

State of Minnesota



Office of the State Auditor

Julie Blaha
State Auditor

Nicollet County
St. Peter, Minnesota

Year Ended December 31, 2022

Description of the Office of the State Auditor

The Office of the State Auditor (OSA) helps ensure financial integrity and accountability in local government financial activities. The OSA is the constitutional office that oversees more than \$40 billion in annual financial activity by local governments and approximately \$20 billion of federal funding financial activity.

The OSA performs around 90 financial and compliance audits per year and has oversight responsibilities for over 3,300 local units of government throughout the state. The office maintains the following seven divisions:

- **Audit Practice:** Helps ensure fiscal integrity by conducting financial and compliance audits of local governments and the federal compliance audit of the State of Minnesota.
- **Constitution:** Connects with the public via external communication, media relations, legislative coordination, and public engagements for the State Auditor.

This division also supports the State Auditor's service on the State Executive Council, State Board of Investment, Land Exchange Board, Public Employees Retirement Association Board, Minnesota Housing Finance Agency, the Minnesota Historical Society, and the Rural Finance Authority Board.

- **Government Information:** Collects, analyzes, and shares local government financial data to assist in policy and spending decisions; administers and supports financial tools including the Small Cities and Towns Accounting System (CTAS) software and infrastructure comparison tools.
- **Legal/Special Investigations:** Provides legal analysis and counsel to the OSA and responds to outside inquiries about Minnesota local law relevant to local government finances; investigates local government financial records in response to specific allegations of theft, embezzlement, or unlawful use of public funds or property.
- **Operations:** Ensures the office runs efficiently by providing fiscal management and technology support to the office.
- **Pension:** Analyzes investment, financial, and actuarial reporting for Minnesota's local public pension plans and monitors pension plan operations.
- **Tax Increment Financing (TIF):** Promotes compliance and accountability in local governments' use of tax increment financing through education, reporting, and compliance reviews.

This document can be made available in alternative formats upon request. Call 651-296-2551 [voice] or 1-800-627-3529 [relay service] for assistance or visit the Office of the State Auditor's website:

www.osa.state.mn.us

Nicollet County St. Peter, Minnesota

Year Ended December 31, 2022



Office of the State Auditor

**Audit Practice Division
Office of the State Auditor
State of Minnesota**

Nicollet County St. Peter, Minnesota

Table of Contents

	Exhibit	Page
Introductory Section		
Organization		1
Financial Section		
Independent Auditor's Report		2
Management's Discussion and Analysis		5
Basic Financial Statements		
Government-Wide Financial Statements		
Statement of Net Position	1	15
Statement of Activities	2	17
Fund Financial Statements		
Governmental Funds		
Balance Sheet	3	18
Reconciliation of the Fund Balances of Governmental Funds to the Statement of Net Position	3A	22
Statement of Revenues, Expenditures, and Changes in Fund Balances	4	23
Reconciliation of the Changes in Fund Balances of Governmental Funds to the Statement of Activities	4A	25
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budgetary Comparison Statements		
General Fund	5	26
Road and Bridge Special Revenue Fund	6	29
Health and Human Services Special Revenue Fund	7	30
Self-Insurance Internal Service Fund		
Statement of Fund Net Position	8	31
Statement of Revenues, Expenses, and Changes in Fund Net Position	9	32
Statement of Cash Flows	10	33
Fiduciary Funds		
Statement of Fiduciary Net Position	11	34
Statement of Changes in Fiduciary Net Position	12	35
Notes to the Financial Statements		36
Required Supplementary Information		
Schedule of Changes in Total OPEB Liability and Related Ratios – Other Postemployment Benefits	A-1	71
PERA General Employees Retirement Plan		
Schedule of Proportionate Share of Net Pension Liability	A-2	72
Schedule of Contributions	A-3	73
PERA Public Employees Police and Fire Plan		
Schedule of Proportionate Share of Net Pension Liability	A-4	74
Schedule of Contributions	A-5	75

Nicollet County St. Peter, Minnesota

Table of Contents

	Exhibit	Page
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	76
Schedule of Contributions	A-7	77
Notes to the Required Supplementary Information		78
Supplementary Information		
Combining and Individual Fund Financial Statements and Schedules		
Debt Service Fund		86
Statement of Revenues, Expenditures, and Changes in Fund Balance –		
Budgetary Comparison Schedule	B-1	87
Fiduciary Funds – Custodial Funds		88
Combining Statement of Fiduciary Net Position	C-1	89
Combining Statement of Changes in Fiduciary Net Position	C-2	91
Schedules		
Schedule of Intergovernmental Revenue – Governmental Funds	D-1	93
Schedule of Expenditures of Federal Awards	D-2	94
Notes to the Schedule of Expenditures of Federal Awards		96
Management and Compliance Section		
Report on Internal Control Over Financial Reporting and on Compliance		
and Other Matters Based on an Audit of Financial Statements Performed		
in Accordance with <i>Government Auditing Standards</i>		97
Report on Compliance for Each Major Federal Program and Report on		
Internal Control Over Compliance Required by the Uniform Guidance		99
Schedule of Findings and Questioned Costs		102
Corrective Action Plan		107

Introductory Section

Nicollet County St. Peter, Minnesota

Organization December 31, 2022

Office	Name	Term Expires
Commissioners		
1st District	Marie Dranttel*	January 2027
2nd District	Terry Morrow	January 2025
3rd District	David Haack	January 2023
4th District	Jack Kolars	January 2023
5th District	John Luepke	January 2023
Officers Elected		
Attorney	Michelle Zehnder Fischer	January 2027
County Judge	Allison Krehbiel	January 2029
County Judge	Todd Westphal	January 2027
Sheriff	David Lange	January 2027
Officers Appointed		
Administrator	Mandy Landkamer	Indefinite
Assessor	Shana Jackson	December 2024
Community Corrections Director	Richard Molitor	Indefinite
Coroner	Dr. Kelly Mills	December 2026
Court Administrator	Carol Weikle	Indefinite
Extension Director	Bonnie Christiansen	Indefinite
Facilities Maintenance Director	Cody Johnson	Indefinite
Finance Director	Heather McCormick	Indefinite
Health and Human Services Director	Cassandra Sassenberg	Indefinite
Human Resources Director	Kristy Larson	Indefinite
Property and Public Services Director	Jaci Kopet	Indefinite
Public Works Director	Seth Greenwood	May 2025
Surveyor	Bolton & Menk	Indefinite
Interim Technologies Director	Jason Dragvold	Indefinite
Veterans Service Officer	Nathan Tish	October 2024

*Chair

Financial Section



Independent Auditor's Report

Board of County Commissioners
Nicollet County
St. Peter, Minnesota

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Nicollet County, Minnesota, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying 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 Nicollet County as of December 31, 2022, and the respective changes in financial position, and, where applicable, its cash flows thereof and the budgetary comparison of the General Fund, Road and Bridge Special Revenue Fund, and Health and Human Services Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of Changes in Total OPEB Liability and Related Ratios – Other Postemployment Benefits, PERA retirement plan schedules, and Notes to the Required Supplementary Information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Nicollet County's basic financial statements. The Debt Service Fund Budgetary Comparison Schedule, combining

statements for fiduciary funds, Schedule of Intergovernmental Revenue – Governmental Funds, and Schedule of Expenditures of Federal Awards and related notes, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information as identified above 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 July 17, 2023, on our consideration of the 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 the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

/s/Julie Blaha

Julie Blaha
State Auditor

July 17, 2023

Management's Discussion and Analysis

Nicollet County St. Peter, Minnesota

Management's Discussion and Analysis December 31, 2022 (Unaudited)

As management of Nicollet County, we offer readers of the Nicollet County financial statements this narrative overview and analysis of the financial activities of Nicollet County for the fiscal year ended December 31, 2022. 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 Nicollet County exceeded its liabilities and deferred inflows of resources by \$148,784,287 at the close of 2022. Of this amount, \$21,570,827 (unrestricted net position) may be used to meet Nicollet County's ongoing obligations to citizens and creditors.
- At the close of 2022, Nicollet County's governmental funds reported combined ending fund balances of \$49,494,788, a decrease of \$2,964,039 in comparison with the prior year. Of the total fund balance, \$11,810,032 is available for spending at the County's discretion and is noted as unassigned fund balance.
- At the close of 2022, the unassigned fund balance for the General Fund was \$15,557,926, or 71.6 percent, of total General Fund expenditures.
- Nicollet County's total bonds payable decreased by \$8,850,000. There was the redemption of the crossover advance refunded debt of \$7,805,000 to G.O. Capital Improvement Bonds – Human Services Building, Series 2013A. There were also payments of \$150,000 to G.O. Drainage Bonds, Series 2018A; \$310,000 to G.O. Capital Improvement Bonds, Series 2018B; \$540,000 to G.O. Road Reconstruction Refunding Bonds, Series 2018C; and \$45,000 to G.O. Drainage Refunding Bonds, Series 2018C.

Overview of the Financial Statements

This Management's Discussion and Analysis (MD&A) is intended to serve as an introduction to Nicollet County's basic financial statements. The County's basic financial statements comprise three components: (1) government-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.

Government-Wide Financial Statements

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

The statement of net position presents information on all of Nicollet 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 Nicollet 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 (uncollected taxes and earned but unused vacation leave).

The County's government-wide financial statements report functions of the County principally supported by taxes and intergovernmental revenues. The governmental activities of Nicollet County include general government, public safety, highways and streets, sanitation, human services, health, culture and recreation, conservation of natural resources, and economic development.

The government-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. Nicollet 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 Nicollet County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances 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 government-wide financial statements. However, unlike the government-wide financial statements, County fund level financial statements focus on near-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 a government's near-term financing requirements.

Nicollet County reports six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Road and Bridge Special Revenue Fund, the Health and Human Services Special Revenue Fund, the Revolving Loan Special Revenue Fund, the Ditch Special Revenue Fund, and the Debt Service Fund, all of which are considered to be major funds. Governmental fund financial statements are on Exhibits 3 through 7.

- **Proprietary funds**—Nicollet County maintains one proprietary fund. The Self-Insurance Internal Service Fund is used to account for the accumulation of resources for, and the payment of, insurance costs of the self-insurance program. Because the Self-Insurance Internal Service Fund benefits the governmental function, it has been included within the governmental activities column on the government-wide financial statements. Proprietary fund financial statements are on Exhibits 8 through 10.
- **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. The County maintains two types of fiduciary funds: one private-purpose trust fund and several custodial funds. The private-purpose trust fund is used to account for collection and distribution of social security funds with the County acting as a representative payee for individuals. Separate custodial funds are used to account for property tax revenues for other jurisdictions and charges and fees revenues for other state and local governments. Other custodial funds include Brown-Nicollet Community Health Services, Tri-County Solid Waste, Family Services Collaborative, Women’s Foundation of Minnesota, and Jail/Sheriff Activities. Private-purpose and custodial funds do not involve measurement of results of operations and are not reflected in the government-wide financial statements because those resources are not available to support the County’s programs. Fiduciary funds are on Exhibits 11, 12, C-1, and C-2.

Notes to the Financial Statements

The 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 Nicollet County’s changes in its other postemployment benefits liability (Exhibit A-1) and schedules of the proportionate share of net pension liability and schedules of contributions (Exhibits A-2 to A-7). In addition, the County also provides supplementary information on intergovernmental revenue and expenditures of federal awards (Exhibits D-1 and D-2).

Nicollet County adopts an annual appropriated budget for the General Fund, the Road and Bridge Special Revenue Fund, the Health and Human Services Special Revenue Fund, and the Debt Service Fund. Budgetary comparison statements have been provided for these major funds to demonstrate compliance with these budgets.

Government-Wide Financial Analysis

Over time, net position serves as a useful indicator of the County’s financial position. Nicollet County’s assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$148,784,287 at the close of 2022. The largest portion of Nicollet County’s net position (71.4 percent) reflects its investment in capital assets (land, buildings, and equipment), less any related debt used to acquire those assets that is still outstanding. However, it should be noted that these assets are not available for future spending.

Governmental Net Position

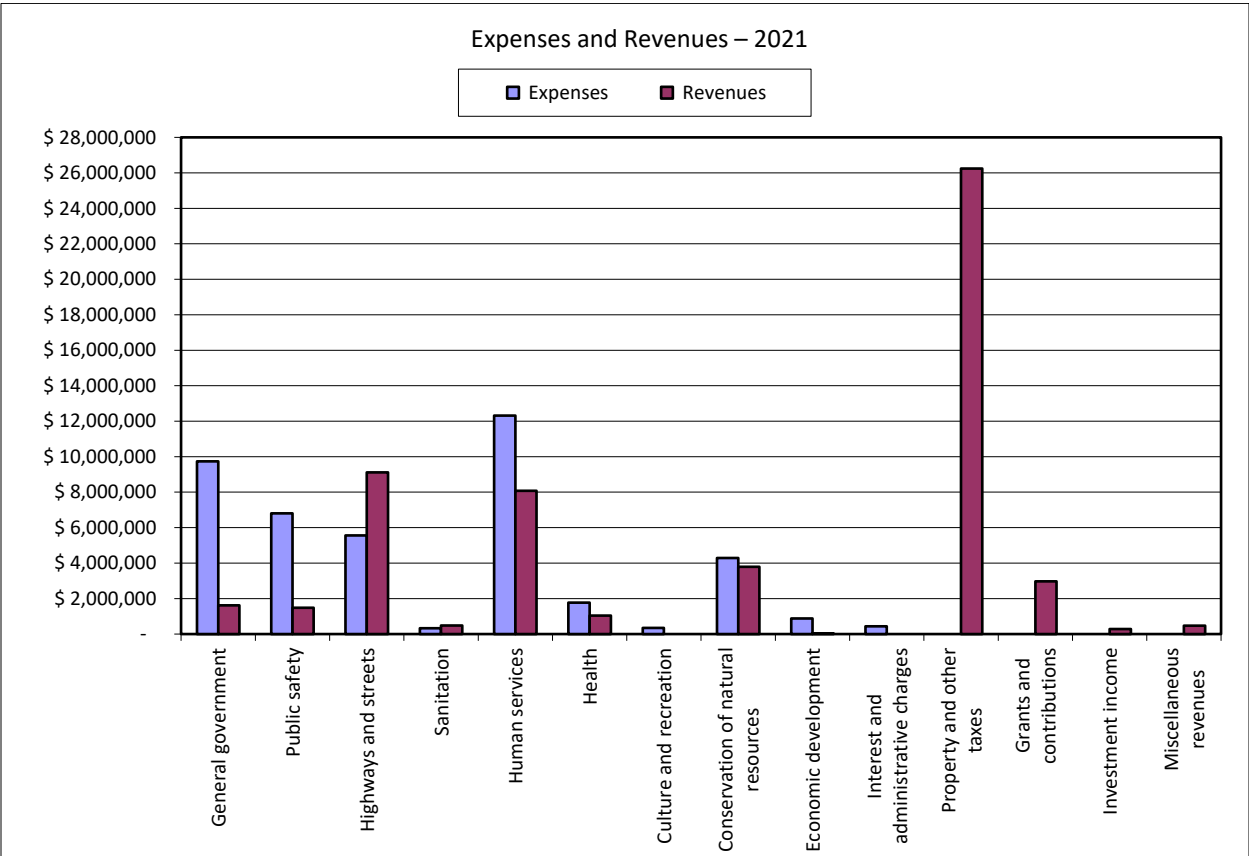
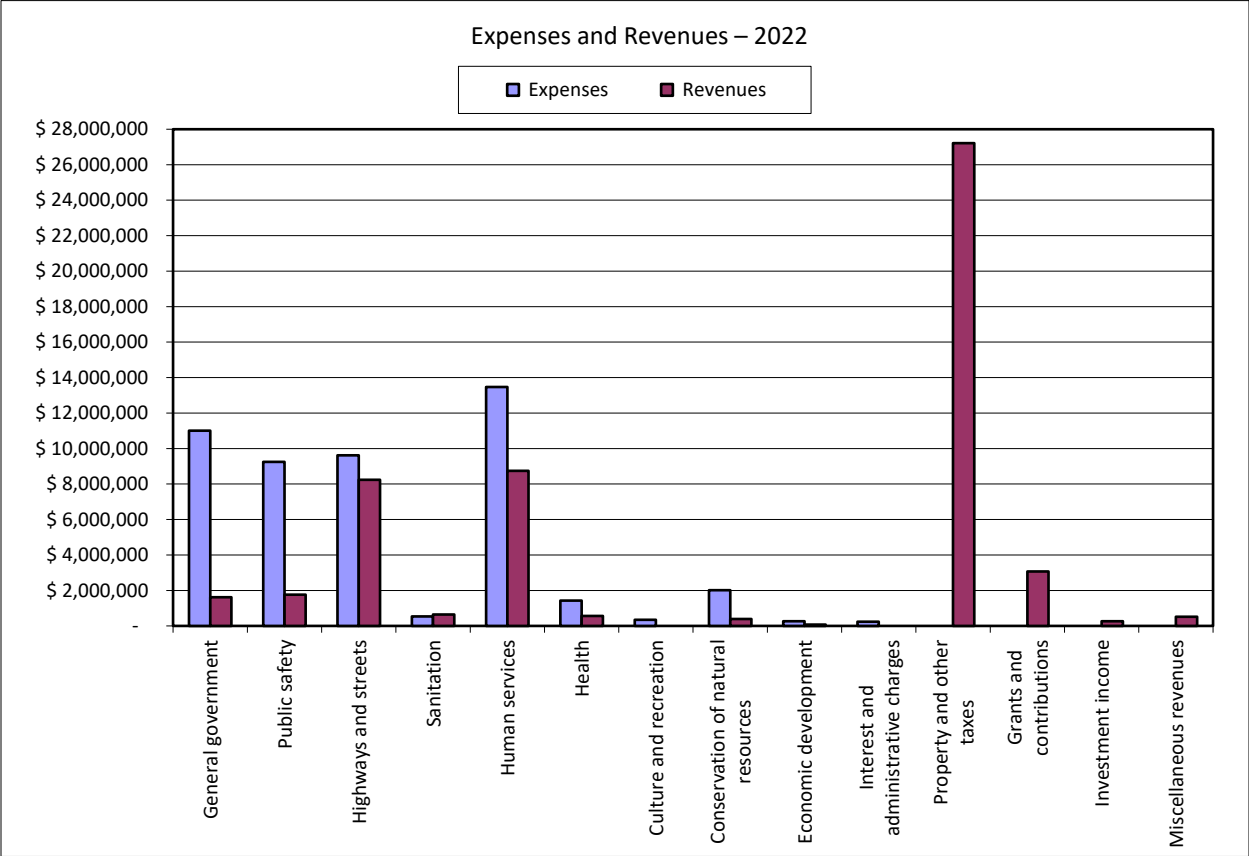
	2021	2022
Assets		
Current and other assets	\$ 70,591,603	\$ 68,747,676
Capital assets	114,909,634	116,542,652
Total Assets	\$ 185,501,237	\$ 185,290,328
Deferred Outflows of Resources	\$ 8,297,284	\$ 9,227,235
Liabilities		
Long-term liabilities outstanding	\$ 33,677,297	\$ 36,420,947
Other liabilities	5,593,203	8,163,217
Total Liabilities	\$ 39,270,500	\$ 44,584,164
Deferred Inflows of Resources	\$ 10,592,081	\$ 1,149,112
Net position		
Net investment in capital assets	\$ 103,192,130	\$ 106,179,934
Restricted	19,351,403	21,033,526
Unrestricted	21,392,407	21,570,827
Total Net Position	\$ 143,935,940	\$ 148,784,287

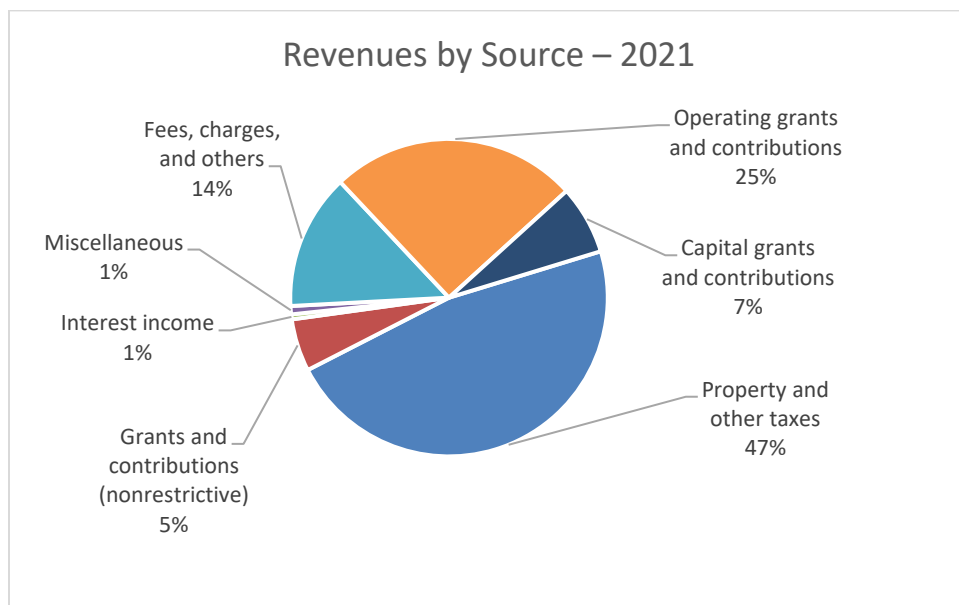
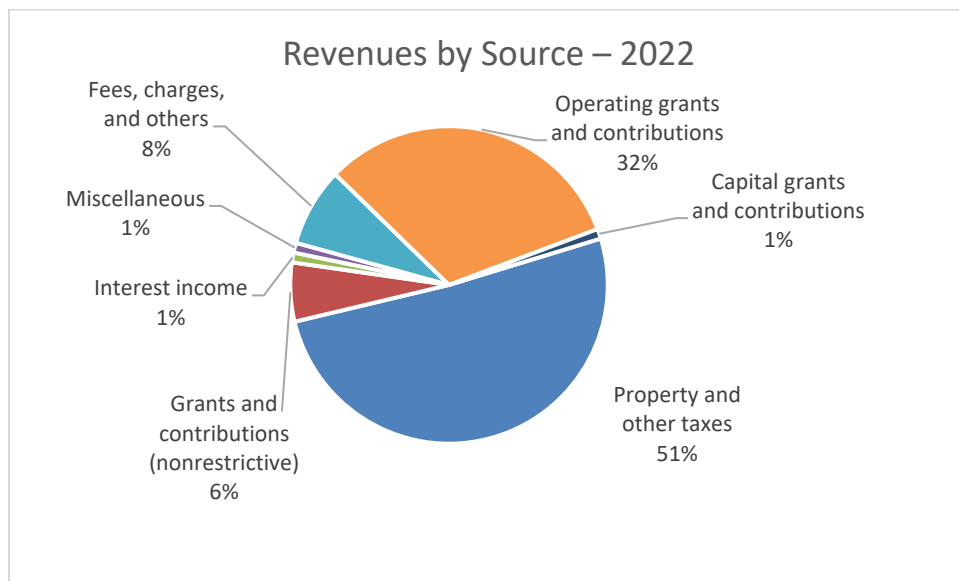
The unrestricted net position amount of \$21,570,827 as of December 31, 2022, may be used to meet the County's ongoing obligations to citizens and creditors.

Governmental Activities

Nicollet County's activities increased net position by \$4,848,347, or 3.4 percent, over the 2021 net position. The following table summarizes the changes in net position for 2022.

Changes in Governmental Net Position		
	2021	2022
Revenues		
Program revenues		
Fees, charges, and others	\$ 7,691,483	\$ 4,339,053
Operating grants and contributions	14,055,371	17,088,328
Capital grants and contributions	3,897,852	527,415
General revenues		
Property taxes	23,694,006	24,405,037
Other	6,270,714	6,649,093
Total Revenues	<u>\$ 55,609,426</u>	<u>\$ 53,008,926</u>
Expenses		
General government	\$ 9,732,310	\$ 11,006,310
Public safety	6,801,807	9,248,220
Highways and streets	5,558,744	9,621,425
Sanitation	330,737	534,295
Human services	12,312,974	13,468,995
Health	1,771,702	1,425,263
Culture and recreation	343,025	346,312
Conservation of natural resources	4,290,210	2,009,742
Economic development	874,814	263,107
Interest	436,716	236,910
Total Expenses	<u>\$ 42,453,039</u>	<u>\$ 48,160,579</u>
Increase in Net Position	<u>\$ 13,156,387</u>	<u>\$ 4,848,347</u>
Net Position – January 1	<u>130,779,553</u>	<u>143,935,940</u>
Net Position – December 31	<u><u>\$ 143,935,940</u></u>	<u><u>\$ 148,784,287</u></u>





Financial Analysis of the Government'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.

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$49,494,788, a decrease of \$2,964,039 in comparison with the prior year. A portion of this amount (\$27,166,164) constitutes assigned and unassigned fund balance, which is available for

spending at the County's discretion. The remainder of fund balance is restricted, committed, or nonspendable to indicate that it is not available for new spending because it has already been committed for various reasons.

The General Fund is the chief operating fund of Nicollet County. At the end of the current fiscal year, assigned and unassigned fund balance of the General Fund was \$15,557,926, while total fund balance was \$18,043,818. As a measure of the General Fund's liquidity, it may be useful to compare the assigned and unassigned fund balance to total fund expenditures. The assigned and unassigned fund balance represents 71.6 percent of total General Fund expenditures, while total fund balance represents 83.0 percent of that same amount. In 2022, the fund balance amount in the General Fund increased by \$20,555.

The Road and Bridge Special Revenue Fund's fund balance increased by \$4,059,332 in 2022. Some attributing factors were receiving unbudgeted federal and state aid funds and the timing of awarded state aid-approved projects impacting revenues and expenses. Sales tax revenue was also higher than budgeted.

The Health and Human Services Special Revenue Fund's fund balance increased by \$804,245 in 2022. Intergovernmental and charges for services revenue was higher than budgeted, offsetting with some expenses, which explains the increase.

The Revolving Loan Special Revenue Fund's fund balance decreased by \$84,193 in 2022.

The Ditch Special Revenue Fund had a negative fund balance of \$3,466,080 at year-end 2022. Total fund balance decreased by \$1,009,557 in 2022. Some items impacting this decrease include a large improvement project pending closeout in 2023, ditch project litigation, and several ditch general maintenance projects that will levy in 2023. This fund is continually monitored and reviewed for potential future bond debt. The County charges quarterly interest to each negative drainage system balance in accordance with MN Statute 103E.655.

The Debt Service Fund's restricted fund balance decreased by \$6,754,421 in 2022. This decrease is due to the redemption of Crossover Advance Refunding Bonds, Series 2013A, which were replaced by Series 2020A in 2020.

General Fund Budgetary Highlights

In total, there were no budget changes for expenditures or revenue in 2022. The actual expenditures and transfers out were below budgeted expenditures and transfers out by \$980,566. The actual revenues and transfers in exceeded budget revenues and transfers in by \$1,376,446. Significant variances during the current year included the following:

- Intergovernmental revenues exceeded the budget by \$1,209,496 for unbudgeted revenue. Contributing factors include receipt of federal revenues for Coronavirus State and Local Fiscal Recovery Funds of \$851,011.
- Capital outlay expenditures were under budget by \$1,273,428 due to delayed or cancelled capital projects. In addition, one capital project came in significantly under budget.

Capital Assets and Debt Administration

Capital Assets

The County's investment in capital assets for its governmental activities as of December 31, 2022, was \$116,542,652 (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 1.42 percent.

Capital Assets		
	2021	2022
Land	\$ 5,445,936	\$ 6,335,513
Construction in progress	7,912,342	3,902,932
Land improvements	688,980	638,660
Buildings	20,069,569	20,892,897
Machinery, vehicles, furniture, and equipment	3,789,007	3,728,354
Infrastructure	77,003,800	81,044,296
Totals	<u>\$ 114,909,634</u>	<u>\$ 116,542,652</u>

Additional information on the County's capital assets can be found in Note 3 in the notes to the financial statements.

Long-Term Debt

At the end of the current fiscal year, the County had total bonded debt outstanding of \$11,330,000, which is backed by the full faith and credit of the government.

Outstanding Debt		
	2021	2022
General obligation bonds	<u>\$ 20,180,000</u>	<u>\$ 11,330,000</u>

The County's debt related to general obligation bonds decreased by \$8,850,000 (43.9 percent) during the fiscal year. The primary reason for the decrease is due to the redemption of crossover advance refunded debt in 2022 and also scheduled debt payments.

Nicollet County's bond rating is "Aa2" from Moody's.

Minnesota statutes limit the amount of net debt to three percent of the market value of taxable property in the County. As of the end of 2022, Nicollet County is below the three percent debt limit imposed by state statutes.

Additional information on the County's long-term debt can be found in Note 3 in the notes to the financial statements.

Economic Factors and Next Year's Budgets

- Nicollet County's unemployment rate was 2.4 percent as of the end of 2022. This is slightly below the statewide rate of 3.2 percent. (Source: Minnesota Department of Employment and Economic Development, Unemployment Statistics – LAUS Data.)

- Nicollet County's population remains steady at 35,826. Agricultural tillable land values increased with agricultural non-tillable land and building values remaining steady. Residential property values have continued to increase, and commercial and industrial property values remained steady or increased by varying degrees based on property type and location.

At the end of 2022, Nicollet County set its 2023 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 Nicollet County Finance Department, Nicollet County Courthouse, 501 South Minnesota Avenue, St. Peter, Minnesota 56082.

Basic Financial Statements

Government-Wide Financial Statements

**Nicollet County
St. Peter, Minnesota**

Exhibit 1

**Statement of Net Position
Governmental Activities
December 31, 2022**

Assets

Cash and pooled investments	\$ 57,614,132
Petty cash and change funds	3,170
Taxes receivable – delinquent	269,666
Special assessments receivable	
Delinquent	23,663
Noncurrent	3,230,128
Accounts receivable	583,137
Accrued interest receivable	283,970
Due from other governments	5,872,038
Inventories	587,843
Prepaid items	279,929
Capital assets	
Non-depreciable	10,238,445
Depreciable – net of accumulated depreciation	<u>106,304,207</u>
Total Assets	<u>\$ 185,290,328</u>

Deferred Outflows of Resources

Deferred other postemployment benefits outflows	\$ 114,422
Deferred pension outflows	<u>9,112,813</u>
Total Deferred Outflows of Resources	<u>\$ 9,227,235</u>

Liabilities

Accounts payable	\$ 1,266,364
Claims payable	4,954
Salaries payable	856,692
Contracts payable	566,300
Due to other governments	303,009
Accrued interest payable	182,077
Unearned revenue	4,983,821
Long-term liabilities	
Due within one year	3,325,124
Due in more than one year	10,465,173
Other postemployment benefits liability	1,210,516
Net pension liability	<u>21,420,134</u>
Total Liabilities	<u>\$ 44,584,164</u>

Deferred Inflows of Resources

Deferred charge on refunding	\$ 259,676
Deferred other postemployment benefits inflows	539,172
Deferred pension inflows	<u>350,264</u>
Total Deferred Inflows of Resources	<u>\$ 1,149,112</u>

**Nicollet County
St. Peter, Minnesota**

Exhibit 1
(Continued)

**Statement of Net Position
Governmental Activities
December 31, 2022**

Net Position

Net investment in capital assets	\$ 106,179,934
Restricted for	
General government	1,319,150
Public safety	759,848
Highways and streets	14,880,964
Human services	32,256
Conservation of natural resources	399,244
Opioid remediation activities	68,275
Debt service	3,573,789
Unrestricted	<u>21,570,827</u>
Total Net Position	<u>\$ 148,784,287</u>

**Nicollet County
St. Peter, Minnesota**

Exhibit 2

**Statement of Activities
For the Year Ended December 31, 2022**

		Program Revenues			Net (Expense) Revenue and Change in Net Position
		Fees, Charges, Fines, and Other	Operating Grants and Contributions	Capital Grants and Contributions	
	Expenses				
Functions/Programs					
Governmental activities					
General government	\$ 11,006,310	\$ 889,419	\$ 724,611	\$ -	\$ (9,392,280)
Public safety	9,248,220	588,115	1,174,970	-	(7,485,135)
Highways and streets	9,621,425	85,708	7,624,223	527,415	(1,384,079)
Sanitation	534,295	541,748	101,299	-	108,752
Human services	13,468,995	1,778,068	6,893,852	-	(4,797,075)
Health	1,425,263	65,245	493,678	-	(866,340)
Culture and recreation	346,312	-	-	-	(346,312)
Conservation of natural resources	2,009,742	390,750	-	-	(1,618,992)
Economic development	263,107	-	75,695	-	(187,412)
Interest and administrative charges	236,910	-	-	-	(236,910)
Total Governmental Activities	\$ 48,160,579	\$ 4,339,053	\$ 17,088,328	\$ 527,415	\$ (26,205,783)
General Revenues					
Property taxes					\$ 24,405,037
Mortgage registry and deed tax					42,178
Wheelage tax					572,130
Gravel tax					49,383
Transportation sales tax					2,092,953
Payments in lieu of tax					50,113
Grants and contributions not restricted to specific programs					3,068,251
Unrestricted investment earnings					261,115
Miscellaneous					512,970
Total general revenues					\$ 31,054,130
Change in net position					\$ 4,848,347
Net Position – January 1					143,935,940
Net Position – December 31					\$ 148,784,287

Fund Financial Statements

Governmental Funds

**Nicollet County
St. Peter, Minnesota**

**Balance Sheet
Governmental Funds
December 31, 2022**

	<u>General</u>	<u>Road and Bridge</u>
<u>Assets</u>		
Cash and pooled investments	\$ 20,804,903	\$ 19,844,100
Petty cash and change funds	2,520	100
Taxes receivable – delinquent	163,984	20,181
Special assessments receivable		
Delinquent	4,898	-
Noncurrent	-	-
Accounts receivable	53,357	14,967
Accrued interest receivable	283,970	-
Interfund receivable	2,517,760	-
Due from other funds	93,854	562
Due from other governments	213,129	4,440,028
Prepaid items	273,152	2,532
Inventories	-	587,843
Total Assets	<u>\$ 24,411,527</u>	<u>\$ 24,910,313</u>
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>		
Liabilities		
Accounts payable	\$ 672,566	\$ 74,816
Salaries payable	465,242	72,397
Contracts payable	-	84,507
Interfund payable	-	-
Due to other funds	-	-
Due to other governments	91,369	3,639
Unearned revenue	4,960,616	23,205
Total Liabilities	<u>\$ 6,189,793</u>	<u>\$ 258,564</u>
Deferred Inflows of Resources		
Unavailable revenue	<u>\$ 177,916</u>	<u>\$ 4,205,406</u>

Exhibit 3

Health and Human Services	Revolving Loan	Ditch	Debt Service	Total Governmental Funds
\$ 9,323,201	\$ 549,463	\$ -	\$ 3,727,976	\$ 54,249,643
550	-	-	-	3,170
60,882	-	-	24,619	269,666
-	-	18,765	-	23,663
-	437,365	2,792,763	-	3,230,128
511,148	-	3,665	-	583,137
-	-	-	-	283,970
-	-	-	-	2,517,760
-	-	-	-	94,416
1,218,881	-	-	-	5,872,038
4,245	-	-	-	279,929
-	-	-	-	587,843
\$ 11,118,907	\$ 986,828	\$ 2,815,193	\$ 3,752,595	\$ 67,995,363
\$ 236,911	\$ -	\$ 282,071	\$ -	\$ 1,266,364
315,924	-	3,129	-	856,692
-	-	481,793	-	566,300
-	-	2,517,760	-	2,517,760
57,277	2,055	35,084	-	94,416
41,485	-	166,516	-	303,009
-	-	-	-	4,983,821
\$ 651,597	\$ 2,055	\$ 3,486,353	\$ -	\$ 10,588,362
\$ 279,995	\$ 437,365	\$ 2,794,920	\$ 16,611	\$ 7,912,213

**Nicollet County
St. Peter, Minnesota**

**Balance Sheet
Governmental Funds
December 31, 2022**

	<u>General</u>	<u>Road and Bridge</u>
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u> (Continued)		
Fund Balances		
Nonspendable		
Inventories	\$ -	\$ 587,843
Prepaid items	273,152	2,532
Restricted for		
Law library	68,648	-
Recorder's equipment	552,244	-
Enhanced 911 system	409,545	-
Snowmobile grant	2,182	-
Handgun permit fees – carry program administration	313,180	-
Boat and water safety	11,976	-
Offroad highway grant	4,014	-
Sheriff's contingency	2,693	-
Sheriff – prostitution law enforcement, training, and education	3,217	-
Forfeited sheriff property	13,041	-
Forfeited attorney property	60,842	-
Attorney – prostitution prosecution, training, and education	1,185	-
Veteran van	40,382	-
Aquatic invasive species program	336,351	-
Land reclamation	133,742	-
Riparian project	259,498	-
Highway construction	-	1,314,683
Transportation – sales tax	-	8,155,756
Transportation – wheelage tax	-	1,828,301
Child protection services	-	-
Opioid remediation	-	-
Debt service	-	-
ISTS loans	-	-
Ditch maintenance and repairs	-	-
Committed to		
Transportation	-	3,728,000
Assigned for		
Road and bridge	-	4,829,228
Human services	-	-
Septic/sewer loans	-	-
Unassigned	15,557,926	-
Total Fund Balances	\$ 18,043,818	\$ 20,446,343
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 24,411,527	\$ 24,910,313

Exhibit 3
(Continued)

<u>Health and Human Services</u>	<u>Revolving Loan</u>	<u>Ditch</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ -	\$ -	\$ 587,843
4,245	-	-	-	279,929
-	-	-	-	68,648
-	-	-	-	552,244
-	-	-	-	409,545
-	-	-	-	2,182
-	-	-	-	313,180
-	-	-	-	11,976
-	-	-	-	4,014
-	-	-	-	2,693
-	-	-	-	3,217
-	-	-	-	13,041
-	-	-	-	60,842
-	-	-	-	1,185
-	-	-	-	40,382
-	-	-	-	336,351
-	-	-	-	133,742
-	-	-	-	259,498
-	-	-	-	1,314,683
-	-	-	-	8,155,756
-	-	-	-	1,828,301
32,256	-	-	-	32,256
68,275	-	-	-	68,275
-	-	-	3,735,984	3,735,984
-	103,043	-	-	103,043
-	-	281,814	-	281,814
-	-	-	-	3,728,000
-	-	-	-	4,829,228
10,082,539	-	-	-	10,082,539
-	444,365	-	-	444,365
-	-	(3,747,894)	-	11,810,032
<u>\$ 10,187,315</u>	<u>\$ 547,408</u>	<u>\$ (3,466,080)</u>	<u>\$ 3,735,984</u>	<u>\$ 49,494,788</u>
<u>\$ 11,118,907</u>	<u>\$ 986,828</u>	<u>\$ 2,815,193</u>	<u>\$ 3,752,595</u>	<u>\$ 67,995,363</u>

**Nicollet County
St. Peter, Minnesota**

Exhibit 3A

**Reconciliation of the Fund Balances of Governmental Funds
to the Statement of Net Position
December 31, 2022**

Fund balances – total governmental funds (Exhibit 3)		\$ 49,494,788
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		116,542,652
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources – unavailable revenue in the governmental funds.		7,912,213
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 outflows related to other postemployment benefits	\$ 114,422	
Deferred inflows related to other postemployment benefits	<u>(539,172)</u>	(424,750)
Deferred outflows of resources and deferred inflows of resources are created as a result of various differences related to pensions not recognized in the governmental funds.		
Deferred outflows related to pensions	\$ 9,112,813	
Deferred inflows related to pensions	<u>(350,264)</u>	8,762,549
Governmental funds do not report a liability for accrued interest on long-term liabilities until due and payable.		(182,077)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
General obligation bonds	\$ (11,330,000)	
Unamortized premium on bonds payable	(152,849)	
Loans payable	(527,646)	
Compensated absences payable	(1,779,802)	
Other postemployment benefits liability	(1,210,516)	
Net pension liability	<u>(21,420,134)</u>	(36,420,947)
Deferred inflows of resources resulting from the difference between the carrying value and reacquisition price of refunded debt are not recognized in the governmental funds.		(259,676)
The Internal Service Fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the Internal Service Fund are included with governmental activities in the statement of net position.		<u>3,359,535</u>
Net Position of Governmental Activities (Exhibit 1)		<u>\$ 148,784,287</u>

**Nicollet County
St. Peter, Minnesota**

**Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2022**

	<u>General</u>	<u>Road and Bridge</u>
Revenues		
Taxes	\$ 15,176,699	\$ 4,537,099
Special assessments	293,793	-
Licenses and permits	88,210	-
Intergovernmental	4,471,878	10,007,831
Settlements	-	-
Charges for services	845,627	74,201
Fines and forfeits	14,370	-
Gifts and contributions	3,225	-
Investment earnings	213,546	-
Miscellaneous	1,066,091	11,816
Total Revenues	\$ 22,173,439	\$ 14,630,947
Expenditures		
Current		
General government	\$ 10,140,857	\$ -
Public safety	8,329,929	-
Highways and streets	-	9,550,193
Sanitation	334,375	-
Human services	-	-
Health	-	-
Culture and recreation	120,312	114,534
Conservation of natural resources	466,425	11,991
Economic development	263,107	-
Intergovernmental		
Highways and streets	-	325,941
Culture and recreation	110,088	-
Capital outlay		
General government	1,808,412	-
Public safety	168,160	-
Highways and streets	-	461,948
Debt service		
Principal	-	-
Interest	-	-
Interest on interfund loans	-	-
Administrative charges	-	-
Total Expenditures	\$ 21,741,665	\$ 10,464,607
Excess of Revenues Over (Under) Expenditures	\$ 431,774	\$ 4,166,340
Other Financing Sources (Uses)		
Transfers in	\$ 2,056	\$ -
Transfers out	(413,275)	(85,020)
Loans issued	-	-
Total Other Financing Sources (Uses)	\$ (411,219)	\$ (85,020)
Net Change in Fund Balances	\$ 20,555	\$ 4,081,320
Fund Balances – January 1	18,023,263	16,387,011
Increase (decrease) in inventories	-	(21,988)
Fund Balances – December 31	\$ 18,043,818	\$ 20,446,343

Exhibit 4

Health and Human Services	Revolving Loan	Ditch	Debt Service	Total Governmental Funds
\$ 5,166,891	\$ -	\$ -	\$ 2,174,157	\$ 27,054,846
-	58,724	761,896	-	1,114,413
-	-	-	-	88,210
8,267,211	-	-	23,251	22,770,171
68,275	-	-	-	68,275
1,737,100	-	-	-	2,656,928
-	-	-	-	14,370
1,675	-	-	-	4,900
-	-	-	4,182	217,728
123,956	-	-	-	1,201,863
\$ 15,365,108	\$ 58,724	\$ 761,896	\$ 2,201,590	\$ 55,191,704
\$ -	\$ -	\$ -	\$ -	\$ 10,140,857
-	-	-	-	8,329,929
-	-	-	-	9,550,193
-	196,403	-	-	530,778
12,873,692	-	-	-	12,873,692
1,362,998	-	-	-	1,362,998
-	-	-	-	234,846
-	-	1,416,503	-	1,894,919
-	-	-	-	263,107
-	-	-	-	325,941
-	-	-	-	110,088
-	-	-	-	1,808,412
-	-	-	-	168,160
-	-	-	-	461,948
-	144,099	195,000	8,655,000	8,994,099
-	3,953	52,335	300,461	356,749
-	-	107,615	-	107,615
-	-	-	550	550
\$ 14,236,690	\$ 344,455	\$ 1,771,453	\$ 8,956,011	\$ 57,514,881
\$ 1,128,418	\$ (285,731)	\$ (1,009,557)	\$ (6,754,421)	\$ (2,323,177)
\$ -	\$ -	\$ -	\$ -	\$ 2,056
(324,173)	(2,056)	-	-	(824,524)
-	203,594	-	-	203,594
\$ (324,173)	\$ 201,538	\$ -	\$ -	\$ (618,874)
\$ 804,245	\$ (84,193)	\$ (1,009,557)	\$ (6,754,421)	\$ (2,942,051)
9,383,070	631,601	(2,456,523)	10,490,405	52,458,827
-	-	-	-	(21,988)
\$ 10,187,315	\$ 547,408	\$ (3,466,080)	\$ 3,735,984	\$ 49,494,788

**Nicollet County
St. Peter, Minnesota**

Exhibit 4A

**Reconciliation of the Changes in Fund Balances of
Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2022**

Net change in fund balances – total governmental funds (Exhibit 4)	\$	(2,942,051)
---	-----------	--------------------

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

In the funds, under the modified accrual basis, receivables not available for expenditure are deferred. In the statement of activities, those revenues are recognized when earned. The adjustment to revenue between the fund statements and the statement of activities is the increase or decrease in revenue deferred as unavailable.

Unavailable revenue – December 31	\$ 7,912,213	
Unavailable revenue – January 1	<u>(10,162,757)</u>	(2,250,544)

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 as depreciation expense. Also, in the statement of activities, only the gain or loss on the disposal of assets is reported; whereas, in the governmental funds, the proceeds from the sale increase financial resources. Therefore, the change in net position differs from the change in fund balance by the net book value of the assets disposed.

Expenditures for general capital assets and infrastructure	\$ 5,924,169	
Current year depreciation	(4,260,122)	
Net book value of assets disposed	<u>(31,029)</u>	1,633,018

Issuing long-term debt provides current financial resources to governmental funds, while the repayment of debt consumes current financial resources. Neither transaction, however, has any effect on net position. Also, governmental funds report the net effect of premiums, discounts, and similar items when debt is first issued; whereas, those amounts are deferred and amortized over the life of the debt in the statement of activities.

Proceeds of new debt – loans issued	\$ (203,594)	
Principal repayments	8,994,099	
Amortization of premium on bonds	<u>346,717</u>	9,137,222

Some expenses reported in the statement of activities do not require the use of current financial resources, so are not reported as expenditures in governmental funds.

Change in inventories	\$ (21,988)	
Change in deferred other postemployment benefits outflows	(89,085)	
Change in deferred pension outflows	1,019,036	
Change in accrued interest payable	33,348	
Change in compensated absences payable	315,815	
Change in other postemployment benefits liability	231,442	
Change in net pension asset	(63,839)	
Change in net pension liability	(12,428,129)	
Change in deferred charge on refunding	(259,676)	
Change in deferred other postemployment benefits inflows	(102,144)	
Change in deferred pension inflows	<u>9,804,789</u>	(1,560,431)

The net income (loss) of the Internal Service Fund is reported with governmental activities.

831,133

Change in Net Position of Governmental Activities (Exhibit 2)

\$ 4,848,347

**Nicollet County
St. Peter, Minnesota**

Exhibit 5

**Statement of Revenues, Expenditures, and Changes in Fund Balance
Budgetary Comparison Statement
General Fund
For the Year Ended December 31, 2022**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
Revenues				
Taxes	\$ 15,290,302	\$ 15,290,302	\$ 15,176,699	\$ (113,603)
Special assessments	295,000	295,000	293,793	(1,207)
Licenses and permits	90,000	90,000	88,210	(1,790)
Intergovernmental	3,262,382	3,262,382	4,471,878	1,209,496
Charges for services	795,994	795,994	845,627	49,633
Fines and forfeits	19,000	19,000	14,370	(4,630)
Gifts and contributions	1,000	1,000	3,225	2,225
Investment earnings	225,400	225,400	213,546	(11,854)
Miscellaneous	814,971	814,971	1,066,091	251,120
Total Revenues	\$ 20,794,049	\$ 20,794,049	\$ 22,173,439	\$ 1,379,390
Expenditures				
Current				
General government				
Commissioners	\$ 341,315	\$ 341,315	\$ 295,214	\$ 46,101
Courts	59,000	59,000	50,525	8,475
Courts – CHIPS/TPR	67,000	89,000	88,607	393
Drug court	10,500	10,500	10,500	-
Law library	32,500	32,500	19,117	13,383
County administrator	303,968	303,968	271,395	32,573
Finance	488,866	488,866	504,546	(15,680)
Public services	811,274	811,274	661,762	149,512
Accounting and auditing	86,250	86,250	75,034	11,216
Property assessment	758,194	758,194	854,617	(96,423)
Human resources	245,320	255,820	263,093	(7,273)
Office of technologies	2,445,865	2,445,865	2,231,000	214,865
Elections	101,915	123,915	194,247	(70,332)
Other general government	1,269,711	1,110,670	802,801	307,869
County attorney	1,174,707	1,174,707	1,131,344	43,363
County attorney – forfeited property proceeds	-	-	3,182	(3,182)
Recorder/abstractor	273,336	273,336	270,422	2,914
Recorder – future equipment	153,500	153,500	150,366	3,134
Surveyor	20,000	20,000	-	20,000
Telephone	200,500	200,500	256,918	(56,418)
Courthouse operations	880,935	880,935	872,488	8,447
North Mankato County office building	15,500	15,500	18,227	(2,727)
Health and human services building	78,000	94,500	91,998	2,502
Adult mental health services building	-	-	27,136	(27,136)
Veterans service	239,152	239,152	217,353	21,799
Property services	996,058	996,058	778,965	217,093
Gravel tax reclamation	18,000	18,000	-	18,000
Total general government	\$ 11,071,366	\$ 10,983,325	\$ 10,140,857	\$ 842,468

**Nicollet County
St. Peter, Minnesota**

Exhibit 5
(Continued)

**Statement of Revenues, Expenditures, and Changes in Fund Balance
Budgetary Comparison Statement
General Fund
For the Year Ended December 31, 2022**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
Expenditures				
Current (Continued)				
Public safety				
Sheriff	\$ 2,587,095	\$ 2,617,095	\$ 3,478,302	\$ (861,207)
Boat and water safety	1,700	1,700	8,488	(6,788)
Sheriff's contingency fund	2,500	2,500	470	2,030
Prisoner commissions account	37,000	37,000	35,037	1,963
Sheriff – snowmobile safety enforcement	3,000	3,000	668	2,332
Enhanced 911 system	230,377	230,377	90,734	139,643
Sheriff – forfeited property proceeds	1,500	1,500	17,889	(16,389)
Sheriff – offroad highway grant	3,000	3,000	1,335	1,665
Gun permits	40,000	40,000	3,974	36,026
Coroner	40,000	52,000	51,925	75
Dispatch center	1,004,175	1,004,175	952,164	52,011
Corrections	1,545,766	1,545,766	1,513,457	32,309
Probation department	1,911,849	1,911,849	1,957,342	(45,493)
Nicollet County collaborative	77,318	77,318	96,701	(19,383)
Emergency services	120,101	120,101	121,443	(1,342)
Total public safety	\$ 7,605,381	\$ 7,647,381	\$ 8,329,929	\$ (682,548)
Sanitation				
Solid waste management	\$ 289,000	\$ 321,000	\$ 334,375	\$ (13,375)
Culture and recreation				
Historical society	\$ 120,217	\$ 120,217	\$ 119,783	\$ 434
Transit	600	600	529	71
Total culture and recreation	\$ 120,817	\$ 120,817	\$ 120,312	\$ 505
Conservation of natural resources				
Agricultural society	\$ 50,000	\$ 50,000	\$ 50,000	\$ -
County extension	171,677	171,677	162,732	8,945
Soil and water conservation district	252,993	252,993	252,993	-
Tri-county fair	700	700	700	-
Total conservation of natural resources	\$ 475,370	\$ 475,370	\$ 466,425	\$ 8,945
Economic development				
Economic development	\$ 100,316	\$ 114,357	\$ 149,939	\$ (35,582)
Housing and redevelopment authority	113,168	113,168	113,168	-
Total economic development	\$ 213,484	\$ 227,525	\$ 263,107	\$ (35,582)
Intergovernmental				
Culture and recreation – regional library	\$ 110,088	\$ 110,088	\$ 110,088	\$ -

**Nicollet County
St. Peter, Minnesota**

Exhibit 5
(Continued)

**Statement of Revenues, Expenditures, and Changes in Fund Balance
Budgetary Comparison Statement
General Fund
For the Year Ended December 31, 2022**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
Expenditures (Continued)				
Capital outlay				
General government	\$ 3,175,000	\$ 3,175,000	\$ 1,808,412	\$ 1,366,588
Public safety	75,000	75,000	168,160	(93,160)
Total capital outlay	\$ 3,250,000	\$ 3,250,000	\$ 1,976,572	\$ 1,273,428
Total Expenditures	\$ 23,135,506	\$ 23,135,506	\$ 21,741,665	\$ 1,393,841
Excess of Revenues Over (Under)				
Expenditures	\$ (2,341,457)	\$ (2,341,457)	\$ 431,774	\$ 2,773,231
Other Financing Sources (Uses)				
Transfers in	\$ 5,000	\$ 5,000	\$ 2,056	\$ (2,944)
Transfers out	-	-	(413,275)	(413,275)
Total Other Financing Sources (Uses)	\$ 5,000	\$ 5,000	\$ (411,219)	\$ (416,219)
Net Change in Fund Balance	\$ (2,336,457)	\$ (2,336,457)	\$ 20,555	\$ 2,357,012
Fund Balance – January 1	18,023,263	18,023,263	18,023,263	-
Fund Balance – December 31	\$ 15,686,806	\$ 15,686,806	\$ 18,043,818	\$ 2,357,012

**Nicollet County
St. Peter, Minnesota**

Exhibit 6

**Statement of Revenues, Expenditures, and Changes in Fund Balance
Budgetary Comparison Statement
Road and Bridge Special Revenue Fund
For the Year Ended December 31, 2022**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	\$ 3,954,422	\$ 3,954,422	\$ 4,537,099	\$ 582,677
Intergovernmental	5,117,925	5,117,925	10,007,831	4,889,906
Charges for services	40,000	40,000	74,201	34,201
Miscellaneous	40,645	40,645	11,816	(28,829)
Total Revenues	\$ 9,152,992	\$ 9,152,992	\$ 14,630,947	\$ 5,477,955
Expenditures				
Current				
Highways and streets				
Administration	\$ 472,727	\$ 472,727	\$ 410,884	\$ 61,843
Maintenance	1,812,340	1,812,340	1,765,357	46,983
Construction	5,438,566	6,197,332	6,647,171	(449,839)
Equipment maintenance shops	659,095	659,095	726,781	(67,686)
Total highways and streets	\$ 8,382,728	\$ 9,141,494	\$ 9,550,193	\$ (408,699)
Culture and recreation				
Parks	118,246	118,246	114,534	3,712
Conservation of natural resources				
Agricultural inspection	14,000	14,000	11,991	2,009
Intergovernmental				
Highways and streets	217,998	217,998	325,941	(107,943)
Capital outlay				
Highways and streets	585,000	585,000	461,948	123,052
Total Expenditures	\$ 9,317,972	\$ 10,076,738	\$ 10,464,607	\$ (387,869)
Excess of Revenues Over (Under) Expenditures	\$ (164,980)	\$ (923,746)	\$ 4,166,340	\$ 5,090,086
Other Financing Sources (Uses)				
Transfers out	-	-	(85,020)	(85,020)
Net Change in Fund Balance	\$ (164,980)	\$ (923,746)	\$ 4,081,320	\$ 5,005,066
Fund Balance – January 1	16,387,011	16,387,011	16,387,011	-
Increase (decrease) in inventories	-	-	(21,988)	(21,988)
Fund Balance – December 31	\$ 16,222,031	\$ 15,463,265	\$ 20,446,343	\$ 4,983,078

**Nicollet County
St. Peter, Minnesota**

Exhibit 7

**Statement of Revenues, Expenditures, and Changes in Fund Balance
Budgetary Comparison Statement
Health and Human Services Special Revenue Fund
For the Year Ended December 31, 2022**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	\$ 5,194,468	\$ 5,194,468	\$ 5,166,891	\$ (27,577)
Intergovernmental	7,153,787	7,153,787	8,267,211	1,113,424
Settlements	-	-	68,275	68,275
Charges for services	1,495,750	1,495,750	1,737,100	241,350
Gifts and contributions	1,500	1,500	1,675	175
Miscellaneous	48,727	48,727	123,956	75,229
Total Revenues	\$ 13,894,232	\$ 13,894,232	\$ 15,365,108	\$ 1,470,876
Expenditures				
Current				
Human services				
Income maintenance	\$ 3,258,484	\$ 3,258,484	\$ 3,583,339	\$ (324,855)
Social services	9,201,565	9,201,565	9,290,353	(88,788)
Total human services	\$ 12,460,049	\$ 12,460,049	\$ 12,873,692	\$ (413,643)
Health				
Public health	1,173,064	1,173,064	1,362,998	(189,934)
Total Expenditures	\$ 13,633,113	\$ 13,633,113	\$ 14,236,690	\$ (603,577)
Excess of Revenues Over (Under)				
Expenditures	\$ 261,119	\$ 261,119	\$ 1,128,418	\$ 867,299
Other Financing Sources (Uses)				
Transfers out	-	-	(324,173)	(324,173)
Net Change in Fund Balance	\$ 261,119	\$ 261,119	\$ 804,245	\$ 543,126
Fund Balance – January 1	9,383,070	9,383,070	9,383,070	-
Fund Balance – December 31	\$ 9,644,189	\$ 9,644,189	\$ 10,187,315	\$ 543,126

Self-Insurance Internal Service Fund

**Nicollet County
St. Peter, Minnesota**

Exhibit 8

**Statement of Fund Net Position
Governmental Activities
Self-Insurance Internal Service Fund
December 31, 2022**

Assets

Current assets	
Cash and pooled investments	\$ 3,364,489

Liabilities

Current liabilities	
Claims payable	<u>4,954</u>

Net Position

Unrestricted	<u><u>\$ 3,359,535</u></u>
--------------	----------------------------

**Nicollet County
St. Peter, Minnesota**

Exhibit 9

**Statement of Revenues, Expenses, and Changes in Fund Net Position
Governmental Activities
Self-Insurance Internal Service Fund
For the Year Ended December 31, 2022**

Operating Revenues	
Charges for services	\$ 354,948
Operating Expenses	
Professional services	<u>346,283</u>
Operating Income (Loss) Before Transfers	\$ 8,665
Transfers in	<u>822,468</u>
Change in Net Position	\$ 831,133
Net Position – January 1	<u>2,528,402</u>
Net Position – December 31	<u><u>\$ 3,359,535</u></u>

**Nicollet County
St. Peter, Minnesota**

Exhibit 10

**Statement of Cash Flows
Self-Insurance Internal Service Fund
For the Year Ended December 31, 2022
Increase (Decrease) in Cash and Cash Equivalents**

Cash Flows from Operating Activities	
Receipts from customers and users	\$ 354,948
Payments to service providers	<u>(506,843)</u>
Net Cash Provided by (Used in) Operating Activities	\$ (151,895)
Cash Flows from Noncapital Financing Activities	
Transfers in	<u>822,468</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 670,573
Cash and Cash Equivalents at January 1	<u>2,693,916</u>
Cash and Cash Equivalents at December 31	<u>\$ 3,364,489</u>
 Reconciliation of operating income (loss) to net cash provided by (used in) operating activities	
Operating income (loss)	\$ 8,665
 Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities	
Increase (decrease) in claims payable	<u>(160,560)</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ (151,895)</u>

Fiduciary Funds

**Nicollet County
St. Peter, Minnesota**

Exhibit 11

**Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2022**

	<u>Social Welfare Private-Purpose Trust Fund</u>	<u>Custodial Funds</u>
<u>Assets</u>		
Cash and pooled investments	\$ 35,418	\$ 2,001,568
Due from other governments	-	357,239
Taxes receivable for other governments	-	384,018
Accounts receivable	-	157,778
Total Assets	<u>\$ 35,418</u>	<u>\$ 2,900,603</u>
<u>Liabilities</u>		
Due to others	\$ -	\$ 13,802
Due to other governments	-	949,457
Total Liabilities	<u>\$ -</u>	<u>\$ 963,259</u>
<u>Deferred Inflows of Resources</u>		
Prepaid taxes	<u>\$ -</u>	<u>\$ 280,581</u>
<u>Net Position</u>		
Restricted for individuals, organizations, and other governments	<u>\$ 35,418</u>	<u>\$ 1,656,763</u>

**Nicollet County
St. Peter, Minnesota**

Exhibit 12

**Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended December 31, 2022**

	Social Welfare Private-Purpose Trust Fund	Custodial Funds
<u>Additions</u>		
Contributions from individuals	\$ 230,614	\$ 428,097
Interest earnings	-	5,115
Property tax collections for other governments	-	33,137,781
License and fees collected for state	-	4,625,750
Payments from state	-	1,844,759
Payments from other entities	-	657,536
Total Additions	\$ 230,614	\$ 40,699,038
<u>Deductions</u>		
Beneficiary payments to individuals	\$ 228,116	\$ 516,430
Payments of property tax to other governments	-	33,430,460
Payments to state	-	5,080,081
Administrative expense	-	13,422
Payments to other entities	-	2,050,099
Total Deductions	\$ 228,116	\$ 41,090,492
Change in Net Position	\$ 2,498	\$ (391,454)
Net Position – January 1	32,920	2,048,217
Net Position – December 31	\$ 35,418	\$ 1,656,763

Nicollet County St. Peter, Minnesota

Notes to the Financial Statements As of and for the Year Ended December 31, 2022

Note 1 – Summary of Significant Accounting Policies

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

Financial Reporting Entity

Nicollet County was established March 5, 1853, and is an organized county having the powers, duties, and privileges granted counties by Minn. Stat. ch. 373. The County is governed by a five-member Board of Commissioners elected from districts within the County. The Board is organized with a chair and vice chair elected at the annual meeting in January of each year. The County Administrator serves as the clerk of the Board of Commissioners but has no vote.

Joint Ventures and Jointly-Governed Organizations

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

Basic Financial Statements

Government-Wide Statements

The government-wide financial statements (the statement of net position and the statement of activities) display information about the County. These statements include the financial activities of the overall County government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities.

In the government-wide statement of net position, the governmental activities are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables, long-term debt and obligations, as well as any related deferred inflows and outflows of resources. 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.

Nicollet County

St. Peter, Minnesota

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, proprietary, and fiduciary—are presented. The emphasis of governmental and proprietary fund financial statements is on major individual funds, with each displayed as a separate column in the fund financial statements.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or incidental activities.

The County reports the following major governmental funds:

The General Fund is the County's primary operating fund. It is used to account for all financial resources of the general government, except those accounted for in another fund.

The Road and Bridge Special Revenue Fund is used to account 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.

The Health and 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 Revolving Loan Special Revenue Fund is used to account for restricted and assigned special assessment revenue for the financial transactions resulting from loans for the repair or replacement of septic systems and water wells.

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

The Debt Service Fund is used to account for property tax revenues for the payment of principal, interest, and related costs of County debt.

Additionally, the County reports the following funds:

The Internal Service Fund is used to account for the accumulation of resources for, and the payment of, insurance costs of the self-insurance program.

The Social Welfare Private-Purpose Trust Fund accounts for funds held in trust that Nicollet County is holding on behalf of individuals receiving social welfare assistance.

Custodial funds are safekeeping in nature. These funds account for monies the County holds for others in a fiduciary capacity.

Nicollet County

St. Peter, Minnesota

Measurement Focus and Basis of Accounting

The government-wide, proprietary, and fiduciary fund 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.

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. Nicollet County considers all revenues as available if collected within 60 days after the end of the current period. 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. Property and other taxes, 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 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.

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

Cash and Cash Equivalents

The County's cash and pooled investments in the proprietary fund are considered to be cash equivalents. Cash and cash equivalents are identified only for the purpose of the statement of cash flows for the proprietary fund. The County has defined cash and cash equivalents to include cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Additionally, each fund's equity in the County's investment pool is treated as a cash equivalent because the funds can deposit or effectively withdraw cash at any time without prior notice or penalty.

Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Finance Director for the purpose of increasing earnings through investment activities. Investments are reported at their fair value at December 31, 2022. A market approach is used to value all investments other than external investment pools and mutual funds, which are measured at the net asset value. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments are credited to the General Fund. Pooled investment earnings for 2022 were \$213,546.

Nicollet 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.

Nicollet County

St. Peter, Minnesota

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.” 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 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 2017 through 2022 and noncurrent special assessments payable in 2023 and after.

No allowance for uncollectible receivables have been provided because such amounts are not expected to be material.

Inventories and Prepaid Items

All inventories are valued using a weighted average method. Inventory in the Road and Bridge Special Revenue Fund consists of expendable supplies held for consumption. The cost of individual inventory items is recorded as an expenditure at the time the item is purchased. Inventories at the government-wide level are reported as expenses when consumed.

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

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as an expenditure/expense when consumed rather than when purchased.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (such as roads and bridges), are reported in the government-wide financial statements. Capital 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 five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value.

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.

Nicollet County

St. Peter, Minnesota

Capital assets of the County are depreciated using the straight-line method over the following estimated useful lives:

Estimated Useful Lives of Capital Assets	
Assets	Years
Buildings	25 to 40
Land improvements	20 to 30
Infrastructure	50 to 75
Machinery and equipment	5 to 15

Compensated Absences

Nicollet County's policy permits employees to accumulate earned but unused vacation, compensatory time, and sick pay benefits. Unused vacation, compensatory time, and vested sick leave are paid to employees upon termination. Unvested sick leave is available to employees in the event of illness-related absences and is not paid to employees upon termination. Compensated absences are reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The government-wide statement of net position reports both current and noncurrent portions of compensated absences using full accrual accounting. The current portion consists of all vacation and compensatory time and 25 percent of total vested sick leave. The noncurrent portion consists of 75 percent of total vested sick leave. The compensated absences liability is liquidated by funds that have personal services.

Long-Term Obligations

In the government-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 other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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 consumption of net assets 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 assets that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The governmental funds report unavailable revenue from delinquent taxes and special assessments

Nicollet County St. Peter, Minnesota

receivable, grants receivable, and other long-term receivables. Unavailable revenue arises only under the modified accrual basis of accounting and, accordingly, is reported only in the governmental funds balance sheet. Unavailable revenue 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 plans, OPEB, and charges on bond refunding. These inflows arise only under the full accrual basis of accounting and, accordingly, are reported only in the statement of net position. Prepaid property taxes represent the tax collections collected prior to year-end that are 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 amounts were levied. These amounts are reported in the statement of fiduciary net position.

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 through funds that have personal services.

Unearned Revenue

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

Classification of Net Position

Net position in the government-wide and proprietary fund 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.

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.

Classification of Fund Balances

The County's fund balance policy established a minimum unassigned fund balance equal to 35 percent of total General Fund expenditures. In the event the unassigned fund balance drops below the established minimum level, the County Board will develop a plan to replenish the fund balance to the established level.

Nicollet County St. Peter, Minnesota

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 in 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.

Assigned – amounts 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 or the County Finance Director, who has been delegated that authority by Board resolution.

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.

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.

Nicollet County

St. Peter, Minnesota

Note 2 – Stewardship, Compliance, and Accountability

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, Road and Bridge Special Revenue Fund, Health and Human Services Special Revenue Fund, and the Debt Service Fund. The County Board does not approve budgets for the Ditch and the Revolving Loan major special revenue funds. All annual appropriations lapse at year-end.

On or before mid-August of each year, all departments submit requests for appropriations to the County Finance Director so that a budget can be prepared. Before September 15, 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. Additional appropriations up to \$10,000 require approval of the County Administrator; anything over \$10,000 requires 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.

During the year, the Board amended the budgets.

Deficit Fund Equity

The Ditch Special Revenue Fund has a deficit fund balance of \$3,466,080. This deficit will be eliminated by special assessments. The following is a summary of the individual ditch systems:

Individual Ditch System Fund Balance	
32 ditches with positive fund balances	\$ 281,814
52 ditches with deficit fund balances	<u>(3,747,894)</u>
Total Fund Balance	<u>\$ (3,466,080)</u>

Excess of Expenditures Over Budget

The following funds had expenditures in excess of budget for the year ended December 31, 2022:

Excess of Expenditures Over Budget			
	Expenditures	Budget	Excess
Road and Bridge Special Revenue Fund	\$ 10,464,607	\$ 10,076,738	\$ 387,869
Health and Human Services Special Revenue Fund	14,236,690	13,633,113	603,577
Debt Service Fund	8,956,011	2,015,805	6,940,206

Nicollet County

St. Peter, Minnesota

Note 3 – Detailed Notes

Assets

Deposits and Investments

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

**Reconciliation of the County's Total Cash and Investments to the
Basic Financial Statements as of December 31, 2022**

Governmental funds	
Cash and pooled investments	\$ 54,249,643
Petty cash and change funds	3,170
Internal Service Fund	
Cash and pooled investments	3,364,489
Fiduciary funds	
Cash and pooled investments	<u>2,036,986</u>
Total Cash and Investments	<u>\$ 59,654,288</u>

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. It is the County's policy to minimize deposit custodial credit risk by obtaining collateral or bond for all uninsured deposits. As of December 31, 2022, none of the County's deposits were exposed to custodial credit risk.

Investments

The County may invest in the following types of investments authorized by Minn. Stat. §§ 118A.04 and 118.05:

- (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;

Nicollet County St. Peter, Minnesota

- (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.

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 interest rate risk by (1) structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and (2) investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the County's cash requirements. At December 31, 2022, the County had the following investments with specified maturity dates:

Cash and Investments and Information Relating to Potential Investment Risk as of December 31, 2022

	Carrying (Fair) Value	Maturity Dates	
		0 - 1 Year	Over 1 Year
Negotiable certificates of deposit	\$ 1,640,770	\$ 725,251	\$ 915,519
U.S. government securities*	4,243,200	480,780	3,762,420
Total	<u>\$ 5,883,970</u>	<u>\$ 1,206,031</u>	<u>\$ 4,677,939</u>

*These notes have step provisions which could result in the notes being called prior to maturity.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. It is the County's policy to invest only in securities that meet the ratings requirements set by state statute. Investments in negotiable certificates of deposit and the MAGIC Fund held by the County are unrated. The County's other exposure to credit risk as of December 31, 2022, is as follows:

Nicollet County St. Peter, Minnesota

Credit Risk of Investments

Moody's Rating	Fair Value
Aaa	\$ 4,243,200
Aaa-mf	4,974,294
Total	<u>\$ 9,217,494</u>

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 in the possession of an outside party. It is the County's policy to minimize investment custodial credit risk by permitting brokers to hold County investments only to the extent there is Securities Investor Protection Corporation (SIPC) coverage and excess SIPC coverage available. Securities purchased in excess of available SIPC coverage are transferred to an approved third-party custodian. At December 31, 2022, none of the County's investments were subject 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 minimize concentration of credit risk by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. At December 31, 2022, the County's investments were primarily in U.S. government securities, mutual funds, and an external investment pool and, therefore, not subject to concentration of credit risk disclosure requirements. The County's remaining investments in any one issuer did not represent five percent or more of the County's investments.

Fair Value Measurement

The County measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. 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.

Nicollet County St. Peter, Minnesota

Recurring Fair Value Measurements as of December 31, 2022

	December 31, 2022	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 level				
Debt securities				
U.S. agencies	\$ 4,243,200	\$ -	\$ 4,243,200	\$ -
Negotiable certificates of deposit	1,640,770	-	1,640,770	-
Total Investments Included in the Fair Value Hierarchy	<u>\$ 5,883,970</u>	<u>\$ -</u>	<u>\$ 5,883,970</u>	<u>\$ -</u>
Investments measured at the net asset value (NAV)				
MAGIC Portfolio	\$ 28,735,666			
MAGIC Term	7,950,000			
Money market mutual funds	<u>4,974,294</u>			
Total Investments Measured at the NAV	<u>\$ 41,659,960</u>			

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

MAGIC is a local government investment pool which is quoted at 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. The MAGIC Fund currently consists of the MAGIC Portfolio and the MAGIC Term Series.

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 the 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 NAV not reasonably practical.

Shares of MAGIC Term Series are purchased to mature upon pre-determined maturity dates selected by the County at the time of purchase. Should the County need to redeem shares in a MAGIC Term Series prematurely, they must provide notice at least seven days prior to the premature redemption date. The value of a premature redemption is equal to the original price for such share, plus dividends thereon, at the projected yield, less such share's allocation of any losses incurred by the series, less a premature redemption penalty, if any.

The money market mutual fund value is published at NAV per share. The County invests in this money market account for short-term holdings. Shares are available to be redeemed upon proper notice without restriction or limitation.

Nicollet County St. Peter, Minnesota

Receivables

Governmental Activities' Receivables as of December 31, 2022

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental activities		
Taxes – delinquent	\$ 269,666	\$ -
Special assessments – delinquent	23,663	-
Special assessments – noncurrent	3,230,128	2,907,103
Accounts	583,137	-
Accrued Interest	283,970	-
Due from other governments	5,872,038	-
Total	\$ 10,262,602	\$ 2,907,103

Capital Assets

Capital asset activity for the year ended December 31, 2022, was as follows:

Changes in Capital Assets for the Year Ended December 31, 2022

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 5,445,936	\$ 889,577	\$ -	\$ 6,335,513
Construction in progress	7,912,342	2,581,868	6,591,278	3,902,932
Total capital assets not depreciated	\$ 13,358,278	\$ 3,471,445	\$ 6,591,278	\$ 10,238,445
Capital assets depreciated				
Buildings	\$ 32,110,810	\$ 1,738,387	\$ -	\$ 33,849,197
Land improvements	1,230,453	-	-	1,230,453
Machinery and equipment	12,937,635	841,290	473,414	13,305,511
Infrastructure	117,868,012	6,464,325	-	124,332,337
Total capital assets depreciated	\$ 164,146,910	\$ 9,044,002	\$ 473,414	\$ 172,717,498
Less: accumulated depreciation for				
Buildings	\$ 12,041,241	\$ 915,059	\$ -	\$ 12,956,300
Land improvements	541,473	50,320	-	591,793
Machinery and equipment	9,148,628	870,914	442,385	9,577,157
Infrastructure	40,864,212	2,423,829	-	43,288,041
Total accumulated depreciation	\$ 62,595,554	\$ 4,260,122	\$ 442,385	\$ 66,413,291
Total capital assets depreciated, net	\$ 101,551,356	\$ 4,783,880	\$ 31,029	\$ 106,304,207
Governmental Activities Capital Assets, Net	\$ 114,909,634	\$ 8,255,325	\$ 6,622,307	\$ 116,542,652

Nicollet County St. Peter, Minnesota

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

Depreciation Expense Charged to Functions/Programs

General government	\$ 812,984
Public safety	240,804
Highways and streets, including depreciation of infrastructure assets	3,065,308
Human services	135,262
Culture and recreation	1,554
Conservation of natural resources	693
Sanitation	3,517
Total Depreciation Expense	\$ 4,260,122

Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2022, is as follows:

Due To/From Other Funds

Due To/From Other Funds as of December 31, 2022

Receivable Fund	Payable Fund	Amount	Purpose
General Fund	Health and Human Services Special		
	Revenue Fund	\$ 57,277	Utilities and services
	Revolving Loan Special Revenue Fund	2,055	Septic system interest
	Ditch Special Revenue Fund	34,522	Interest
Total due to General Fund		\$ 93,854	
Road and Bridge Special Revenue Fund	Ditch Special Revenue Fund	562	Fuel
Total Due To/From Other Funds		\$ 94,416	

The outstanding balances between funds result from the time lag between the dates the interfund goods and services were provided and reimbursable expenditures occurred, and when transactions are recorded in the accounting system and when the funds are repaid. All balances are expected to be liquidated in the subsequent year.

Interfund Receivables/Payables

Interfund Balances as of December 31, 2022

Receivable Fund	Payable Fund	Amount
General Fund	Ditch Special Revenue Fund	\$ 2,517,760

The interfund receivable/payable balance is due to the Ditch Special Revenue Fund overdrawing cash from the pooled cash and investments.

Nicollet County St. Peter, Minnesota

Interfund Transfers

Interfund Transfers as of December 31, 2022

Transfer In	Transfer Out	Amount	Purpose
Self-Insurance Internal Service Fund	General Fund	\$ 413,275	Future premiums
	Road and Bridge Special Revenue Fund	85,020	Future premiums
	Health and Human Services Special Revenue Fund	<u>324,173</u>	Future premiums
Total transferred to Self-Insurance Internal Service Fund		\$ 822,468	
General Fund	Revolving Loan Special Revenue Fund	<u>2,056</u>	Special assessment interest earnings
Total interfund transfers		<u>\$ 824,524</u>	

Liabilities and Deferred Inflows of Resources

Long-Term Debt

Bonds

Bonds Payable as of December 31, 2022

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2022
General obligation bonds					
2018A G.O. Ditch Bonds	2033	\$125,000-\$155,000	3.00-3.10	\$ 2,155,000	\$ 1,575,000
2018B G.O. Capital Improvement Plan Bonds	2025	\$310,000-\$830,000	3.00	2,390,000	1,455,000
2018C G.O. Refunding Bonds (Road Reconstruction)	2024	\$480,000-\$590,000	3.00-5.00	3,175,000	1,155,000
2018C G.O. Refunding Bonds (Drainage)	2023	\$45,000-\$55,000	3.00-5.00	235,000	45,000
2020A G.O. Capital Improvement Plan Refunding Bonds	2029	\$1,000,000-\$1,040,000	0.35-1.10	<u>7,100,000</u>	<u>7,100,000</u>
Total general obligation bonds				<u>\$ 15,055,000</u>	\$ 11,330,000
Plus: unamortized premium					<u>152,849</u>
Total General Obligation Bonds, Net					<u>\$ 11,482,849</u>

Capital improvement, road reconstruction, and related refunding bonds are being retired by the Debt Service Fund. Drainage and related refunding bonds are being retired by the Ditch Special Revenue Fund.

Loans Payable

The County entered into loan agreements with the Minnesota Pollution Control Agency for the purpose of funding

Nicollet County St. Peter, Minnesota

Clean Water Partnership (CWP) projects and the Minnesota Department of Agriculture for the purpose of providing funding for the repair or replacement of failing septic systems and water wells. The loans are secured by special assessments.

Loans Payable as of December 31, 2022

Type of Indebtedness	Final Maturity	Installment Amount	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2022
2011 Middle River Watershed	2024	\$10,838	2.00	\$ 195,574	\$ 42,288
2014 Rush River Watershed	2027	\$4,032	2.00	72,764	38,190
2015 Middle Minnesota Watershed	2028	\$8,240	2.00	148,692	85,427
Agricultural Best Management Practices (AgBMP) Loan Program	2034	\$467-\$26,089	-	259,979	361,741
Total Loans Payable				\$ 677,009	\$ 527,646

Payments on the loans are made by the Revolving Loan Special Revenue Fund.

Debt Service Requirements

Debt Service Requirements as of December 31, 2022

Year Ending December 31	General Obligation Bonds		Loans Payable	
	Principal	Interest	Principal	Interest
2023	\$ 2,070,000	\$ 168,140	\$ 43,583	\$ 3,104
2024	2,055,000	126,515	47,709	2,237
2025	1,980,000	88,603	62,528	1,461
2026	1,155,000	65,755	71,530	997
2027	1,165,000	53,535	73,457	524
2028 - 2032	2,770,000	95,785	207,370	82
2033 - 2034	135,000	2,092	21,469	-
Total	\$ 11,330,000	\$ 600,425	\$ 527,646	\$ 8,405

Changes in Long-Term Liabilities

Changes in Long-Term Liabilities for the Year Ended December 31, 2022

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
General obligation bonds	\$ 20,180,000	\$ -	\$ 8,850,000	\$ 11,330,000	\$ 2,070,000
Plus: Unamortized premiums	499,566	-	346,717	152,849	-
Total bonds payable	\$ 20,679,566	\$ -	\$ 9,196,717	\$ 11,482,849	\$ 2,070,000
Loans payable	468,151	203,594	144,099	527,646	43,583
Compensated absences	2,095,617	704,723	1,020,538	1,779,802	1,211,541
Total Long-Term Liabilities	\$ 23,243,334	\$ 908,317	\$ 10,361,354	\$ 13,790,297	\$ 3,325,124

Nicollet County

St. Peter, Minnesota

Debt Refunding

On September 10, 2020, the County issued \$7,100,000 General Obligation Capital Improvement Plan Refunding Bonds, Series 2020A (Crossover Advance Refunding of Series 2013A). Proceeds from the sale of bonds were used to refund \$6,950,000 of the \$10,530,000 General Obligation Capital Improvement Plan Bonds, Series 2013A. Maturities 2023 through 2029, inclusive, were called for redemption on February 1, 2022, at a price of par plus accrued interest. The County is refunding the Series 2013A bonds to obtain a savings of \$691,528 and an economic gain (difference between the present value of debt service payments on the old and new debt) of \$664,046.

Deferred Inflows of Resources

Governmental Funds Deferred Inflows of Resources as of December 31, 2022

	Deferred Inflows of Resources
Unavailable revenue	
Taxes and special assessments, delinquent and noncurrent	\$ 3,414,839
Highway allotments that do not provide current financial resources	4,045,670
Grants	146,408
Charges for services	207,237
Interest	66,433
Miscellaneous	31,626
Total Governmental Funds	<u>\$ 7,912,213</u>

Construction Commitments

Active Construction Projects and Other Commitments as of December 31, 2022

	Spent-to-Date	Remaining Commitment
Governmental Activities		
Highway projects	\$ 1,690,143	\$ 22,403,190
Ditch projects	3,771,183	46,324

Other Postemployment Benefits (OPEB)

Plan Description

Nicollet County administers an OPEB plan, a single-employer defined benefit health care plan, to eligible retirees and their dependents.

Nicollet County provides postemployment health care benefits for elected officials. Elected County officials and their dependents are eligible for the benefit for a number of years equal to 25 percent of the retiree's years in elective office, with a maximum of five years. The County pays 100 percent of health premiums for them and their families. The County's regular health benefit provider underwrites the retirees' policies. Retirees may not convert the benefit into an in-lieu-of-payment to secure coverage under independent plans. As of December 31, 2022, three retirees were receiving the premium-coverage benefit. The County finances the plan on a pay-as-you-go

Nicollet County St. Peter, Minnesota

basis. For the year ended December 31, 2022, the County recognized \$18,486 of expenditures for this benefit. A separate, audited GAAP-basis postemployment plan report is not issued.

In 2019, the County offered a voluntary early retirement incentive program to employees who were eligible for pension benefits and had more than 15 years of service as of December 31, 2018. Under this program, early retirees could elect to receive full County-paid medical and dental premiums for a period of three years. One employee elected to participate and is receiving the premium-coverage benefit. The County finances the plan on a pay-as-you-go basis. For the year ended December 31, 2022, the County recognized \$2,180 of expenditures for this benefit. A separate audited GAAP-basis postemployment plan report is not issued.

The County also provides health insurance benefits for eligible retired employees and their spouses. The County provides benefits for retirees 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. This postemployment benefit is funded on a pay-as-you-go basis, usually paying retiree benefits out of the General Fund. As of January 1, 2022, there were ten retirees receiving health benefits from the County's health plan. The implicit rate subsidy amount was determined by an actuarial study to be \$46,977 for 2022. A separate, audited GAAP-basis postemployment plan report is not issued.

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

As of the January 1, 2022, actuarial valuation, the following employees were covered by the benefit terms:

Employees Covered by the OPEB Benefit Terms As of the January 1, 2022, Actuarial Valuation

Inactive employees or beneficiaries currently receiving benefit payments	10
Active plan participants	250
Total	<u>260</u>

Total OPEB Liability

The County's total OPEB liability of \$1,210,516 was measured as of January 1, 2022, and was determined by an actuarial valuation as of January 1, 2022. The OPEB liability is liquidated through funds that have personal services.

The total OPEB liability in the fiscal year-end December 31, 2022, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

OPEB Actuarial Assumptions and Other Inputs

Inflation	2.00 percent
Salary increases	Graded by service years and contract group ranging from 10.25 percent for one year of service (11.75 percent for public safety) to 3.00 percent for 26 or more years of service
Health care cost trend	6.50 percent, decreasing to 5.00 percent over six years and then 4.00 percent over the next 48 years

Nicollet County St. Peter, Minnesota

The current year discount rate is 2.00 percent, which did not change from the prior year rate. For the current valuation, the discount rate is based on the estimated yield of 20-year AA-rated municipal bonds.

Mortality rates are based on the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality tables (General, Safety) with MP-2021 Generational Improvement Scale.

Economic assumptions are based on input from a variety of published sources of historical and projected future financial data.

Changes in the Total OPEB Liability

Changes in the Total OPEB Liability For the Year Ended December 31, 2022

	Total OPEB Liability
Balance at December 31, 2021	\$ 1,441,958
Changes for the year	
Service cost	\$ 109,463
Interest	29,562
Changes in assumptions	(19,320)
Differences between expected and actual experience	(203,776)
Benefit payments	(147,371)
Net change	\$ (231,442)
Balance at December 31, 2022	\$ 1,210,516

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 one percentage point lower or one percentage point higher than the current discount rate:

Sensitivity of the Total OPEB Liability to Changes In the Discount Rate as of December 31, 2022

	Discount Rate	Total OPEB Liability
1% Decrease	1.00%	\$ 1,299,624
Current	2.00%	1,210,516
1% Increase	3.00%	1,126,436

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 one percentage point lower or one percentage point higher than the current health care cost trend rate:

Nicollet County St. Peter, Minnesota

Sensitivity of the Total OPEB Liability to Changes In the Health Care Cost Trend Rates as of December 31, 2022

	Health Care Cost Trend Rate	Total OPEB Liability
1% Decrease	5.50% Decreasing to 4.00%	\$ 1,082,328
Current	6.50% Decreasing to 5.00%	1,210,516
1% Increase	7.50% Decreasing to 6.00%	1,363,200

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

For the year ended December 31, 2022, the County recognized OPEB expense of \$27,430. The County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB as of December 31, 2022

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 291,974
Changes in actuarial assumptions	46,779	247,198
Contributions made subsequent to the measurement date	67,643	-
Total	\$ 114,422	\$ 539,172

The \$67,643 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended December 31, 2023. The amount reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Schedule of Amortization of Deferred Outflows and Inflows of Resources Related to OPEB As of December 31, 2022

Year Ended December 31	OPEB Expense Amount
2023	\$ (111,595)
2024	(111,595)
2025	(111,590)
2026	(103,223)
2027	(22,520)
Thereafter	(31,870)

Changes in Actuarial Assumptions

The following changes in actuarial assumptions occurred in 2022:

- The health care trend rates were changed to better anticipate short term and long term medical increases.
- The mortality tables were updated from the Pub-2010 Public Retirement Plans Headcount-Weighted

Nicollet County St. Peter, Minnesota

Mortality tables (General, Safety) with MP-2019 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality tables (General, Safety) with MP-2021 Generational Improvement Scale.

- The salary increase rates were updated to reflect the latest experience study.
- The retirement and withdrawal rates were updated to reflect the latest experience study.
- The inflation rate was changed from 2.50 percent to 2.00 percent.
- These changes decreased the liability \$19,524.

Pension Plans

Defined Benefit Pension Plans

Plan Description

All full-time and certain part-time employees of Nicollet 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.

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 the 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 Nicollet 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 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.

Nicollet County St. Peter, Minnesota

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.

General Employees Plan benefit recipients will receive a post-retirement increase equal to 50 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 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. 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.

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. 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.

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 for 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 the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

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.

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

Nicollet County St. Peter, Minnesota

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.

[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. Rates did not change from 2021.

Member and Employer Required Contribution Rates

	Member Required Contribution	Employer Required Contribution
General Employees Plan – Coordinated Plan members	6.50%	7.50%
Police and Fire Plan	11.80%	17.70%
Correctional Plan	5.83%	8.75%

Employer Contributions for the Year Ended December 31, 2022

General Employees Plan	\$ 1,092,073
Police and Fire Plan	264,328
Correctional Plan	78,816

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

[Pension Costs](#)

[General Employees Plan](#)

At December 31, 2022, the County reported a liability of \$15,016,383 for its proportionate share of the General Employees Plan's net pension liability. The net pension liability was measured as of June 30, 2022, 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, 2021, through June 30, 2022, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2022, the County's proportion was 0.1939 percent. It was 0.1905 percent measured as of June 30, 2021. The County recognized pension expense of \$2,251,065 for its proportionate share of the General Employees Plan's pension expense.

Legislation requires the State of Minnesota to contribute \$16 million to the General Employees Plan annually until September 15, 2031. The County recognized an additional \$65,754 as grant revenue and pension expense for its proportionate share of the State of Minnesota's pension expense related to the special funding situation.

Nicollet County St. Peter, Minnesota

General Employees Plan Employer's Share of the Net Pension Liability and the State's Related Liability As of December 31, 2022

The County's proportionate share of the net pension liability	\$ 15,016,383
State of Minnesota's proportionate share of the net pension liability associated with the County	<u>440,049</u>
Total	<u>\$ 15,456,432</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:

General Employees Plan Deferred Outflows of Resources and Deferred Inflows of Resources As of December 31, 2022

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 125,428	\$ 160,651
Changes in actuarial assumptions	3,414,125	59,142
Difference between projected and actual investment earnings	214,879	-
Changes in proportion	274,571	28,825
Contributions paid to PERA subsequent to the measurement date	<u>566,054</u>	<u>-</u>
Total	<u>\$ 4,595,057</u>	<u>\$ 248,618</u>

The \$566,054 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, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

General Employees Plan Schedule of Amortization of Deferred Outflows and Inflows of Resources As of December 31, 2022

Year Ended December 31	Pension Expense Amount
2023	\$ 1,465,113
2024	1,454,490
2025	(497,226)
2026	1,358,008

Police and Fire Plan

At December 31, 2022, the County reported a liability of \$5,052,213 for its proportionate share of the Police and Fire Plan's net pension liability. The net pension liability was measured as of June 30, 2022, 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

Nicollet County St. Peter, Minnesota

the measurement period for employer payroll paid dates from July 1, 2021, through June 30, 2022, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2022, the County's proportion was 0.1161 percent. It was 0.1110 percent measured as of June 30, 2021. The County recognized pension expense of \$532,049 for its proportionate share of the Police and Fire Plan's pension expense.

The State of Minnesota also contributed \$18 million to the Police and Fire Plan in the plan fiscal year ended June 30, 2022. The contribution consisted of \$9 million in direct state aid that meets the definition of a special funding situation and \$9 million in supplemental state aid that does not meet the definition of a special funding situation.

Legislation requires the State of Minnesota to pay direct state aid of \$9 million on October 1 each year until full funding is reached, or July 1, 2048, whichever is earlier. The County recognized an additional \$42,822 as grant revenue and pension expense for its proportionate share of the State of Minnesota's pension expense related to the special funding situation.

Police and Fire Plan Employer's Share of the Net Pension Liability and the State's Related Liability As of December 31, 2022

The County's proportionate share of the net pension liability	\$ 5,052,213
State of Minnesota's proportionate share of the net pension liability associated with the County	<u>220,760</u>
Total	<u>\$ 5,272,973</u>

Legislation also 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. The County also recognized \$10,449 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.

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:

Police and Fire Plan Deferred Outflows of Resources and Deferred Inflows of Resources As of December 31, 2022

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 302,930	\$ -
Changes in actuarial assumptions	2,927,719	29,070
Difference between projected and actual investment earnings	121,593	-
Changes in proportion	72,490	24,516
Contributions paid to PERA subsequent to the measurement date	<u>135,668</u>	<u>-</u>
Total	<u>\$ 3,560,400</u>	<u>\$ 53,586</u>

Nicollet County St. Peter, Minnesota

The \$135,668 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, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Police and Fire Plan Schedule of Amortization of Deferred Outflows and Inflows of Resources As of December 31, 2022

Year Ended December 31	Pension Expense Amount
2023	\$ 668,299
2024	652,000
2025	585,375
2026	1,038,556
2027	426,916

Correctional Plan

At December 31, 2022, the County reported a liability of \$1,351,538 for its proportionate share of the Correctional Plan's net pension liability. The net pension liability was measured as of June 30, 2022, 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, 2021, through June 30, 2022, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2022, the County's proportion was 0.4066 percent. It was 0.3886 percent measured as of June 30, 2021. The County recognized pension expense of \$465,692 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:

Correctional Plan Deferred Outflows of Resources and Deferred Inflows of Resources As of December 31, 2022

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 43,760
Changes in actuarial assumptions	862,955	1,935
Difference between projected and actual investment earnings	55,218	-
Changes in proportion	17	2,365
Contributions paid to PERA subsequent to the measurement date	39,166	-
Total	\$ 957,356	\$ 48,060

The \$39,166 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

Nicollet County St. Peter, Minnesota

ended December 31, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

**Correctional Plan
Schedule of Amortization of
Deferred Outflows and Inflows of Resources
As of December 31, 2022**

Year Ended December 31	Pension Expense Amount
2023	\$ 389,534
2024	402,755
2025	(30,737)
2026	108,578

Total Pension Expense

The total pension expense for all plans recognized by the County for the year ended December 31, 2022, was \$3,248,806.

Actuarial Assumptions

The total pension liability in the June 30, 2022, actuarial valuation was determined using the individual entry-age normal actuarial cost method and the following additional actuarial assumptions:

Actuarial Assumptions for the Year Ended June 30, 2022

	General Employees Fund	Police and Fire Fund	Correctional Fund
Inflation	2.25% per year	2.25% per year	2.25% per year
Active Member Payroll Growth	3.00% per year	3.00% per year	3.00% per year
Investment Rate of Return	6.50%	6.50%	6.50%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants were based on the Pub-2010 General Employee Mortality table for the General Employees Plan and the Pub-2010 Public Safety Employee Mortality tables for the Police and Fire and the Correctional Plans, 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 per year through December 31, 2054, and 1.50 percent per year thereafter. 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, 2022, valuations were based on the results of actuarial experience studies. The experience study for the General Employees Plan was dated June 27, 2019. The experience study for the Police and Fire Plan was dated July 14, 2020. The experience study for the Correctional Plan was dated July 10, 2020. For all plans, a review of inflation and investment assumptions dated July 12, 2022, was utilized.

The long-term expected rate of return on pension plan investments is 6.50 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

Nicollet County St. Peter, Minnesota

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.

Pension Plan Investment Target Allocation and Best Estimates of Geometric Real Rates of Return for Each Major Asset Class

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equities	33.50%	5.10%
International equities	16.50%	5.30%
Fixed income	25.00%	0.75%
Private markets	25.00%	5.90%

Discount Rate

The discount rate used to measure the total pension liability was 6.50 percent for the General Employees Plan in 2022, which remained consistent with 2021. 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 positions of the General Employees Plan was 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.

In the Police and Fire Plan and Correctional Plan, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members through June 30, 2060, and June 30, 2061, respectively. Beginning in fiscal year ended June 30, 2061, for the Police and Fire Plan and June 30, 2062, for the Correctional Plan, projected benefit payments exceed the funds' projected fiduciary net position. Benefit payments projected after were discounted at the municipal bond rate of 3.69 percent, based on the weekly rate closest to but not later than the measurement date of the Fidelity 20-Year Municipal GO AA Index. An equivalent single discount rate of 5.40 percent for the Police and Fire Plan and 5.42 percent for the Correctional Plan was determined that produced approximately the same present value of projected benefits when applied to all years of projected benefits as the present value of projected benefits using 6.50 percent applied to all years of projected benefits to the point of asset depletion and 3.69 percent thereafter.

Changes in Actuarial Assumptions and Plan Provisions

The following changes in actuarial assumptions occurred in 2022:

General Employees Plan

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

Police and Fire Plan

- The single discount rate changed from 6.50 percent to 5.40 percent.
- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

Nicollet County

St. Peter, Minnesota

Correctional Plan

- The single discount rate changed from 6.50 percent to 5.42 percent.
- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.
- The benefit increase assumption was changed from 2.00 percent per annum to 2.00 percent per annum through December 31, 2054, and 1.50 percent per annum thereafter.

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:

Sensitivity of the Employer's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate As of December 31, 2022

	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	5.50%	\$ 23,719,162	4.40%	\$ 7,645,877	4.42%	\$ 2,380,667
Current	6.50%	15,016,383	5.40%	5,052,213	5.42%	1,351,538
1% Increase	7.50%	7,878,760	6.40%	2,955,392	6.42%	542,413

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.

Defined Contribution Plan

Five elected officials of Nicollet 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 five 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.

Nicollet County

St. Peter, Minnesota

Total Contributions by Dollar Amount and Percentage of Covered Payroll Made by the Employer For the Year Ended December 31, 2022

	Employee		Employer	
Contribution amount	\$	9,258	\$	9,258
Percentage of covered payroll		5.00%		5.00%

Note 4 – 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. The County has entered into a joint powers agreement with other Minnesota municipalities to form the South Central Service Cooperative to establish, procure, and administer group employee health benefits. The County self-insures for employee dental coverage. 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 2022 and 2023. 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.

The Service Cooperative is a joint powers entity which sponsors a plan to provide group employee health benefits to its participating members. Nicollet County became a participating member effective January 1, 2022.

The County established a limited risk management program for dental coverage in 1992. Premiums are paid into the Self-Insurance Internal Service Fund by all other funds and are available to pay claims, claim reserves, and administrative costs of the program. There is a maximum claim limit of \$1,000 per person per year for the dental plan.

Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are re-evaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of payouts), and other economic and social factors. Changes in the balances of claims liabilities during the past two years are as follows:

Nicollet County St. Peter, Minnesota

Changes in Unpaid Claims

	Year Ended December 31	
	2022	2021
Unpaid claims, January 1	\$ 165,514	\$ 100,674
Incurred claims (including IBNRs)	286,699	4,362,784
Claims payments	(447,259)	(4,297,944)
Unpaid Claims, December 31	<u>\$ 4,954</u>	<u>\$ 165,514</u>

Note 5 – Summary of Significant Contingencies and Other Items

Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of the expenditures that may be disallowed by the grantor cannot be determined at this time, although the County expects such amounts, if any, to be immaterial.

The County is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the County Attorney, the resolution of these matters will not have a material adverse effect on the financial condition of the County.

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, 2021, the most current information available, the Health Services Board had a net position of \$390,151.

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

Minnesota River Valley Drug Task Force

The Minnesota River Valley Drug Task Force was established through a joint powers agreement, pursuant to Minn. Stat. § 471.59, to provide a comprehensive and multi-jurisdictional effort to reduce felony-level criminal activity through the coordination of the law enforcement agencies.

The joint powers are Blue Earth, Martin, Nicollet, and Watonwan Counties and the Cities of Fairmont, Madelia, Mankato, North Mankato, St. James, and St. Peter. Control of the Task Force is vested in a Board of Directors composed of the Sheriff or Chief of Police of each of the members, or his or her designee, and one prosecuting attorney. Blue Earth County is the fiscal agent for the Task Force. Funding is provided by grants and matching

Nicollet County St. Peter, Minnesota

contributions from participating members. Nicollet County contributed \$14,233 to the Task Force in 2022. Current financial statements are not available.

Nicollet County Family Services Collaborative

The Nicollet County Family Services Collaborative was established in 1998 through a joint powers agreement, pursuant to Minn. Stat. § 471.59. The Collaborative includes Nicollet County, St. Peter Public Schools, Nicollet Public Schools, and the Minnesota Valley Action Council. The purpose of the Collaborative is to enhance family strengths and support through service coordination and access to informal communication.

Control of the Collaborative is vested in a five-member governing board consisting of one County Commissioner, one school board member from St. Peter and Nicollet Public Schools, one board member from the Minnesota Valley Action Council, and one parent representative. Nicollet County acts as the fiscal agent for the Collaborative and accounts for it as a custodial fund. Funding is provided by state and federal grants and contributions from participating members. Nicollet County contributed \$10,000 to the Collaborative in 2022. Current financial statements are not available.

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 is comprised of 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 2022, Nicollet County contributed \$1,650 to the Board. Financial information can be obtained at the Blue Earth County Justice Center, 401 Carver Road, Mankato, Minnesota 56002.

South Central Transit

Nicollet County entered into a joint powers agreement with Blue Earth and Le Sueur Counties creating and operating South Central Transit, pursuant to Minn. Stat. § 471.59 and a joint powers agreement, effective July 1, 2017. Management of South Central Transit is vested in a Joint Powers Board consisting of one member appointed by each County Board of Commissioners. The primary purpose of South Central Transit is to provide centralized planning and transit services in the participating counties.

Financing is primarily provided from state and federal grants. Member counties are committed to providing the local match necessary to meet the requirements for state and federal funding.

Nicollet County St. Peter, Minnesota

For 2022, Nicollet County did not contribute to South Central Transit. Financial information can be obtained from Vine Faith in Action, 421 East Hickory Street, Mankato, Minnesota 56001.

South Central Workforce Service Area Joint Powers Board

In June 2012, the County entered into a joint powers agreement with Blue Earth, Brown, Faribault, Le Sueur, Martin, Sibley, Waseca, and Watonwan Counties, creating the South Central Workforce Service Area Joint Powers Board. The agreement is authorized by Minn. Stat. § 471.59. The Board is composed 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.

Nicollet County did not make any payments to this organization in 2022. Separate financial information can be obtained from the South Central Workforce Council, 706 North Victory Drive, Mankato, Minnesota 56001.

Tri-County Solid Waste

Nicollet County entered into a joint powers agreement to create and operate Tri-County Solid Waste, pursuant to the Waste Management Act, Minn. Stat. § 471.59, and a joint powers agreement, effective November 3, 1987. Management of Tri-County Solid Waste is vested in the Tri-County Solid Waste Joint Powers Board, which consists of six representatives, two from each Board of Commissioners from Le Sueur, Nicollet, and Sibley Counties. The primary function of Tri-County Solid Waste is to coordinate solid waste management programs, excluding the collection and disposal of solid waste, within the multi-county area. Emphasis is placed on planning, recycling, hazardous waste, problem materials, and education.

One-half of the financing is provided by appropriations from the three counties based on the ratio of their population to the total population of the member counties, and one-half is provided by an equal appropriation from the three counties. Nicollet County contributed \$121,164 in 2022. Nicollet County is the fiscal agent. Current financial statements are not available.

Jointly-Governed Organizations

Sentencing to Service

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

Joint Airport Zoning Board

The Joint Airport Zoning Board was established by joint action of Blue Earth, Le Sueur, and Nicollet Counties and the Cities of Mankato and St. Peter and has representation from each entity on the Board. The purpose of the Board is to create an ordinance to prevent the creation or establishment of airport hazards and to ensure public safety. Nicollet County's responsibility does not extend beyond making the appointments to the Board.

Nicollet County

St. Peter, Minnesota

Mankato/North Mankato Area Planning Organization

The Mankato/North Mankato Area Planning Organization's (MAPO) general purpose is to meet and maintain a continuing, cooperative, and comprehensive metropolitan transportation planning process. MAPO membership is composed of Blue Earth County, Nicollet County, and various cities and townships within the two counties. Nicollet County appoints one local elected official to the Board. During the year, Nicollet County did not contribute any funding to MAPO.

Minnesota Counties Computer Cooperative

Under Minnesota Joint Powers Law, Minn. Stat. § 471.59, Minnesota counties have created the Minnesota Counties Computer Cooperative (MCCC) to jointly provide for the establishment, operation, and maintenance of data processing systems, facilities, and management information systems. During the year, Nicollet County expended \$234,226 to the MCCC.

Minnesota Criminal Justice Data Communications Network

The Minnesota Criminal Justice Data Communications Network joint powers agreement exists to create access for the County Sheriff and County Attorney to systems and tools available from the State of Minnesota, Department of Public Safety, and the Bureau of Criminal Apprehension to carry out criminal justice. During the year, Nicollet County made \$8,160 in payments to the joint powers entity.

South Central Community Based Initiative

The South Central Community Based Initiative was established pursuant to Minn. Stat. §§ 471.59 and 245.4661 and a joint powers agreement, effective June 10, 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 of the South Central Community Based Initiative is comprised of one representative appointed by Blue Earth, Brown, Faribault, Freeborn, Le Sueur, Martin, Nicollet, Rice, Sibley, and Watonwan Counties. Nicollet County did not contribute to the Board in 2022.

South Central Minnesota Emergency Medical Services Joint Powers Board

The South Central Minnesota Emergency Medical Services (SCEMS) Joint Powers Board consists of Blue Earth, Brown, Faribault, Le Sueur, Martin, Nicollet, Sibley, Waseca, and Watonwan Counties. The purpose of the SCEMS Joint Powers Board 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 to the SCEMS Joint Powers Board. During the year, Nicollet County made payments of \$5,000 to the SCEMS Joint Powers Board.

South Central Regional IMMTRACK (Immunization Registry) Joint Powers Board

The South Central Regional IMMTRACK (Immunization Registry) Joint Powers Board promotes implementation and maintenance of a regional immunization information system to ensure age-appropriate immunizations through complete and accurate records. During the year, Nicollet County made payments of \$9,641 to the Board.

Nicollet County St. Peter, Minnesota

South Central Service Cooperative

The South Central Service Cooperative (SCSC) is one of nine regional agencies called service cooperatives, established in 1976 by Minn. Stat. § 123A.21. The SCSC specializes in providing insurance services. Health insurance pools are formed by groups who band together to leverage economies of scale to lower costs and achieve claim cost stability. The SCSC manages the pools, manages premium collection, conducts carrier proposals every four years, and negotiates stop loss and administrative costs which are approximately 20 percent lower than the commercial market. These pools are governed by state law and an elected board of directors and consist of public employers who maintain a Joint Powers Agreement with the Service Cooperative. During the year, Nicollet County did not contribute to the SCSC.

Region One – Southeast Minnesota Homeland Security Emergency Management Organization

The Region One – Southeast Minnesota Homeland 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. There are 16 counties participating, with one member from each entity being represented on the Organization's Joint Powers Board. Nicollet County's responsibility does not extend beyond making this appointment. During the year, Nicollet County contributed \$1,000 to the Organization.

Note 6 – Other Information

Special Benefit Tax Levy

In 1993, the South Central Minnesota Multi-County Housing Authority issued \$20,315,000 of revenue bonds to construct housing units in Nicollet County and four surrounding counties. The Authority has since defaulted on these bonds. In 2000, the counties entered into a settlement agreement where each of the counties will approve a special benefit tax levy on behalf of the Authority from 2001 through 2024 to cover the operating deficits based on each county's proportionate share of housing units constructed. Nicollet County's proportionate share of the operating deficit for 2022 is \$113,168. The proportionate shares of the counties may change for years 2023 through 2024 if there are changes in the taxable market value over the 2001 taxable market value.

Agricultural Best Management Loan Program

The County has entered into an agreement with the Minnesota Department of Agriculture and a local lending institution to jointly administer a loan program to individuals to implement projects that prevent or mitigate non-point source water pollution. While the County is not liable for the repayment of the loans in any manner, it does have certain responsibilities under the agreement.

Required Supplementary Information

**Nicollet County
St. Peter, Minnesota**

Exhibit A-1

**Schedule of Changes in Total OPEB Liability and Related Ratios
Other Postemployment Benefits
December 31, 2022**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability					
Service cost	\$ 109,463	\$ 135,570	\$ 115,317	\$ 121,701	\$ 123,006
Interest	29,562	40,830	72,604	57,628	55,706
Changes of assumption or other inputs	(19,320)	65,493	(359,718)	(58,543)	-
Differences between expected and actual experience	(203,776)	-	(205,293)	-	-
Plan changes	-	-	-	173,238	-
Benefit payments	<u>(147,371)</u>	<u>(143,581)</u>	<u>(147,803)</u>	<u>(99,355)</u>	<u>(138,690)</u>
Net change in total OPEB liability	\$ (231,442)	\$ 98,312	\$ (524,893)	\$ 194,669	\$ 40,022
Total OPEB Liability – Beginning	<u>1,441,958</u>	<u>1,343,646</u>	<u>1,868,539</u>	<u>1,673,870</u>	<u>1,633,848</u>
Total OPEB Liability – Ending	<u>\$ 1,210,516</u>	<u>\$ 1,441,958</u>	<u>\$ 1,343,646</u>	<u>\$ 1,868,539</u>	<u>\$ 1,673,870</u>
 Covered-employee payroll	 \$ 16,343,409	 \$ 16,005,663	 \$ 15,501,853	 \$ 15,117,641	 \$ 14,677,321
 Total OPEB liability (asset) as a percentage of covered-employee payroll	 7.41%	 9.01%	 8.67%	 12.36%	 11.40%

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

**Nicollet County
St. Peter, Minnesota**

Exhibit A-2

**Schedule of Proportionate Share of Net Pension Liability
PERA General Employees Retirement Plan
December 31, 2022**

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 Nicollet 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
2022	0.1939 %	\$ 15,016,383	\$ 440,049	\$ 15,456,432	\$ 14,203,925	105.72 %	76.67 %
2021	0.1905	8,135,203	248,484	8,383,687	13,714,673	59.32	87.00
2020	0.1836	11,007,659	339,442	11,347,101	13,087,693	84.11	79.06
2019	0.1787	9,879,923	307,096	10,187,019	12,645,748	78.13	80.23
2018	0.1767	9,802,592	321,606	10,124,198	11,872,565	82.57	79.53
2017	0.1828	11,669,831	146,771	11,816,602	11,780,825	99.06	75.90
2016	0.1758	14,271,629	191,768	14,463,397	10,905,593	130.87	68.91
2015	0.1695	8,782,899	N/A	8,782,899	9,971,196	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

**Nicollet County
St. Peter, Minnesota**

Exhibit A-3

**Schedule of Contributions
PERA General Employees Retirement Plan
December 31, 2022**

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)
2022	\$ 1,092,073	\$ 1,092,073	\$ -	\$ 14,560,961	7.50 %
2021	1,047,324	1,047,324	-	13,964,301	7.50
2020	1,009,529	1,009,529	-	13,460,381	7.50
2019	961,391	961,391	-	12,818,992	7.50
2018	927,814	927,814	-	12,370,831	7.50
2017	857,833	857,833	-	11,441,779	7.50
2016	839,582	839,582	-	11,194,407	7.50
2015	802,319	802,319	-	10,697,561	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.

**Nicollet County
St. Peter, Minnesota**

Exhibit A-4

**Schedule of Proportionate Share of Net Pension Liability
PERA Public Employees Police and Fire Plan
December 31, 2022**

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 Nicollet 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
2022	0.1161 %	\$ 5,052,213	\$ 220,760	\$ 5,272,973	\$ 1,410,568	358.17 %	70.53 %
2021	0.1110	856,802	38,523	895,325	1,311,468	65.33	93.66
2020	0.1095	1,443,327	34,008	1,477,335	1,236,125	116.76	87.19
2019	0.1141	1,214,710	N/A	1,214,710	1,203,996	100.89	89.26
2018	0.1112	1,185,277	N/A	1,185,277	1,172,282	101.11	88.84
2017	0.1040	1,404,124	N/A	1,404,124	1,064,520	131.90	85.43
2016	0.0990	3,973,042	N/A	3,973,042	956,843	415.22	63.88
2015	0.0980	1,113,509	N/A	1,113,509	898,436	123.94	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.

N/A – Not Applicable

**Nicollet County
St. Peter, Minnesota**

Exhibit A-5

**Schedule of Contributions
PERA Public Employees Police and Fire Plan
December 31, 2022**

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)
2022	\$ 264,328	\$ 264,328	\$ -	\$ 1,493,378	17.70 %
2021	238,814	238,814	-	1,349,232	17.70
2020	222,134	222,134	-	1,254,996	17.70
2019	207,612	207,612	-	1,224,850	16.95
2018	191,067	191,067	-	1,179,429	16.20
2017	180,891	180,891	-	1,116,609	16.20
2016	157,379	157,379	-	971,478	16.20
2015	155,415	155,415	-	959,354	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.

**Nicollet County
St. Peter, Minnesota**

Exhibit A-6

**Schedule of Proportionate Share of Net Pension Liability
PERA Public Employees Local Government Correctional Service Retirement Plan
December 31, 2022**

Measurement Date	Employer's Proportion of the Net Pension Liability/Asset	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	Covered Payroll (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2022	0.4066 %	\$ 1,351,538	\$ 893,223	151.31 %	74.58 %
2021	0.3886	(63,839)	859,161	(7.43)	101.61
2020	0.3915	106,230	851,994	12.47	96.67
2019	0.3910	54,134	834,041	6.49	98.17
2018	0.4171	68,600	851,894	8.05	97.64
2017	0.4300	1,225,504	867,982	141.19	67.89
2016	0.4200	1,534,319	792,043	193.72	58.16
2015	0.4100	63,386	732,578	8.65	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.

**Nicollet County
St. Peter, Minnesota**

Exhibit A-7

**Schedule of Contributions
PERA Public Employees Local Government Correctional Service Retirement Plan
December 31, 2022**

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)
2022	\$ 78,816	\$ 78,816	\$ -	\$ 900,762	8.75 %
2021	76,749	76,749	-	877,136	8.75
2020	74,482	74,482	-	851,213	8.75
2019	73,844	73,844	-	843,935	8.75
2018	74,130	74,130	-	847,195	8.75
2017	72,279	72,279	-	826,051	8.75
2016	70,912	70,912	-	810,424	8.75
2015	69,841	69,841	-	798,177	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.

Nicollet County St. Peter, Minnesota

Notes to the Required Supplementary Information For the Year Ended December 31, 2022

Note 1 – Other Postemployment Benefits Funded Status

Assets have not been accumulated in a trust that meets the criteria in paragraph four of Governmental Accounting Standards Board Statement 75 to pay related benefits.

Note 2 – Other Postemployment Benefits – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

The following changes in actuarial assumptions occurred:

2022

- The health care trend rates were changed to better anticipate short-term and long-term medical increases.
- The mortality tables were updated from the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality tables (General, Safety) with MP-2019 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality tables (General, Safety) with MP-2021 Generational Improvement Scale.
- The salary increase rates were updated to reflect the latest experience study.
- The retirement and withdrawal rates were updated to reflect the latest experience study.
- The inflation rate was changed from 2.50 percent to 2.00 percent.
- These changes decreased the liability \$19,524.

2021

- The discount rate was changed from 2.90 percent to 2.00 percent.

2020

- 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 Mortality tables (Blue Collar for Public Safety, White Collar for Others) with MP-2017 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality tables (General, Safety) with MP-2019 Generational Improvement Scale.
- The salary increase rates were changed from a flat 3.00 percent per year for all employees to rates which vary by service and contract group.
- The discount rate was changed from 3.80 percent to 2.90 percent.
- For employees not eligible for any direct subsidized payment, the assumed percentage of future retirees

Nicollet County St. Peter, Minnesota

electing coverage changed from 75 percent to 50 percent.

2019

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

2018

- The discount rate used changed from 3.50 percent to 3.30 percent.
- The health care trend rates were changed to better anticipate short-term and long-term medical increases.
- The mortality table was updated from 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.
- Claim costs were developed by age adjusting the premium information from Nicollet County. As of January 1, 2016, actual claims and enrollment experience was used.

Note 3 – 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

2022

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

2021

- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent.
- The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

2020

- The price inflation assumption was decreased from 2.50 percent to 2.25 percent.
- The payroll growth assumption was decreased from 3.25 percent to 3.00 percent.
- Assumed salary increase rates were changed as recommended in the June 30, 2019, experience study. The net effect is assumed rates that average 0.25 percent less than previous rates.

Nicollet County St. Peter, Minnesota

- Assumed rates of retirement were changed as recommended in the June 30, 2019, experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019, experience study. The new rates are based on service and are generally lower than the previous rates for years two to five and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019, experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Employee Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 Disabled Annuitant Mortality table to the Pub-2010 General/Teacher Disabled Retiree Mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100 percent Joint and Survivor option changed from 35 percent to 45 percent. The assumed number of married female new retirees electing the 100 percent Joint and Survivor option changed from 15 percent to 30 percent. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.
- Augmentation for current privatized members was reduced to 2.00 percent for the period July 1, 2020, through December 31, 2023, and 0.00 percent thereafter. Augmentation was eliminated for privatizations occurring after June 30, 2020.

2019

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

2018

- The mortality projection scale was changed from Scale MP-2015 to Scale 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.
- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Post-retirement benefit increases were changed from 1.00 percent per year with a provision to increase to

Nicollet County St. Peter, Minnesota

2.50 percent upon attainment of 90 percent funding to 50 percent of the Social Security cost-of-living adjustment, not less than 1.00 percent and not more than 1.50 percent, beginning January 1, 2019.

- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to the Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017

- The Combined Service Annuity (CSA) loads were changed from 0.80 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 0.00 percent for active member liability, 15 percent for vested deferred member liability, and 3.00 percent for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year for all years to 1.00 percent per year through 2044 and 2.50 percent per year thereafter.
- Minneapolis Employees Retirement Fund plan provisions change the employer supplemental contribution to \$21 million in calendar years 2017 and 2018 and returns to \$31 million through calendar year 2031. The state's required contribution is \$16 million in PERA's fiscal years 2018 and 2019 and returns to \$6 million annually through calendar year 2031.

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

2022

- The single discount rate changed from 6.50 percent to 5.40 percent.
- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

2021

- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent.
- The inflation assumption was changed from 2.50 percent to 2.25 percent.
- The payroll growth assumption was changed from 3.25 percent to 3.00 percent.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the

Nicollet County St. Peter, Minnesota

Pub-2010 Public Safety Mortality table. The mortality improvement scale was changed from Scale MP-2019 to Scale MN-2020.

- The base mortality table for disabled annuitants was changed from the RP-2014 Healthy Annuitant Mortality table (with future mortality improvement according to Scale MP-2019) to the Pub-2010 Public Safety Disabled Annuitant Mortality table (with future mortality improvement according to Scale MP-2020).
- Assumed rates of salary increase were modified as recommended in the July 14, 2020, experience study. The overall impact is a decrease in gross salary increase rates.
- Assumed rates of retirement were changed as recommended in the July 14, 2020, experience study. The changes result in slightly more unreduced retirements and fewer assumed early retirements.
- Assumed rates of withdrawal were changed from select and ultimate rates to service-based rates. The changes result in more assumed terminations.
- Assumed rates of disability were increased for ages 25 - 44 and decreased for ages over 49. Overall, proposed rates result in more projected disabilities.
- Assumed percent married for active female members was changed from 60 percent to 70 percent. Minor changes to form of payment assumptions were applied.

2020

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

2019

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

2018

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

Nicollet County St. Peter, Minnesota

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 load has been changed to 33 percent for vested members and 2.00 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 3.00 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- 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 1.00 percent for all years to 1.00 percent per year through 2064 and 2.50 percent thereafter.
- The single discount rate was changed from 5.60 percent per annum to 7.50 percent per annum.

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.

Public Employees Local Government Correctional Service Retirement Plan

2022

- The single discount rate changed from 6.50 percent to 5.42 percent.
- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

Nicollet County St. Peter, Minnesota

- The benefit increase assumption was changed from 2.00 percent per annum to 2.00 percent per annum through December 31, 2054, and 1.50 percent per annum thereafter.

2021

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

2020

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

2019

- The mortality projection scale was changed from Scale MP-2017 to Scale 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 Scale MP-2016 to Scale MP-2017.
- The assumed post-retirement benefit increase was changed from 2.50 percent per year to 2.00 percent per year.
- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1,

Nicollet County St. Peter, Minnesota

2019, resulting in actuarial equivalence after June 30, 2024.

- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Post-retirement benefit increases were changed from 2.50 percent per year with a provision to reduce to 1.00 percent if the funding status declines to a certain level, to 100 percent of the Social Security cost-of-living adjustment, not less than 1.00 percent and not more than 2.50 percent, beginning January 1, 2019. If the funding status declines to 85 percent for two consecutive years, or 80 percent for one year, the maximum increase will be lowered to 1.50 percent.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017

- 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 load has been changed to 35 percent for vested members and 1.00 percent for non-vested members.
- The single discount rate was changed from 5.31 percent per annum to 5.96 percent per annum.

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.

Supplementary Information

Combining and Individual Fund Financial Statements and Schedules

**Nicollet County
St. Peter, Minnesota**

Debt Service Fund

Debt Service Fund – used to account for property tax revenues for the payment of the principal, interest, and related costs of County debt.

**Nicollet County
St. Peter, Minnesota**

Exhibit B-1

**Statement of Revenues, Expenditures, and Changes in Fund Balance
Budgetary Comparison Schedule
Debt Service Fund
For the Year Ended December 31, 2022**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
Revenues				
Taxes	\$ 2,116,545	\$ 2,116,545	\$ 2,174,157	\$ 57,612
Intergovernmental	-	-	23,251	23,251
Investment earnings	-	-	4,182	4,182
Total Revenues	\$ 2,116,545	\$ 2,116,545	\$ 2,201,590	\$ 85,045
Expenditures				
Debt service				
Principal	\$ 1,875,000	\$ 1,875,000	\$ 8,655,000	\$ (6,780,000)
Interest	139,805	139,805	300,461	(160,656)
Administrative charges	1,000	1,000	550	450
Total Expenditures	\$ 2,015,805	\$ 2,015,805	\$ 8,956,011	\$ (6,940,206)
Net Change in Fund Balance	\$ 100,740	\$ 100,740	\$ (6,754,421)	\$ (6,855,161)
Fund Balance – January 1	10,490,405	10,490,405	10,490,405	-
Fund Balance – December 31	\$ 10,591,145	\$ 10,591,145	\$ 3,735,984	\$ (6,855,161)

Nicollet County St. Peter, Minnesota

Fiduciary Funds

Custodial Funds

Settlement Custodial Fund – accounts for all taxes and penalties collected and the distribution of the taxes.

State Revenue Custodial Fund – accounts for collections for and disbursements to the State of Minnesota.

State Recoveries Custodial Fund – accounts for the State of Minnesota’s share of recovery funds collected from human services program participants.

Women’s Foundation of Minnesota Custodial Fund – accounts for the collections and disbursements of the restricted grant funds received from the Women’s Foundation of Minnesota for use by local law enforcement.

Community Health Service Custodial Fund – accounts for collections and disbursements for Brown-Nicollet Community Health Services.

Tri-County Solid Waste Custodial Fund – accounts for collections and disbursements for Tri-County Solid Waste joint venture.

Family Services Collaborative Custodial Fund – accounts for collections and disbursements for the Family Services Collaborative.

Jail/Sheriff Activities Custodial Fund – accounts for collections and disbursements for inmates and civil process activity.

**Nicollet County
St. Peter, Minnesota**

**Combining Statement of Fiduciary Net Position
Fiduciary Funds – Custodial Funds
December 31, 2022**

	<u>Settlement</u>	<u>State Revenue</u>	<u>State Recoveries</u>
<u>Assets</u>			
Cash and pooled investments	\$ 763,341	\$ 347,731	\$ 72,418
Due from other governments	-	846	-
Taxes receivable for other governments	384,018	-	-
Accounts receivable	<u>93,247</u>	<u>40,546</u>	<u>23,985</u>
Total Assets	<u>\$ 1,240,606</u>	<u>\$ 389,123</u>	<u>\$ 96,403</u>
<u>Liabilities</u>			
Due to others	\$ -	\$ -	\$ -
Due to other governments	<u>540,694</u>	<u>148,463</u>	<u>29,336</u>
Total Liabilities	<u>\$ 540,694</u>	<u>\$ 148,463</u>	<u>\$ 29,336</u>
<u>Deferred Inflows of Resources</u>			
Prepaid taxes	<u>\$ 280,581</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Net Position</u>			
Restricted for individuals, organizations, and other governments	<u>\$ 419,331</u>	<u>\$ 240,660</u>	<u>\$ 67,067</u>

Exhibit C-1

Women's Foundation of Minnesota	Community Health Service	Tri-County Solid Waste	Family Services Collaborative	Total Custodial Funds
\$ 9,317	\$ 366,116	\$ 214,555	\$ 228,090	\$ 2,001,568
-	251,783	104,610	-	357,239
-	-	-	-	384,018
-	-	-	-	157,778
\$ 9,317	\$ 617,899	\$ 319,165	\$ 228,090	\$ 2,900,603
\$ -	\$ 3,194	\$ 10,608	\$ -	\$ 13,802
-	230,964	-	-	949,457
\$ -	\$ 234,158	\$ 10,608	\$ -	\$ 963,259
\$ -	\$ -	\$ -	\$ -	\$ 280,581
\$ 9,317	\$ 383,741	\$ 308,557	\$ 228,090	\$ 1,656,763

**Nicollet County
St. Peter, Minnesota**

**Combining Statement of Changes in Fiduciary Net Position
Fiduciary Funds – Custodial Funds
For the Year Ended December 31, 2022**

	<u>Settlement</u>	<u>State Revenue</u>	<u>State Recoveries</u>
<u>Additions</u>			
Contributions from individuals	\$ -	\$ -	\$ 403,869
Interest earnings	-	-	-
Property tax collections for other governments	33,137,781	-	-
Licenses and fees collected for the state	-	4,625,750	-
Payments from the state	-	-	-
Payments from other entities	-	-	-
Total Additions	<u>\$ 33,137,781</u>	<u>\$ 4,625,750</u>	<u>\$ 403,869</u>
<u>Deductions</u>			
Beneficiary payments to individuals	\$ -	\$ -	\$ -
Payments of property tax to other governments	33,430,460	-	-
Payments to the state	-	4,743,279	336,802
Administrative expenses	-	-	-
Payments to other entities	-	-	-
Total Deductions	<u>\$ 33,430,460</u>	<u>\$ 4,743,279</u>	<u>\$ 336,802</u>
Change in Net Position	<u>\$ (292,679)</u>	<u>\$ (117,529)</u>	<u>\$ 67,067</u>
Net Position – January 1	<u>712,010</u>	<u>358,189</u>	<u>-</u>
Net Position – December 31	<u><u>\$ 419,331</u></u>	<u><u>\$ 240,660</u></u>	<u><u>\$ 67,067</u></u>

Women's Foundation of Minnesota	Community Health Service	Tri-County Solid Waste	Family Services Collaborative	Jail/Sheriff Activities	Total Custodial Funds
\$ -	\$ -	\$ -	\$ -	\$ 24,228	\$ 428,097
-	2,398	2,391	326	-	5,115
-	-	-	-	-	33,137,781
-	-	-	-	-	4,625,750
-	1,704,692	-	140,067	-	1,844,759
-	181,084	441,205	20,525	14,722	657,536
\$ -	\$ 1,888,174	\$ 443,596	\$ 160,918	\$ 38,950	\$ 40,699,038
\$ -	\$ 389,229	\$ 102,973	\$ -	\$ 24,228	\$ 516,430
-	-	-	-	-	33,430,460
-	-	-	-	-	5,080,081
-	7,200	6,092	130	-	13,422
<u>2,820</u>	<u>1,601,084</u>	<u>213,143</u>	<u>218,330</u>	<u>14,722</u>	<u>2,050,099</u>
\$ 2,820	\$ 1,997,513	\$ 322,208	\$ 218,460	\$ 38,950	\$ 41,090,492
\$ (2,820)	\$ (109,339)	\$ 121,388	\$ (57,542)	\$ -	\$ (391,454)
<u>12,137</u>	<u>493,080</u>	<u>187,169</u>	<u>285,632</u>	<u>-</u>	<u>2,048,217</u>
\$ 9,317	\$ 383,741	\$ 308,557	\$ 228,090	\$ -	\$ 1,656,763

Schedules

**Nicollet County
St. Peter, Minnesota**

Exhibit D-1

**Schedule of Intergovernmental Revenue – Governmental Funds
For the Year Ended December 31, 2022**

Appropriations and Shared Revenue

State

Highway users tax	\$ 9,295,417
County program aid	1,801,276
Disparity reduction aid	11,666
Police aid	145,238
Enhanced 911	221,877
Market value credit	259,110
SCORE	101,299
Aquatic invasive species prevention aid	69,485
Riparian protection aid	77,397

Total appropriations and shared revenue	<u>\$ 11,982,765</u>
--	-----------------------------

Reimbursement for Services

State

Minnesota Department of Human Services	<u>\$ 1,419,699</u>
--	----------------------------

Payments

Local

Other contributions	\$ 22,366
Payments in lieu of taxes	50,113

Total payments	<u>\$ 72,479</u>
-----------------------	-------------------------

Grants

State

Minnesota Department/Office of	
Public Safety	\$ 29,173
Secretary of State	71,578
Health	180,373
Natural Resources	86,450
Human Services	2,463,209
Veterans Affairs	10,000
Corrections	695,401
Water and Soil Resources Board	50,885
Pollution Control Agency	46,156

Total state	<u>\$ 3,633,225</u>
--------------------	----------------------------

Federal

Department of	
Agriculture	\$ 542,305
Justice	70,577
Transportation	453,518
Treasury	926,408
Education	1,565
Health and Human Services	3,561,979
Homeland Security	105,651

Total federal	<u>\$ 5,662,003</u>
----------------------	----------------------------

Total state and federal grants	<u>\$ 9,295,228</u>
---------------------------------------	----------------------------

Total Intergovernmental Revenue	<u><u>\$ 22,770,171</u></u>
--	------------------------------------

**Nicollet County
St. Peter, Minnesota**

Exhibit D-2

**Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2022**

Federal Grantor Pass-Through Agency Program or Cluster Title	Assistance Listing Number	Pass-Through Grant Numbers	Expenditures
U.S. Department of Agriculture			
Passed Through Brown-Nicollet Community Health Services Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	222MN004W1003	\$ 155,651
Passed Through Minnesota Department of Human Services SNAP Cluster State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	222MN101S2514	<u>386,654</u>
Total U.S. Department of Agriculture			<u>\$ 542,305</u>
U.S. Department of Justice			
Passed Through Minnesota Department of Public Safety Crime Victim Assistance	16.575	F-CVS-2022-NICCAO	<u>\$ 70,577</u>
U.S. Department of Transportation			
Passed Through Minnesota Department of Transportation Highway Planning and Construction Cluster Highway Planning and Construction	20.205	00052	<u>\$ 132,861</u>
U.S. Department of the Treasury			
Direct COVID-19 – Coronavirus State and Local Fiscal Recovery Funds	21.027		<u>\$ 926,408</u>
U.S. Department of Education			
Passed Through Brown-Nicollet Community Health Services Special Education – Grants for Infants and Families	84.181	H181A210029	<u>\$ 1,565</u>
U.S. Department of Health and Human Services			
Direct Drug-Free Communities Support Program Grants	93.276		\$ 116,688
Passed Through Brown-Nicollet Community Health Services Public Health Emergency Preparedness	93.069	NU90TP922026	13,891
Early Hearing Detection and Intervention	93.251	H61MC00035	1,275
Immunization Cooperative Agreements	93.268	NH23IP922628	115,274
Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families 93.558 \$421,744)	93.558	1801MNTANF	42,856
Medicaid Cluster Medical Assistance Program (Total Medical Assistance Program 93.778 \$1,344,585)	93.778	2205MN5ADM	31,133
Maternal and Child Health Services Block Grant to the States	93.994	B04MC28107	5,296

**Nicollet County
St. Peter, Minnesota**

Exhibit D-2
(Continued)

**Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2022**

Federal Grantor Pass-Through Agency Program or Cluster Title	Assistance Listing Number	Pass-Through Grant Numbers	Expenditures
U.S. Department of Health and Human Services (Continued)			
Passed Through Minnesota Department of Human Services			
Promoting Safe and Stable Families	93.556	G-2101MNFPS	2,750
Temporary Assistance for Needy Families	93.558	2201MNTANF	378,888
(Total Temporary Assistance for Needy Families 93.558 \$421,744)			
Child Support Enforcement	93.563	2201MNCEST	568,408
Child Support Enforcement	93.563	2201MNCSES	187,271
(Total Child Support Enforcement 93.563 \$755,679)			
Refugee and Entrant Assistance – State Administered Programs	93.566	2201MNRCA	583
CCDF Cluster			
Child Care and Development Block Grant	93.575	G2201MNCDF	19,938
Community-Based Child Abuse Prevention Grants	93.590	G-2102MNBCAP	15,816
Stephanie Tubbs Jones Child Welfare Services Program	93.645	G-2201MNCWSS	2,504
Foster Care – Title IV-E	93.658	2201MNFOS	461,450
Social Services Block Grant	93.667	G-2201MNSOSR	156,330
Child Abuse and Neglect State Grants	93.669	G-2101MNNCAN	5,516
John H. Chafee Foster Care Program for Successful Transition to			
Adulthood	93.674	G-2201MNCILP	16,229
Children's Health Insurance Program	93.767	2205MN5021	2,996
Medicaid Cluster			
Medical Assistance Program	93.778	2205MN5ADM	1,300,239
Medical Assistance Program	93.778	2205MN5MAP	13,213
(Total Medical Assistance Program 93.778 \$1,344,585)			
Total U.S. Department of Health and Human Services			\$ 3,458,544
U.S. Department of Homeland Security			
Passed Through Minnesota Department of Natural Resources			
Boating Safety Financial Assistance	97.012	192793	\$ 81,460
Passed Through Minnesota Department of Public Safety			
Disaster Grants – Public Assistance (Presidentially Declared			
Disasters)	97.036	PA-05-MN-4442	89,047
Emergency Management Performance Grants	97.042	F-EMPG-2021-NICOLCO-3206	24,191
Total U.S. Department of Homeland Security			\$ 194,698
Total Federal Awards			\$ 5,326,958

The County did not pass any federal awards through to subrecipients during the year ended December 31, 2022.

Totals by Cluster

Total expenditures for SNAP Cluster	\$ 386,654
Total expenditures for Highway Planning and Construction Cluster	132,861
Total expenditures for Medicaid Cluster	1,344,585
Total expenditures for CCDF Cluster	19,938

Nicollet County

St. Peter, Minnesota

Notes to the Schedule of Expenditures of Federal Awards As of and for the Year Ended December 31, 2022

Note 1 – Summary of Significant Accounting Policies

Reporting Entity

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

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Nicollet County under programs of the federal government for the year ended December 31, 2022. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Nicollet County, it is not intended to and does not present the financial position, changes in net position, or cash flows of Nicollet County.

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.

Note 2 – De Minimis Cost Rate

Nicollet County has elected not to use the ten percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 3 – Reconciliation to Schedule of Intergovernmental Revenue

Reconciliation to Schedule of Intergovernmental Revenue	
Federal grant revenue per Schedule of Intergovernmental Revenue	\$ 5,662,003
Grants received more than 60 days after year-end, unavailable in 2022	
Highway Planning and Construction (AL No. 20.205)	27,679
Disaster Grants – Public Assistance (Presidentially Declared Disasters) (AL No. 97.036)	89,047
Unavailable in 2021, recognized as revenue in 2022	
Highway Planning and Construction (AL No. 20.205)	(348,336)
Temporary Assistance for Needy Families (AL No. 93.558)	(103,429)
Medical Assistance Program (AL No. 93.778)	(6)
Expenditures per Schedule of Expenditures of Federal Awards	<u>\$ 5,326,958</u>

Management and Compliance Section



**Report on Internal Control Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards***

Independent Auditor's Report

Board of County Commissioners
Nicollet County
St. Peter, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Nicollet County, Minnesota, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated July 17, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Nicollet County's internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs as item 2022-001, that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Nicollet County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial

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

Minnesota Legal Compliance

In connection with our audit, nothing came to our attention that caused us to believe that Nicollet County failed to comply with the provisions of the contracting – bid laws, depositories of public funds and public investments, conflicts of interest, public indebtedness, claims and disbursements, and miscellaneous provisions sections of the *Minnesota Legal Compliance Audit Guide for Counties*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the County’s noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

Nicollet County’s Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Nicollet County’s response to the internal control finding identified in our audit and described in the accompanying Corrective Action Plan. The County’s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting, compliance, and the provisions of the *Minnesota Legal Compliance Audit Guide for Counties* and the results of that testing, and not to provide an opinion on the effectiveness of the County’s internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County’s internal control over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.

/s/Julie Blaha

Julie Blaha
State Auditor

July 17, 2023

**Report on Compliance for Each Major Federal Program and Report on Internal
Control Over Compliance Required by the Uniform Guidance**Independent Auditor's Report

Board of County Commissioners
Nicollet County
St. Peter, Minnesota

Report on Compliance for Each Major Federal Program***Qualified and Unmodified Opinions***

We have audited Nicollet County's compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of Nicollet County's major federal programs for the year ended December 31, 2022. Nicollet County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Qualified Opinion on Medicaid Cluster

In our opinion, except for the noncompliance described in the Basis for Qualified and Unmodified Opinions section of our report, Nicollet County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on Medicaid Cluster for the year ended December 31, 2022.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, Nicollet County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs for the year ended December 31, 2022.

Basis for Qualified and Unmodified Opinions

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

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

Matter Giving Rise to Qualified Opinion on Medicaid Cluster

As described in the accompanying Schedule of Findings and Questioned Costs, Nicollet County did not comply with requirements regarding Assistance Listing No. 93.778 Medical Assistance Program as described in finding number 2022-002 for Eligibility.

Compliance with such requirements is necessary, in our opinion, for Nicollet County to comply with the requirements applicable to that program.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards*, and the Uniform Guidance, we:

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

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

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance, and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2022-003. Our opinion on each major federal program is not modified with respect to this matter.

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

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2022-002 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2022-003 to be a significant deficiency.

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

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

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

/s/Julie Blaha

Julie Blaha
State Auditor

July 17, 2023

Nicollet County St. Peter, Minnesota

Schedule of Findings and Questioned Costs For the Year Ended December 31, 2022

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report the auditor issued on whether the financial statements audited were prepared in accordance with generally accepted accounting principles: **Unmodified**

Internal control over financial reporting:

- Material weaknesses identified? **Yes**
- Significant deficiencies identified? **None reported**

Noncompliance material to the financial statements noted? **No**

Federal Awards

Internal control over major federal programs:

- Material weaknesses identified? **Yes**
- Significant deficiencies identified? **Yes**

Type of auditor’s report issued on compliance for major federal programs: **Unmodified, except for Medicaid Cluster, which is qualified.**

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? **Yes**

Identification of major federal programs:

Assistance Listing Number	Name of Federal Program or Cluster
21.027	COVID-19 – Coronavirus State and Local Fiscal Recovery Funds
93.563	Child Support Enforcement
93.778	Medicaid Cluster

The threshold used to distinguish between Type A and B programs was \$750,000.

Nicollet County qualified as a low-risk auditee? **No**

Section II – Financial Statement Findings

2022-001 **Audit Adjustment**

Prior Year Finding Number: N/A

Repeat Finding Since: N/A

Type of Finding: Internal Control Over Financial Reporting

Severity of Deficiency: Material Weakness

Nicollet County St. Peter, Minnesota

Criteria: A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements of the financial statements on a timely basis. Auditing standards define a material weakness as a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected, on a timely basis.

Condition: A material audit adjustment was identified that resulted in significant changes to the County's financial statements.

Context: The inability to detect significant misstatements in the financial statements increases the likelihood that the financial statements would not be fairly presented. The adjustment was found in the audit; however, independent external auditors cannot be considered part of the County's internal control.

Effect: The Ditch Special Revenue Fund required an adjustment to increase due to other governments and conservation of natural resources expenditures by \$165,967 for additional payables related to 2022 joint ditch costs.

The audit adjustment was reviewed and approved by management and is reflected in the financial statements.

Cause: This activity was overlooked by staff when financial statement information was prepared.

Recommendation: We recommend the County review internal controls currently in place and design and implement procedures to improve internal controls over financial reporting which will prevent, or detect and correct, misstatements in the financial statements.

View of Responsible Official: Acknowledge.

Section III – Federal Award Findings and Questioned Costs

2022-002 Eligibility

Prior Year Finding Number: N/A

Repeat Finding Since: N/A

Type of Finding: Internal Control Over Compliance and Compliance

Severity of Deficiency: Material Weakness and Modified Opinion

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

Program: 93.778 Medical Assistance Program

Award Number and Year: 2205MN5ADM; 2022

Pass-Through Agency: Minnesota Department of Human Services

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

Nicollet County St. Peter, Minnesota

Condition: The Minnesota Department of Human Services (DHS) maintains the computer systems, MAXIS and METS, which are used by Nicollet County to support the eligibility determination process. In the case files reviewed for eligibility, not all documentation was available, updated, or input correctly to support participant eligibility. The following exceptions were noted in the sample of 40 MAXIS and 40 METS case files tested:

- Four MAXIS case files included amounts for various client accounts (assets) that were not properly updated and/or substantiated for the most recent application/certification prior to being automatically renewed during the pandemic.
- One MAXIS case file was not updated to include the correct income amount.
- Four METS case files included income amounts that were incorrect or were not supported with documentation retained.
- Three MAXIS case files transferred from other agencies did not include the supporting documentation to verify the income or assets were correct, and one of the three case files did not include the most recent application on file.

Questioned Costs: None.

Context: The State of Minnesota and the County split the eligibility determination process. Pursuant to Minnesota statutes, Nicollet County performs the “intake function” needed for this program, while the state maintains the MAXIS and METS systems, which support the eligibility determination process. Participants receive benefit payments from the state.

The sample size was based on guidance from chapter 11 of the AICPA Audit Guide, *Government Auditing Standards and Single Audits*.

Effect: The lack of updated information in MAXIS and METS and documented verification of key eligibility-determining factors increases the risk that a program participant will receive benefits when they are not eligible.

Cause: Program personnel entering case data into MAXIS or clearing case data flagged by METS did not ensure all required information was input correctly or was supported and that all required information was obtained and/or retained.

Recommendation: We recommend Nicollet County implement additional procedures to provide reasonable assurance that all necessary documentation to support eligibility determinations exists and is properly input or updated in MAXIS and METS, and issues are followed up on in a timely manner.

View of Responsible Official: Acknowledge.

2022-003 Allowable Cost/Cost Principles and Reporting

Prior Year Finding Number: N/A

Repeat Finding Since: N/A

Type of Finding: Internal Control Over Compliance and Compliance

Severity of Deficiency: Significant Deficiency and Other Matter

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

Nicollet County

St. Peter, Minnesota

Program: 93.778 Medical Assistance Program

Award Number and Year: 2205MN5ADM; 2022

Pass-Through Agency: Minnesota Department of Human Services

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

For County federal awards received from the Minnesota Department of Human Services (DHS), internal control should be established and maintained to provide assurance that program reports submitted to DHS are completed accurately and in accordance with report instructions. As part of the County's reporting requirements for the Medical Assistance Program, the County submits to DHS the quarterly Social Service Fund Report (DHS-2556), the quarterly Local Collaborative Time Study (LCTS) Cost Schedule Reports (DHS-3220), and the LCTS Annual Spending Report.

Condition: The following exceptions were noted in the tested samples of program activity reports:

- A portion of administrative costs included on the 2022 DHS-2556 reports totaling approximately \$400,000, were misclassified as Direct Materials and Supplies rather than Services and Charges.
- Sampled DHS-3220 reports for the Community Corrections Department overstated the federal funds cost pool by including payroll costs for employees that were not LCTS participants, including accrued expenditures, omitting applicable federal revenue offsets, and containing clerical/mathematical errors in the allocation of costs to LCTS participants and supporting staff. In total, the two sampled reports overstated the federal funds cost pool by approximately \$41,500.
- The LCTS funds reported on the LCTS Annual Spending Report were for the incorrect period resulting in an understatement of approximately \$22,000.

Questioned Costs: Questioned costs identified were less than \$25,000.

Context: The DHS relies on accurate reporting of program costs to ensure that resulting grant funds paid to the County are for applicable federal program activities/costs and provide detailed information necessary for maintaining proper oversight over federal programs.

The sample sizes were based on the guidance from chapter 11 of the AICPA Audit Guide, *Government Auditing Standards and Single Audits*.

Effect: Errors in the submission of costs on the quarterly reports can impair the DHS's ability to provide required oversight over federal programs and can result in the County receiving either more or less federal funds than allowed based on the actual underlying activity.

Cause: The County's controls over preparation of the quarterly reports were not sufficient to identify the reporting errors.

Nicollet County St. Peter, Minnesota

Recommendation: We recommend Nicollet County implement controls that ensure that all DHS reports include only allowable costs and are completed accurately in accordance with DHS guidance.

View of Responsible Official: Acknowledge.

**Representation of Nicollet County
St. Peter, Minnesota**

Corrective Action Plan
For the Year Ended December 31, 2022

Finding Number: 2022-001

Finding Title: Audit Adjustment

Name of Contact Person Responsible for Corrective Action:

Jaci Kopet, PPSD Director

Christine Johnson, Accountant

Heather McCormick, Finance Director

Corrective Action Planned:

Finance Director (Heather McCormick) will share the audit finding with Property and Public Services (PPSD) Director (Jaci Kopet) and Finance staff. Additional financial statement education will be communicated for staff to develop knowledge and expertise.

Finance will work with Property & Public Services on ideas for improvements on financial reporting as the Ditch Fund identified a material weakness. Additional review will occur specific to the areas of joint ditch billings and outstanding accounts payable.

In preparation of the 2023 audit, the year-end journal entries and year end procedures will be reviewed to identify necessary improvements to ensure the financial statements are accurate, complete, and fairly represented in accordance with generally accepted accounting principles.

In addition, Nicollet County is currently collaborating with Sibley County to find a better solution for the joint drainage bill back and collections in the future.

Anticipated Completion Date:

2/29/24

Finding Number: 2022-002

Finding Title: Eligibility

Program: 93.778 Medical Assistance Program

Name of Contact Person Responsible for Corrective Action:

Tami Simonson, Financial Assistance Supervisor

Corrective Action Planned:

At a staff meeting, the income maintenance supervisor reminded staff members of the importance of asset balances in Maxis matching what is documented in the case file and within the case note.

Reminders were also provided to use the ending balance on the statement, or balance as of the first of the month, whichever is appropriate, and to case note if subtracting monthly income to reach the balance recorded.

Additionally, the healthcare team discussed what income to use in the budget. The importance of documenting which pay stubs were used and how income was averaged was stressed. The procedure for clearing flagged verifications was also reviewed.

Staff were directed to enter case notes every time a request is made to another county for a file so that we have a record of request dates if it is not received. Staff members were also reminded to review files for current applications, renewal, etc. when a file is received.

Anticipated Completion Date:

All actions have been completed as of 6/30/23.

Finding Number: 2022-003

Finding Title: Allowable Cost/Cost Principles and Reporting

Program: 93.778 Medical Assistance Program

Name of Contact Person Responsible for Corrective Action:

Chris Girmscheid, Fiscal Supervisor

Samantha Anderley, Community Corrections Admin Support Technician

Corrective Action Planned:

Finance Director (Heather McCormick) will share the audit finding with Health and Human Services, Community Corrections, and Finance staff.

DHS-2556 Category Classification – Updates will be made by the Fiscal Supervisor to DHS quarterly report procedures. Appropriate 2022 reports will be resubmitted with the expense category reclassification. Cross training will also be completed on DHS quarterly reports. All DHS quarterly reports will be appropriately reviewed prior to submission to ensure reports are accurate and in accordance with DHS guidance.

DHS-3220 Federal Funds cost pool reports – Updates will be made by the Community Corrections Admin Support Technician to quarterly report procedures and support spreadsheets. Quarterly LCTS report submissions will be appropriately reviewed prior to submission to ensure reports are accurate and in accordance with DHS guidance.

LCTS Annual Spending Report – Updates will be made by the Fiscal Supervisor and HHS Accounting Specialist to LCTS Annual Spending Report procedures. Cross training and delegation of this report to the HHS Accounting Specialist will also be completed. The LCTS Annual Spending Report will be appropriately reviewed prior to submission to ensure reports are accurate and in accordance with DHS guidance.

Anticipated Completion Date:

DHS-2556 Category Classification – 2023 report corrections immediately implemented, 2022 report corrections by 7/20/2023, other items 9/30/23.

DHS-3220 Federal Funds cost pool reports – report corrections immediately implemented.

LCTS Annual Spending Report – report corrections immediately implemented, other 9/30/23.