Plan member is 1.20 percent of average salary for each of the first ten years of service and 1.70 percent of average salary for each remaining year. Under Method 2, the annuity accrual rate is 1.70 percent for Coordinated Plan members for each year of service. Only Method 2 is used for members hired after June 30, 1989. For Police and Fire Plan members, the annuity accrual rate is 3.00 percent of average salary for each year of service. For Correctional Plan members, the annuity accrual rate is 1.90 percent of average salary for each year of service.

For General Employees Plan 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. For Police and Fire Plan and Correctional Plan members, normal retirement age is 55, and for members who were hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90. Disability benefits are available for vested members and are based on years of service and average high-five salary.

3. Contributions

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the state legislature. General Employees Plan members were required to contribute 6.50 percent of their annual covered salary in 2019. Police and Fire Plan members were required to contribute 11.30 percent of their annual covered salary in 2019. Correctional Plan members were required to contribute 5.83 percent of their annual covered salary in 2019.

**BROWN COUNTY
NEW ULM, MINNESOTA**

3. Detailed Notes on All Funds

F. Defined Benefit Pension Plans (Continued)

3. Contributions (Continued)

In 2019, the County was required to contribute the following percentages of annual covered salary:

General Employees Plan - Coordinated Plan members	7.50%
Police and Fire Plan	16.95
Correctional Plan	8.75

The Police and Fire Plan member and employer contribution rates increased 0.50 percent and 0.75 percent, respectively, from 2018.

The County's contributions for the year ended December 31, 2019, to the pension plans were:

General Employees Plan	\$ 882,221
Police and Fire Plan	144,584
Correctional Plan	73,156

The contributions are equal to the contractually required contributions as set by state statute.

4. Pension Costs

General Employees Plan

At December 31, 2019, the County reported a liability of \$9,022,962 for its proportionate share of the General Employees Plan's net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2018, through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the County's proportion was 0.1632 percent. It was 0.1636 percent measured as of June 30, 2018. The County recognized pension expense of \$1,098,722 for its proportionate share of the General Employees Plan's pension expense.

**BROWN COUNTY
NEW ULM, MINNESOTA**

3. Detailed Notes on All Funds

F. Defined Benefit Pension Plans

4. Pension Costs

General Employees Plan (Continued)

The County also recognized \$20,993 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's contribution to the General Employees Plan, which qualifies as a special funding situation. Legislation requires the State of Minnesota to contribute \$16 million to the General Employees Plan annually.

The County's proportionate share of the net pension liability	\$ 9,022,962
State of Minnesota's proportionate share of the net pension liability associated with the County	<u>280,321</u>
Total	<u>\$ 9,303,283</u>

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 255,056	\$ -
Changes in assumptions	-	724,881
Difference between projected and actual investment earnings	-	957,386
Changes in proportion	164,420	230,505
Contributions paid to PERA subsequent to the measurement date	<u>436,358</u>	<u>-</u>
Total	<u>\$ 855,834</u>	<u>\$ 1,912,772</u>

The \$436,358 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

**BROWN COUNTY
NEW ULM, MINNESOTA**

3. Detailed Notes on All Funds

F. Defined Benefit Pension Plans

4. Pension Costs

General Employees Plan (Continued)

Year Ended December 31	Pension Expense Amount
2020	\$ (462,460)
2021	(858,731)
2022	(186,644)
2023	14,539

Police and Fire Plan

At December 31, 2019, the County reported a liability of \$861,262 for its proportionate share of the Police and Fire Plan's net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2018, through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the County's proportion was 0.0809 percent. It was 0.0751 percent measured as of June 30, 2018. The County recognized pension expense of \$153,870 for its proportionate share of the Police and Fire Plan's pension expense.

The County also recognized \$10,921 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's on-behalf contribution to the Police and Fire Plan. Legislation requires the State of Minnesota to contribute \$9 million to the Police and Fire Plan each year, starting in fiscal year 2014, until the plan is 90 percent funded, or until the State Patrol Plan is 90 percent funded, whichever occurs later. In addition, the state will pay direct state aid of \$4.5 million on October 1, 2018, and October 1, 2019, and \$9 million by October 1 of each subsequent year until full funding is reached or July 1, 2048, whichever is earlier.

**BROWN COUNTY
NEW ULM, MINNESOTA**

3. Detailed Notes on All Funds

F. Defined Benefit Pension Plans

4. Pension Costs

Police and Fire Plan (Continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 35,187	\$ 117,188
Changes in assumptions	644,919	931,926
Difference between projected and actual investment earnings	-	174,353
Changes in proportion	163,211	33,303
Contributions paid to PERA subsequent to the measurement date	71,125	-
Total	\$ 914,442	\$ 1,256,770

The \$71,125 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2020	\$ (53,755)
2021	(105,432)
2022	(245,101)
2023	(9,165)
2024	-

**BROWN COUNTY
NEW ULM, MINNESOTA**

3. Detailed Notes on All Funds

F. Defined Benefit Pension Plans

4. Pension Costs

Correctional Plan

At December 31, 2019, the County reported a liability of \$55,795 for its proportionate share of the Correctional Plan's net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2018, through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the County's proportion was 0.4030 percent. It was 0.4165 percent measured as of June 30, 2018. The County recognized pension expense of \$106,575 for its proportionate share of the Correctional Plan's pension expense.

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:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 4,283	\$ 9,269
Changes in assumptions	-	512,315
Difference between projected and actual investment earnings	-	76,719
Changes in proportion	-	6,653
Contributions paid to PERA subsequent to the measurement date	<u>33,531</u>	<u>-</u>
 Total	 <u>\$ 37,814</u>	 <u>\$ 604,956</u>

The \$33,532 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

**BROWN COUNTY
NEW ULM, MINNESOTA**

3. Detailed Notes on All Funds

F. Defined Benefit Pension Plans (Continued)

4. Pension Costs

Correctional Plan (Continued)

Year Ended December 31	Pension Expense Amount
2020	\$ (312,748)
2021	(266,034)
2022	(22,432)
2023	541

Total Pension Expense

The total pension expense for all plans recognized by the County for the year ended December 31, 2019, was \$1,380,210.

5. Actuarial Assumptions

The total pension liability in the June 30, 2018, actuarial valuation was determined using the individual entry-age normal actuarial cost method and the following additional actuarial assumptions:

Inflation	2.50 percent per year
Active member payroll growth	3.25 percent per year
Investment rate of return	7.50 percent

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants for all plans were based on RP-2014 tables for males or females, as appropriate, with slight adjustments. Cost of living benefit increases for retirees are assumed to be 1.25 percent for the General Employees Plan and 2.00 percent for the Correctional Plan. For the Police and Fire Plan, cost of living benefit increases for retirees are 1.00 percent as set by state statute.

Actuarial assumptions used in the June 30, 2019, valuation were based on the results of actuarial experience studies. The experience study for the General Employees Plan was dated June 30, 2015. The experience study for the Police and Fire Plan

**BROWN COUNTY
NEW ULM, MINNESOTA**

3. Detailed Notes on All Funds

F. Defined Benefit Pension Plans

5. Actuarial Assumptions (Continued)

was dated August 30, 2016. The mortality assumption for the Correctional Plan is based on the Police and Fire Plan experience study. Inflation and investment assumptions for all plans were reviewed in the experience study report for the General Employees Plan dated June 27, 2019.

The long-term expected rate of return on pension plan investments is 7.50 percent. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis 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 arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	35.50%	5.10%
International equity	17.50	5.90
Fixed income	20.00	0.75
Private markets	25.00	5.90
Cash equivalents	2.00	0.00

6. Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent in 2019, which remained consistent with 2018. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, the fiduciary net position of the General Employees Plan, the Police and Fire Plan, and the Correctional Plan were projected to be available to make all projected future benefit payments of current active and inactive employees. 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.

**BROWN COUNTY
NEW ULM, MINNESOTA**

3. Detailed Notes on All Funds

F. Defined Benefit Pension Plans

7. Changes in Actuarial Assumptions

The following changes in actuarial assumptions occurred in 2019:

General Employees Plan

- The mortality projection scale was changed from MP-2017 to MP-2019.

Police and Fire Plan

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

Correctional Plan

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

8. Pension Liability Sensitivity

The following presents the County's proportionate share of the net pension liability calculated using the discount rate previously disclosed, 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 Plan		Police and Fire Plan		Correctional Plan	
	Discount Rate	Net Pension Liability	Discount Rate	Net Pension Liability	Discount Rate	Net Pension Liability
1 % Decrease	6.50%	\$ 14,833,264	6.50%	\$ 1,882,559	6.50%	\$ 594,663
Current	7.50	9,022,962	7.50	861,262	7.50	55,795
1% Increase	8.50	4,225,403	8.50	17	8.50	(375,386)

**BROWN COUNTY
NEW ULM, MINNESOTA**

3. Detailed Notes on All Funds

F. Defined Benefit Pension Plans (Continued)

9. Pension Plan Fiduciary Net Position

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

G. Defined Contribution Plan

Five employees of Brown County are covered by the Public Employees Defined Contribution Plan, a multiple-employer deferred compensation plan administered by PERA. The plan is established and administered in accordance with Minn. Stat. ch. 353D, which may be amended by the state legislature. The 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. For those qualified personnel who elect to participate, Minn. Stat. § 353D.03 specifies plan provisions, including the employee and employer contribution rates. An eligible elected official who decides to participate contributes 5.00 percent of salary, which is matched by the employer. Employee and employer contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives two percent of employer contributions and 0.25 percent of the assets in each member account annually.

Total contributions by dollar amount and percentage of covered payroll made by Brown County during the year ended December 31, 2019, were:

	<u>Employee</u>	<u>Employer</u>
Contribution amount	\$ 7,708	\$ 7,708
Percentage of covered payroll	5.00%	5.00%

**BROWN COUNTY
NEW ULM, MINNESOTA**

4. Conduit Debt

Oak Hills Living Center Project

On December 31, 2008, the County issued a variable rate Health Care Facilities Revenue Note, Series 2008, in the amount of \$6,000,000 to finance the cost of improvements to the Oak Hills Living Center in New Ulm, Minnesota. This note is secured by the fixtures, the equipment, and the revenues and income of Oak Hills Living Center.

The County is not obligated in any manner for repayment of the note. Accordingly, the note is not reported as a liability in the financial statements. The outstanding balance at December 31, 2019, is \$4,812,900.

5. Summary of Significant Contingencies and Other Items

A. 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. The County has entered into a joint powers agreement with other Minnesota counties to form the Minnesota Counties Intergovernmental Trust (MCIT). The County is a member of both the MCIT Workers' Compensation and Property and Casualty Divisions. For other risk, the County carries commercial insurance. There were no significant reductions in insurance from the prior year. The amount of settlements did not exceed insurance coverage for the past three fiscal years.

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at \$500,000 per claim in 2019 and 2020. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

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

**BROWN COUNTY
NEW ULM, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

B. Contingent Liabilities

Amounts received or receivable from grantor 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.

During 2019, counties were notified by the Minnesota Department of Human Services (DHS) that DHS made errors in their calculation of Substance Abuse Disorder (SUD) for Institutes of Mental Disease (IMD) claims from January 2014 to June 2019. Based on these errors, DHS has requested counties repay \$8.8 million to DHS. The County's share of the \$8.8 million is \$38,640. Minnesota Counties have raised concerns over how the amount was calculated, the accuracy of the calculation and whether DHS has the legal/statutory authority to require the Counties to repay the amounts. The Association of Minnesota Counties (AMC) has recommended that the counties not repay any amounts until these concerns have been addressed, and after the conclusion of the 2020 Minnesota legislative session, in hopes that this matter is resolved by other means. Therefore, this \$38,640 has not been recorded as a liability by the county as of December 31, 2019.

C. Joint Ventures

Brown-Nicollet Community Health Services Board

The Brown-Nicollet Community Health Services Board was established pursuant to Minn. Stat. ch. 145A and a joint powers agreement, effective July 1, 1975. The Health Services Board consists of ten members, five each from Brown and Nicollet Counties. The primary function of the joint venture is to provide health services and to promote efficiency and economy in the delivery of health services. The joint venture is financed primarily from state and federal grants. For the year ended December 31, 2018 (the most current information available), the Health Services Board had net position of \$431,929.

Complete financial information can be obtained from the Brown-Nicollet Community Health Services Board, 622 South Front Street, St. Peter, Minnesota 56082.

**BROWN COUNTY
NEW ULM, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

C. Joint Ventures

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 shares 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 the county. The bond issue and notes payable are shown as long-term debt in the financial statements of the Red Rock Rural Water System. During 2019, Brown County provided \$1,396 in funding to the joint venture.

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

Families First Collaborative

The Families First Collaborative was established in 1997 under the authority of Minn. Stat. § 471.59. The Collaborative includes Brown County Human Services, Public Health, and Probation agencies; New Ulm, Comfrey, Sleepy Eye, and Springfield School Districts; River Bend Education District; and Minnesota Valley Action Council. The mission of the Families First Collaborative is to promote the healthy development of children and families in Brown County. The Collaborative provides improved coordination for children and families through information sharing, elimination of duplicate services, and cooperative efforts. The Collaborative funds selected projects and services that support intervention and the prevention of out-of-home placement of children at risk.

**BROWN COUNTY
NEW ULM, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Families First Collaborative (Continued)

The Collaborative is funded by Local Collaborative Time Study (LCTS) funds and fees. Control of the Collaborative is vested in a Board of Directors consisting of ten members. Brown County Human Services acts as a fiscal agent for the Collaborative. During 2019, Brown County provided \$200 in funding to the Collaborative Integrated Fund (\$100 - Human Services and \$100 – Public Health).

Any withdrawing party remains liable for fiscal obligations incurred prior to the effective date of withdrawal and shall not be entitled to any compensation as long as the Collaborative continues in existence. Should the Collaborative cease to exist, the Families First Collaborative Board of Directors shall distribute all property, real and personal, at the time of termination.

As the administrative county, Brown County Human Services may be liable to the state or federal government for the disallowance, sanction, or audit exception attributable to the Families First Collaborative, including but not limited to, federal fiscal disallowances or sanctions based upon the Collaborative’s implementation of the LCTS or any of the other state and federal funding sources and their related requirements. In the event of any such audit disallowance or sanction, the following participating partners, Brown County Human Services, Public Health, and Probation agencies; New Ulm, Comfrey, Sleepy Eye, and Springfield School Districts; and the River Bend Education District, share the liability. Financial information can be obtained by contacting the Brown County Human Services Department.

Three Counties for Kids Children’s Mental Health Collaborative

The Three Counties for Kids Children’s Mental Health Collaborative was established in 1996 under the authority of Minn. Stat. § 471.59. The Collaborative includes Brown, Sibley, and Watonwan Counties; River Bend Education District; Sioux Trails Mental Health Center; and Greater Minnesota Family Services. The purpose of the Collaborative is to join local units of government together to ensure a unified, unduplicated, and family-friendly system of intervention and care of families and children. The Collaborative provides improved coordination for children and families through information sharing, elimination of duplicate services, and cooperative efforts. The Collaborative funds selected projects and services that support intervention and the prevention of out-of-home placement of children at risk.

**BROWN COUNTY
NEW ULM, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Three Counties for Kids Children's Mental Health Collaborative (Continued)

The Collaborative is financed by LCTS funds and program reimbursements. Control of the Collaborative is vested in a Board of Directors consisting of seven members. Brown County Human Services acts as a fiscal agent for the Collaborative. During 2019, Brown County did not provide funding to the Collaborative.

Any withdrawing party remains liable for fiscal obligations incurred prior to the effective date of withdrawal and shall not be entitled to any compensation as long as the Collaborative continues in existence. Should the Collaborative cease to exist, the Three Counties for Kids Children's Mental Health Collaborative Board of Directors shall distribute all property, real and personal, at the time of termination.

As the administrative county, Brown County Human Services may be liable to the state or federal government for any disallowance, sanction, or audit exception attributable to the Three Counties for Kids Children's Mental Health Collaborative, including but not limited to, federal fiscal disallowances or sanctions based upon the Collaborative's implementation of the LCTS or any of the other state and federal funding sources and their related requirements. In the event of any such audit disallowance or sanction, the following participating partners, Brown, Sibley, and Watonwan Counties and the River Bend Education District, share the liability. Financial information can be obtained by contacting the Brown County Human Services Department.

South Country Health Alliance

The South Country Health Alliance (SCHA) was created by a joint powers agreement between Brown, Dodge, Freeborn, Goodhue, Kanabec, Mower, Sibley, Steele, Wabasha, and Waseca Counties on July 24, 1998, under Minn. Stat. § 471.59. Mower County has since withdrawn. In 2007, Cass, Crow Wing, Morrison, Todd, and Wadena Counties became members. As of December 31, 2010, Cass, Freeborn, and Crow Wing Counties withdrew from the joint powers. The agreement was in accordance with Minn. Stat. § 256B.692, which allows the formation of a Board of Directors to operate, control, and manage all matters concerning the participating member counties' health care functions, referred to as county-based purchasing.

The purpose of the SCHA is to improve the social and health outcomes of its clients and all citizens of its member counties by better coordinating social service, public health and

**BROWN COUNTY
NEW ULM, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

C. Joint Ventures

South Country Health Alliance (Continued)

medical services, and promoting the achievement of public health goals. The SCHA is authorized to provide prepaid comprehensive health maintenance services to persons enrolled under Medicaid and General Assistance Medical Care in each of the member counties.

Each member county has an explicit and measurable right to its share of the total capital surplus of the SCHA. Gains and losses are allocated annually to all members based on the percentage of their utilization. The County's equity interest in the SCHA at December 31, 2019, was \$2,819,299. The equity interest is reported as an investment in joint venture on the county-wide statement of net position. Changes in equity are included in the county-wide statement of activities as Human Services program expenses or revenues. During 2019, Brown County provided \$819,563 in funding to the joint venture.

Complete financial statements for the SCHA can be obtained from Scott Schufman, SCHA Chief Fiscal Officer, 2300 Park Drive, Suite 100, Owatonna, Minnesota 55060.

South Central Minnesota Regional Emergency Communications Board

The South Central Minnesota Regional Emergency Communications Board (formerly known as the South Central Minnesota Regional Radio Board) was established pursuant to Minn. Stat. §§ 471.59 and 403.39 and a joint powers agreement effective May 27, 2008. It comprises Blue Earth, Brown, Faribault, Le Sueur, Martin, McLeod, Nicollet, Sibley, Waseca, and Watonwan Counties and the Cities of Hutchinson and Mankato. The primary function of the joint venture is to provide regional administration of enhancements to the Statewide Public Safety Radio and Communication System for the Allied Radio Matrix for Emergency Response (ARMER) owned and operated by the State of Minnesota and to enhance and improve interoperable public safety communications.

The Board consists of one County Commissioner from each county included in the agreement, one City Council member from each city included in the agreement, a member of the South Central Minnesota Regional Advisory Committee, a member of the South Central Minnesota Regional Radio System User Committee, and a member of the Owners and Operators Committee.

Blue Earth County acts as the fiscal agent for the Board. During 2019, the County did not provide funding to the Joint Powers Board. The Chair of the Board is Kip Bruender, and the address is P. O. Box 8608, Mankato, Minnesota 56002-8608.

**BROWN COUNTY
NEW ULM, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Brown-Lyon-Redwood Drug Task Force

The Brown-Lyon-Redwood Drug Task Force was established between Brown, Lyon, Redwood, and Renville Counties and the Cities of New Ulm, Redwood Falls, and Marshall, pursuant to Minn. Stat. § 471.59. The Task Force was established to create a cooperative law enforcement effort that provides drug enforcement services for member organizations.

The Task Force is governed by an Advisory Board consisting of one appointed member from each party. Financing is provided through contributions of the participating counties, grants, and forfeitures. During the year, the County paid \$85,162 to the Task Force. Fiscal agent responsibilities for the Task Force are with the City of New Ulm. The Task Force is reported as an agency fund in the City of New Ulm's financial statements.

South Central Workforce Services Area Joint Powers Board

In June 2012, the County entered into a joint powers agreement with Blue Earth, Faribault, LeSueur, Martin, Nicollet, Sibley, Waseca, and Watonwan Counties, creating the South Central Workforce Services Area Joint Powers Board. The agreement is authorized by Minn Stat. § 471.59. The Board is comprised of one voting member and one alternate member for each participating County. The goal of the Board is to develop and maintain a quality workforce for South Central Minnesota.

Brown County did not make any payments to this organization in 2019. Separate financial information can be obtained from the South Central Workforce Council, 706 North Victory Drive, Mankato, Minnesota 56001.

Rural Minnesota Energy Board

The Rural Minnesota Energy Board was established in 2005 under the authority of Minn. Stat. § 471.59. The Board includes Blue Earth, Brown, Cottonwood, Faribault, Freeborn, Jackson, Lincoln, Lyon, Martin, Mower, Murray, Nobles, Pipestone, Redwood, Renville, Rock, Watonwan, and Yellow Medicine Counties. The purpose of the Board is to provide guidance on issues surrounding energy development in rural Minnesota and to foster the diversification of the economic climate in rural Minnesota. The focus of the Board includes, but is not limited to, renewable energy, wind energy, energy transmission lines, hydrogen energy technology, and bio-diesel and ethanol use.

**BROWN COUNTY
NEW ULM, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Rural Minnesota Energy Board (Continued)

The governing body is comprised of one voting member and one alternate member from each participating county's Board of Commissioners. The Board shall remain in existence as long as two or more counties remain parties to the agreement. Should the Board cease to exist, assets shall be liquidated, after payment of liabilities, based upon the ratios set out under the equal and proportionate share articles of the agreement.

During the year, Brown County contributed \$2,500 to the Board. Complete financial information can be obtained from the Rural Minnesota Energy Board, Slayton, Minnesota 56172.

Brown-Lyon-Redwood-Renville Emergency Response Unit

The Brown-Lyon-Redwood-Renville Emergency Response Unit was established between Brown, Lyon, Redwood, and Renville Counties and the Cities of New Ulm, Redwood Falls, and Marshall, pursuant to Minn. Stat. § 471.59. The Emergency Response Unit was established to provide specialized police services for its members during high risk or critical incident situations in a more effective and efficient manner than the services could be provided by the individual member on their own.

The Response Unit is governed by a Board of Directors consisting of the Chief Law Enforcement Officer from each member county and city as well as a prosecuting attorney from one of the member counties selected by the Directors. Financing is provided through equal annual contributions made by each member.

The New Ulm Police Departments acts as the fiscal agent for the Board. During 2019, the County did not provide funding to the Response Unit. Financial information can be obtained by contacting the City of New Ulm Police Department.

D. Jointly-Governed Organizations

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

The Area II Minnesota River Basin Project provides cost-share and technical assistance for the implementation of flood reduction measures to the area between the Cities of Ortonville and Mankato. During the year, Brown County paid \$12,971 to the Project.

**BROWN COUNTY
NEW ULM, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

D. Jointly-Governed Organizations

The Redwood-Cottonwood Rivers Control Area (RCRCA) works to improve water quality, reduce erosion, and enhance recreational opportunities by providing education, outreach, monitoring, and technical assistance within the boundaries of the watersheds of the Redwood and Cottonwood Rivers for the participating counties. RCRCA consists of Brown, Cottonwood, Lincoln, Lyon, Murray, Pipestone, Redwood, and Yellow Medicine Counties. During the year, Brown County made payments of \$10,050 to the RCRCA.

The South Central Emergency Medical Service (SCEMS) Joint Powers Board consists of Blue Earth, Brown, Faribault, Le Sueur, Martin, Nicollet, Sibley, Waseca, and Watonwan Counties. The purpose of the SCEMS is to ensure quality patient care is available throughout the nine-county area by maximizing the response capabilities of emergency medical personnel and to promote public education on injury prevention and appropriate response during a medical emergency. Each county appoints one member for the Joint Powers Board. Brown County appropriated \$5,000 to the SCEMS in 2019.

The South Central Regional ImmTrack (Immunization Registry) Joint Powers Board promotes an implementation and maintenance of a regional immunization information system to ensure age-appropriate immunizations through complete and accurate records. During the year, Brown County paid \$6,982 to ImmTrack.

The South Central Community-Based Initiative was established pursuant to Minn. Stat. §§ 471.59 and 245.4661 and a joint powers agreement effective June 20, 2008. The purpose of this joint powers agreement is to provide services to persons with mental illness in the most clinically-appropriate, person-centered, least restrictive, and cost-effective ways. The focus is on improved access and outcomes for persons with mental illness as a result of the collaboration between state-operated services programs and community-based treatment. The membership of the Board is comprised of one representative appointed by Blue Earth, Brown, Faribault, Freeborn, Le Sueur, Martin, Nicollet, Rice, Sibley, and Watonwan Counties. Brown County did not contribute to the Joint Powers Board in 2019.

The Intelligent Transit System (ITS) Transit Consortium was established to implement and maintain the ITS among its members, which include Brown, Martin, Meeker, Pipestone, Sherburne, and Wright Counties. Initial transit software and services were funded by an American Recovery and Reinvestment Act grant. Each individual consortium member is responsible for future mapping support and

**BROWN COUNTY
NEW ULM, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

D. Jointly-Governed Organizations (Continued)

costs. It is expected that there will be upgrades every three years. During the year, Brown County did not contribute to the Transit Consortium.

The Minnesota Criminal Justice Data Communications Network joint powers agreement exists to create access for the County Sheriff and County Attorney, County Probation, and County Human Services Departments 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, Brown County made no payments to the joint powers.

The State of Minnesota Parks and Trails and Brown County Sentence-to-Serve (STS) joint powers agreement states that Brown County STS will provide all labor necessary to split wood at Fort Ridgely State Park.

The Trail Systems Coordination joint powers consists of Brown County and the Cities of Comfrey, Hanska, New Ulm, Sleepy Eye, and Springfield. These parties have joined together to coordinate, consider, review, study, and analyze trails and their use in and around Brown County. The County did not contribute to the Joint Powers during 2019.

The Greater Blue Earth River Basin Alliance (GBERBA) establishes goals, policies, and objectives to protect and enhance land and water resources in the Greater Blue Earth River Basin. The Board consists of County Commissioners and members of the Soil and Water Conservation Districts. During the year, Brown County did not make any payments to GBERBA.

The Region Five - Southwest Minnesota Security Emergency Management Organization 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 region. Control is vested in the Board, which comprises representatives appointed by each Board of County Commissioners. Brown County's responsibility does not extend beyond making this appointment.

The Minnesota Counties Computer Cooperative (MCCC) was established under the Minnesota Joint Powers Law, Minn. Stat. § 471.59. Minnesota counties have created the MCCC to jointly provide for the establishment, operation, and maintenance of data processing systems, facilities, and management information systems. During the year, Brown County expended \$64,880 to the MCCC.

**BROWN COUNTY
NEW ULM, MINNESOTA**

6. Subsequent Events

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

This Page Has Been Intentionally Left Blank.

REQUIRED SUPPLEMENTARY INFORMATION

**BROWN COUNTY
NEW ULM, MINNESOTA**

EXHIBIT A-1

**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
OTHER POST EMPLOYMENT BENEFITS
DECEMBER 31, 2019**

	2019	2018
Total OPEB Liability		
Service cost	\$ 54,260	\$ 56,767
Interest	24,780	23,116
Assumption charges	(22,388)	-
Benefit Payments	(19,374)	(34,436)
Net change in total OPEB liability	\$ 37,278	\$ 45,447
Total OPEB Liability - Beginning	706,257	660,810
Total OPEB Liability - Ending	\$ 743,535	\$ 706,257
Covered-employee payroll	\$ 12,833,076	\$ 12,459,297
Total OPEB liability (asset) as a percentage of covered-employee payroll	5.79%	5.67%

This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

**BROWN COUNTY
NEW ULM, MINNESOTA**

EXHIBIT A-2

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA GENERAL EMPLOYEES RETIREMENT PLAN
DECEMBER 31, 2019**

Measurement Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability Associated with Brown County (b)	Employer's Proportionate Share of the Net Pension Liability and the State's Related Share of the Net Pension Liability (Asset) (a + b)	Covered Payroll (c)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2019	0.1632 %	\$ 9,022,962	\$ 280,321	\$ 9,303,283	\$ 11,547,143	78.14 %	80.20 %
2018	0.1636	9,075,857	297,764	9,373,621	10,995,318	82.54	79.53
2017	0.1703	10,871,840	136,683	11,008,523	10,970,750	99.10	75.90
2016	0.1622	13,169,835	172,088	13,341,923	10,039,961	131.17	68.91
2015	0.1641	8,504,514	N/A	8,504,514	9,655,925	88.08	78.19

This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

The measurement date for each year is June 30.

N/A - Not Applicable

**BROWN COUNTY
NEW ULM, MINNESOTA**

EXHIBIT A-3

**SCHEDULE OF CONTRIBUTIONS
PERA GENERAL EMPLOYEES RETIREMENT PLAN
DECEMBER 31, 2019**

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b - a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
2019	\$ 882,221	\$ 882,221	\$ -	\$ 11,762,947	7.50 %
2018	843,196	843,196	-	11,242,571	7.50
2017	802,808	802,808	-	10,705,465	7.50
2016	779,982	779,982	-	10,399,719	7.50
2015	761,372	761,372	-	10,151,627	7.50

This schedule is intended to show information for ten years. Additional years will be displayed as they become available. The County's year-end is December 31.

**BROWN COUNTY
NEW ULM, MINNESOTA**

EXHIBIT A-4

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA PUBLIC EMPLOYEES POLICE AND FIRE PLAN
DECEMBER 31, 2019**

<u>Measurement Date</u>	<u>Employer's Proportion of the Net Pension Liability (Asset)</u>	<u>Employer's Proportionate Share of the Net Pension Liability (Asset) (a)</u>	<u>Covered Payroll (b)</u>	<u>Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b)</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
2019	0.081 %	\$ 861,262	\$ 852,862	100.98 %	89.30 %
2018	0.075	800,489	791,682	101.11	88.84
2017	0.078	1,053,093	797,926	131.98	85.43
2016	0.073	2,929,617	704,477	415.86	63.88
2015	0.070	795,364	645,081	123.30	86.61

This schedule is intended to show information for ten years. Additional years will be displayed as they become available. The measurement date for each year is June 30.

**BROWN COUNTY
NEW ULM, MINNESOTA**

EXHIBIT A-5

**SCHEDULE OF CONTRIBUTIONS
PERA PUBLIC EMPLOYEES POLICE AND FIRE PLAN
DECEMBER 31, 2019**

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b - a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b)/(c)
2019	\$ 144,584	\$ 144,584	\$ -	\$ 853,003	16.95 %
2018	133,396	133,396	-	823,429	16.20
2017	128,699	128,699	-	794,439	16.20
2016	116,017	116,017	-	716,154	16.20
2015	114,198	114,198	-	704,925	16.20

This schedule is intended to show information for ten years. Additional years will be displayed as they become available. The County's year-end is December 31.

**BROWN COUNTY
NEW ULM, MINNESOTA**

EXHIBIT A-6

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA PUBLIC EMPLOYEES LOCAL GOVERNMENT CORRECTIONAL SERVICE RETIREMENT PLAN
DECEMBER 31, 2019**

<u>Measurement Date</u>	<u>Employer's Proportion of the Net Pension Liability (Asset)</u>	<u>Employer's Proportionate Share of the Net Pension Liability (Asset) (a)</u>	<u>Covered Payroll (b)</u>	<u>Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b)</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
2019	0.40 %	\$ 55,795	\$ 859,553	6.49 %	98.20 %
2018	0.42	68,502	850,588	8.05	97.64
2017	0.42	1,197,004	847,945	141.17	67.89
2016	0.42	1,534,319	797,329	192.43	58.16
2015	0.43	66,478	781,204	8.51	96.95

This schedule is intended to show information for ten years. Additional years will be displayed as they become available. The measurement date for each year is June 30.

**BROWN COUNTY
NEW ULM, MINNESOTA**

EXHIBIT A-7

**SCHEDULE OF CONTRIBUTIONS
PERA PUBLIC EMPLOYEES LOCAL GOVERNMENT CORRECTIONAL SERVICE RETIREMENT PLAN
DECEMBER 31, 2019**

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b - a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
2019	\$ 73,156	\$ 73,156	\$ -	\$ 836,069	8.75 %
2018	72,977	72,977	-	833,451	8.75
2017	72,977	72,977	-	834,024	8.75
2016	70,896	70,896	-	810,238	8.75
2015	71,867	71,867	-	821,342	8.75

This schedule is intended to show information for ten years. Additional years will be displayed as they become available.
The County's year-end is December 31.

**BROWN COUNTY
NEW ULM, MINNESOTA**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2019

1. Other Postemployment Benefits – Funded Status and Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

As disclosed in the Schedule of Funding Progress, no assets have been irrevocably deposited in trust to advance fund the employer's obligation. Therefore, the actuarial value of assets is zero.

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

2019

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

2018

- The actuarial cost method used changed from the Projected Unit Credit to the Entry Age as prescribed by GASB 75.
- The health care trend rates were changed to better anticipate short term and long term medical increases.
- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale (with Blue Collar adjustment for Police and Fire Personnel) to the RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale (with Blue Collar adjustment for Police and Fire Personnel).
- The retirement and withdrawal tables for all employees were updated.
- The discount rate was changed from 3.50 to 3.30%.
- The percentage of future spouses of retirees who are assumed to continue on one of the County's medical plans post-employment was increased from ten percent to 25 percent.

**BROWN COUNTY
NEW ULM, MINNESOTA**

2. 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 fiscal year June 30:

General Employees Retirement Plan

2019

- The mortality projection scale was changed from MP-2017 to MP-2019.

2018

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase rate was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter, to 1.25 percent per year.

2017

- The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members (30 percent for deferred Minneapolis Employees Retirement Fund members.) The revised CSA loads are now 0.0 percent for active member liability, 15 percent for vested deferred member liability, and 3.0 percent for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.
- Minneapolis Employees Retirement Fund plan provisions change the employer supplemental contribution to \$21,000,000 in calendar years 2017 and 2018 and returns to \$31,000,000 through calendar year 2031. The state's required contribution is \$16,000,000 in PERA's fiscal years 2018 and 2019 and returns to \$6,000,000 annually through calendar year 2031.

**BROWN COUNTY
NEW ULM, MINNESOTA**

2. Defined Benefit Pension Plans - Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

General Employees Retirement Plan (Continued)

2016

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2035 and 2.50 percent per year thereafter, to 1.00 percent for all future years.
- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was also changed from 7.90 percent to 7.50 percent.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

Public Employees Police and Fire Plan

2019

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

2018

- The mortality projection scale was changed from MP-2016 to MP-2017.
- Post-retirement benefit increases 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. Additionally, annual state aid will equal \$4.5 million in fiscal years 2019 and 2020, and \$9.0 million thereafter, until the plan reaches 100 percent funding, or July 1, 2048, if earlier.

**BROWN COUNTY
NEW ULM, MINNESOTA**

2. Defined Benefit Pension Plans - Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

Public Employees Police and Fire Plan

2018 (Continued)

- Member contributions were changed effective January 1, 2019 and January 1, 2020 from 10.80 percent to 11.30 and 11.80 percent of pay, respectively. Employer contributions were changed effective January 1, 2019 and January 1, 2020 from 16.20 percent to 16.95 and 17.70 percent of pay, respectively. 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

- The 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.
- The assumed rates of retirement were changed, resulting in fewer retirements.
- The CSA load was 30 percent for vested and non-vested, deferred members. The CSA has been changed to 33 percent for vested members and 2.0 percent for non-vested members.
- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality table assumed for healthy retirees.
- The assumed termination rates were decreased to 3.0 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.

**BROWN COUNTY
NEW ULM, MINNESOTA**

2. Defined Benefit Pension Plans - Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

Public Employees Police and Fire Plan

2017 (Continued)

- The assumed percentage of married female members was decreased from 65 percent to 60 percent.
- The 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 post-retirement benefit increase rate was changed from 1.0 percent for all years to 1.0 percent per year through 2064 and 2.5 percent thereafter.
- The single discount rate was changed from 5.60 percent per annum to 7.50 percent per annum.

2016

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2037 and 2.50 percent per year thereafter, to 1.00 percent for all future years.
- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was changed from 7.90 percent to 5.60 percent.
- The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

**BROWN COUNTY
NEW ULM, MINNESOTA**

2. Defined Benefit Pension Plans - Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

Public Employees Local Government Correctional Service Retirement Plan

2019

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

2018

- 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 post-retirement benefit increase was changed from 2.50 percent per year to 2.00 percent per year.

2017

- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016 and is applied to healthy and disabled members. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the RP-2014 disabled annuitant mortality table (with future mortality improvement according to Scale MP-2016).
- The CSA load was 30 percent for vested and non-vested, deferred members. The CSA has been changed to 35 percent for vested members and 1.0 percent for non-vested members.
- The single discount rate was changed from 5.31 percent per annum to 5.96 percent per annum.

**BROWN COUNTY
NEW ULM, MINNESOTA**

2. Defined Benefit Pension Plans - Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

Public Employees Local Government Correctional Service Retirement Plan (Continued)

2016

- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was changed from 7.90 percent to 5.31 percent.
- The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

This Page Has Been Intentionally Left Blank.

SUPPLEMENTARY INFORMATION

**COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS
AND SCHEDULES**

**BROWN COUNTY
NEW ULM, MINNESOTA**

NONMAJOR GOVERNMENTAL FUND

CAPITAL PROJECTS FUND

Building and Capital Improvements – to account for funds used for capital outlay and maintenance.
Financing is provided by a tax levy.

This Page Has Been Intentionally Left Blank.

**BROWN COUNTY
NEW ULM, MINNESOTA**

EXHIBIT B-1

**BUDGETARY COMPARISON SCHEDULE
BUILDING AND CAPITAL IMPROVEMENTS CAPITAL PROJECTS FUND
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 290,704	\$ 290,704	\$ 290,171	\$ (533)
Intergovernmental	243,511	243,511	223,353	(20,158)
Miscellaneous	8,664	8,664	8,644	(20)
Total Revenues	\$ 542,879	\$ 542,879	\$ 522,168	\$ (20,711)
Expenditures				
Current				
General government				
Buildings and plant	\$ 205,500	\$ 205,500	\$ 74,769	\$ 130,731
Veterans service officer	129,772	129,772	13,500	116,272
Total general government	\$ 335,272	\$ 335,272	\$ 88,269	\$ 247,003
Culture and recreation				
Historical society	210,136	210,136	206,424	3,712
Total Expenditures	\$ 545,408	\$ 545,408	\$ 294,693	\$ 250,715
Excess of Revenues Over (Under) Expenditures	\$ (2,529)	\$ (2,529)	\$ 227,475	\$ 230,004
Other Financing Sources (Uses)				
Transfers in	6,250	6,250	10,789	4,539
Change in Fund Balance	\$ 3,721	\$ 3,721	\$ 238,264	\$ 234,543
Fund Balance - January 1	392,555	392,555	392,555	-
Fund Balance - December 31	\$ 396,276	\$ 396,276	\$ 630,819	\$ 234,543

This Page Has Been Intentionally Left Blank.

**BROWN COUNTY
NEW ULM, MINNESOTA**

AGENCY FUNDS

Assurance – to account for the collection and payment of assurance funds to the state.

Mortgage Registry Tax – to account for the collection and distribution of mortgage registry tax to the County and other governments.

Prepaid Tax – to account for taxes paid in advance.

Region Nine – to account for the collection and distribution of funds to the Region Nine Regional Development Commission.

School Districts – to account for the school districts' share of taxes collected by the County.

Social Welfare – to account for the collection and distribution of social welfare accounts.

Sheriff's Inmate Commissary – to account for the funds that belong to the inmates at the jail.

State Deed Tax – to account for the collection and distribution of deed tax to the County and other governments.

Three Counties for Kids Collaborative – to account for the funds of a multi-county/school district children's mental health collaborative.

Families First Family Services Collaborative – to account for the funds of the County/multi-school district family services collaborative.

Taxes and Penalties – to account for the collection and payment of taxes and penalties collected to the various taxing districts.

Towns and Cities – to account for the collection and payment of taxes due to towns and cities.

This Page Has Been Intentionally Left Blank.

**BROWN COUNTY
NEW ULM, MINNESOTA**

EXHIBIT C-1

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Balance January 1	Additions	Deductions	Balance December 31
<u>ASSURANCE</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 16,302	\$ 1,377	\$ 243	\$ 17,436
<u>Liabilities</u>				
Due to other governments	\$ 16,302	\$ 1,377	\$ 243	\$ 17,436
<u>MORTGAGE REGISTRY TAX</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 154	\$ 340,173	\$ 340,327	\$ -
<u>Liabilities</u>				
Due to other governments	\$ 154	\$ 340,173	\$ 340,327	\$ -
<u>PREPAID TAX</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 86,631	\$ 115,359	\$ 86,631	\$ 115,359
<u>Liabilities</u>				
Due to other governments	\$ 86,631	\$ 115,359	\$ 86,631	\$ 115,359

**BROWN COUNTY
NEW ULM, MINNESOTA**

*EXHIBIT C-1
(Continued)*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Balance January 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31</u>
<u>REGION NINE</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 503	\$ 57,673	\$ 57,652	\$ 524
<u>Liabilities</u>				
Due to other governments	\$ 503	\$ 57,673	\$ 57,652	\$ 524
 <u>SCHOOL DISTRICTS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 49,897	\$ 8,173,479	\$ 8,174,958	\$ 48,418
<u>Liabilities</u>				
Due to other governments	\$ 49,897	\$ 8,173,479	\$ 8,174,958	\$ 48,418
 <u>SOCIAL WELFARE</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 138,997	\$ 1,045,255	\$ 1,010,380	\$ 173,872
<u>Liabilities</u>				
Due to other governments	\$ 138,997	\$ 1,045,255	\$ 1,010,380	\$ 173,872

**BROWN COUNTY
NEW ULM, MINNESOTA**

*EXHIBIT C-1
(Continued)*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Balance January 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31</u>
<u>SHERIFF'S INMATE COMMISSARY</u>				
<u>Assets</u>				
Cash and pooled investments	\$ -	\$ 74,427	\$ 66,354	\$ 8,073
<u>Liabilities</u>				
Due to other governments	\$ -	\$ 74,427	\$ 66,354	\$ 8,073
<u>STATE DEED TAX</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 301	\$ 360,096	\$ 360,331	\$ 66
<u>Liabilities</u>				
Due to other governments	\$ 301	\$ 360,096	\$ 360,331	\$ 66
<u>THREE COUNTIES FOR KIDS COLLABORATIVE</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 258,072	\$ 84,613	\$ 118,601	\$ 224,084
<u>Liabilities</u>				
Due to other governments	\$ 258,072	\$ 84,613	\$ 118,601	\$ 224,084

**BROWN COUNTY
NEW ULM, MINNESOTA**

*EXHIBIT C-1
(Continued)*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Balance January 1	Additions	Deductions	Balance December 31
<u>FAMILIES FIRST FAMILY SERVICES COLLABORATIVE</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 127,157	\$ 130,910	\$ 131,293	\$ 126,774
<u>Liabilities</u>				
Due to other governments	\$ 127,157	\$ 130,910	\$ 131,293	\$ 126,774
 <u>TAXES AND PENALTIES</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 169,721	\$ 44,014,490	\$ 44,005,657	\$ 178,554
<u>Liabilities</u>				
Due to other governments	\$ 169,721	\$ 44,014,490	\$ 44,005,657	\$ 178,554
 <u>TOWNS AND CITIES</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 230,154	\$ 16,000,055	\$ 16,161,889	\$ 68,320
<u>Liabilities</u>				
Due to other governments	\$ 230,154	\$ 16,000,055	\$ 16,161,889	\$ 68,320

**BROWN COUNTY
NEW ULM, MINNESOTA**

***EXHIBIT C-1
(Continued)***

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Balance January 1	Additions	Deductions	Balance December 31
<u>TOTAL ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and pooled investments	<u>\$ 1,077,889</u>	<u>\$ 70,397,907</u>	<u>\$ 70,514,316</u>	<u>\$ 961,480</u>
<u>Liabilities</u>				
Due to other governments	<u>\$ 1,077,889</u>	<u>\$ 70,397,907</u>	<u>\$ 70,514,316</u>	<u>\$ 961,480</u>

This Page Has Been Intentionally Left Blank.

SCHEDULES

**BROWN COUNTY
NEW ULM, MINNESOTA**

EXHIBIT D-1

**SCHEDULE OF DEPOSITS AND INVESTMENTS
DECEMBER 31, 2019**

	<u>Interest Rate</u>	<u>Amount</u>
Deposits and Investments		
Checking accounts	0.50%	\$ 3,322,020
Certificates of deposit	Varies	245,000
Change funds	None	2,140
MAGIC Fund	Varies	9,953,448
Government securities	Varies	5,629,082
Negotiable certificates of deposit	Varies	<u>3,343,288</u>
Total Deposits and Investments		<u>\$ 22,494,978</u>

**BROWN COUNTY
NEW ULM, MINNESOTA**

EXHIBIT D-2

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019**

Shared revenue

State

Highway users tax	\$ 4,643,051
County program aid	1,035,754
PERA rate reimbursement	39,317
Disparity reduction aid	27,051
Police aid	100,755
Aquatic invasive species aid	51,943
Enhanced 911	101,673
Local performance aid	3,546
Market value credit	374,309
SCORE	71,877

Total shared revenue **\$ 6,449,276**

Reimbursement for services

State

Minnesota Department of Human Services	\$ 859,453
--	------------

Payments

Local

Local contributions	\$ 125,059
Payments in lieu of taxes	34,499

Total payments **\$ 159,558**

Grants

State

Minnesota Department/Board of Corrections	\$ 303,691
Agriculture	272
Public Safety	102,815
Transportation	590,480
Health	164,417
Natural Resources	75,491
Historical Society	175,221
Human Services	1,971,551
Veterans Affairs	10,000
Water and Soil Resources	68,109
Peace Officer Standards and Training Board	15,907

Total state **\$ 3,477,954**

**BROWN COUNTY
NEW ULM, MINNESOTA**

**EXHIBIT D-2
(Continued)**

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019**

Grants (Continued)

Federal

Department of	
Agriculture	\$ 344,928
Justice	20,427
Transportation	236,474
Veterans Affairs	15,648
Health and Human Services	2,344,334
Homeland Security	226,825
	<hr/>
Total federal	\$ 3,188,636
	<hr/>
Total state and federal grants	\$ 6,666,590
	<hr/>
Total Intergovernmental Revenue	\$ 14,134,877
	<hr/> <hr/>

**BROWN COUNTY
NEW ULM, MINNESOTA**

EXHIBIT D-3

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2019**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Pass-Through Grant Numbers	Expenditures	Pass-Through to Subrecipient
U.S. Department of Agriculture				
Passed Through Brown-Nicollet Community Health Services WIC Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	12-700-00060	\$ 123,161	\$ -
Passed Through Minnesota Department of Human Services SNAP Cluster State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (SNAP)	10.561	192MN101S2514	230,933	-
Total U.S. Department of Agriculture			\$ 354,094	\$ -
U.S. Department of Justice				
Passed Through Minnesota Department of Public Safety Crime Victim Assistance	16.575	F-CVS-2019BRWNPROB	\$ 20,427	\$ -
U.S. Department of Transportation				
Passed Through Minnesota Department of Transportation Formula Grants for Rural Areas and Tribal Transit Program	20.509	AGR#07175	\$ 155,970	\$ -
U.S. Department of Veterans Affairs				
Direct Burial Expenses Allowance for Veterans	64.101	N/A	\$ 15,648	\$ -
U.S. Department of Health and Human Services				
Passed Through Brown-Nicollet Community Health Services Public Health Emergency Preparedness Early Hearing Detection and Intervention TANF Cluster Temporary Assistance for Needy Families (TANF) Cluster (Total Temporary Assistance for Needy Families 93.558 - \$248,177)	93.069 93.251 93.558	U90TP000529 N/A 1901MNTANF	\$ 26,616 1,250 40,065	\$ - - -
Maternal and Child Health Services Block Grant to the States	93.994	12-700-00060	25,438	-
Passed Through Minnesota Department of Human Services Promoting Safe and Stable Families TANF Cluster Temporary Assistance for Needy Families (TANF) Cluster (Total Temporary Assistance for Needy Families 93.558 - \$248,177)	93.556 93.558	G-1801MNFPS 1901MNTANF	7,599 208,112	- -
Child Support Enforcement	93.563	1901MNCSES, 1901MNCEST	485,618	-
Refugee and Entrant Assistance State/Replacement Designee Administered Programs	93.566	1901MNRCSA	268	-
Child Care and Development Cluster Community-Based Child Abuse Prevention Grants CCDF Cluster	93.590	G-1801MNBCAP	5,680	-
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	G1901MNCCDF	13,130	-
Stephanie Tubbs Jones Child Welfare Services Program	93.645	G-1801MNCWSS	5,673	-

**BROWN COUNTY
NEW ULM, MINNESOTA**

**EXHIBIT D-3
(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2019**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Pass-Through Grant Numbers	Expenditures	Pass-Through to Subrecipient
U.S. Department of Health and Human Services				
Passed Through Minnesota Department of Human Services (Continued)				
Foster Care Title IV-E	93.658	1901MNFOST	\$ 208,821	\$ -
Social Services Block Grant	93.667	G-1901MNSOR	151,143	-
John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674	G-1901MNCILP	4,694	-
Children's Health Insurance Program	93.767	1905MN5021	211	-
Medicaid Cluster				
Medical Assistance Program	93.778	1905MNSADM	1,173,531	-
Total U.S. Department of Health and Human Services			\$ 2,357,849	\$ -
U.S. Department of Homeland Security				
Passed Through Minnesota Department of Natural Resources				
Boating Safety Financial Assistance	97.012	BROWN SBG-071819	\$ 11,557	\$ -
Passed Through Minnesota Department of Public Safety				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEDERAL DR 4390	427,456	-
Total U.S. Department of Homeland Security			\$ 439,013	\$ -
Total Federal Awards			\$ 3,343,001	\$ -
Totals by Cluster				
Total expenditures by SNAP Cluster			\$ 230,933	
Total expenditures by TANF Cluster			248,177	
Total expenditures by CCDF Cluster			13,130	
Total expenditures by Medicaid Cluster			1,173,531	

**BROWN COUNTY
NEW ULM, MINNESOTA**

NOTES TO THE SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2019

1. Reporting Entity

The Schedule of Expenditures of Federal Awards presents the activities of federal award programs expended by Brown County. The County's reporting entity is defined in Note 1 to the financial statements.

2. Basis of Presentation

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

3. Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Brown County has elected to not use the ten percent de minimis indirect cost rate allowed under the Uniform Guidance.

**BROWN COUNTY
NEW ULM, MINNESOTA**

4. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue		\$ 3,188,636
Unavailable Revenue in 2019 - grants received more than 60 days after year-end,		
WIC Special Supplemental Nutrition Program for Women, Infants and Children	10.557	9,166
Formula Grants for Rural Areas and Tribal Transit Program	20.509	40,171
Public Health Emergency Preparedness	93.069	9,099
Early Hearing Detection and Intervention	93.251	450
Promoting Safe and Stable Families	93.556	1,900
Temporary Assistance for Needy Families (TANF)	93.558	3,064
Community-Based Child Abuse Prevention Grants	93.590	1,420
Stephanie Tubbs Jones Child Welfare Services Program	93.645	1,205
Foster Care Title IV-E	93.658	34,823
John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674	1,930
Block Grants for Community Mental Health Services	93.958	213
Maternal and Child Health Services Block Grant to the States	93.994	2,029
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	212,189
Unavailable Revenue in 2018 - recognized as revenue in 2019		
Formula Grants for Rural Areas and Tribal Transit Program	20.509	(120,676)
Promoting Safe and Stable Families	93.556	(1,888)
Temporary Assistance for Needy Families (TANF)	93.558	(36,774)
Community-Based Child Abuse Prevention Grants	93.590	(1,418)
Stephanie Tubbs Jones Child Welfare Services Program	93.645	(1,410)
John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674	<u>(1,128)</u>
Expenditures per Schedule of Expenditures of Federal Awards		<u>\$ 3,343,001</u>