Financial Statements
Year Ended December 31, 2019

Pipestone County

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County Board

Name	Position	District	Term Expires
Bruce Kooiman	Chairperson	District 3	2020
Luke Johnson	Vice-Chairperson	District 1	2020
Les Nath	Commissioner	District 2	2021
Daniel Wildermuth	Commissioner	District 4	2021
Chris Hollingsworth	Commissioner	District 5	2020

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Independent Auditor's Report

To the County Board
Pipestone County
Preston, Minnesota

Report on the Financial Statements
We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Pipestone County (the County) as of and for the year ended December 31, 2019, including the Medical Center as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

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

Auditor's Responsibility
Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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Opinions
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County as of December 31, 2019, including the Medical Center as of June 30, 2019, and the respective changes in financial position and, where applicable, cashflow thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

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

Management has omitted the management's discussion and analysis that the accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by the missing information.

Other Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's financial statements. The introductory section and combining fund schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The introductory section has not been subjected to auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2020, 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.

Report on Other Legal and Regulatory Requirements

In accordance with the Legal Compliance Audit Guide prepared by the Office of the State Auditor pursuant to Minn. Stat. §6.65, we have also issued a report dated June 30, 2020 on our consideration of the County's compliance with aspects of the provisions of the Minnesota Legal Compliance Audit Guide for Counties. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing, and not directed primarily toward obtaining knowledge of noncompliance. That report is an integral part of procedures performed in accordance with the Office of the State Auditor's Minnesota Legal Compliance Audit Guide for Counties in considering the County's compliance with certain regulatory requirements pursuant to Minn. Stat. §6.65.

Eide Bailly LLP

Mankato, Minnesota
June 30, 2020

Pipestone County
Statement of Net Position
December 31, 2019

	Primary Government		
	Governmental Activities	Business Type Activities	Total
Assets			
Cash and pooled investments	$ 9,117,792	$ 7,616,987	$ 16,734,779
Investments	1,219,000	11,754,695	12,973,695
Undistributed cash in agency funds	189	-	189
Receivables			
Delinquent taxes receivable	75,779	-	75,779
Patient and resident, net of estimated uncollectibles of $1,135,000	-	4,452,819	4,452,819
Due from joint operating agreement partner	-	1,324,226	1,324,226
Estimated third-party payor settlements	-	300,000	300,000
Other receivables	607,633	255,150	862,783
Inventories	210,440	686,833	897,273
Prepaid expenses	-	453,041	453,041
Due from other governments	5,182,885	-	5,182,885
Assets restricted for indenture agreements	-	664,812	664,812
Investment in joint venture	-	432,604	432,604
Other assets	-	169,236	169,236
Capital assets, net of accumulated depreciation where applicable			
Land	1,326,921	1,277,445	2,604,366
Construction in progress	34,775	445,366	480,141
Right-of-way	1,267,283	-	1,267,283
Historical treasures	35,924	-	35,924
Buildings and building improvements	4,475,801	29,918,257	34,394,058
Land improvements	273,087	1,075,180	1,348,267
Machinery and equipment	2,969,040	3,668,236	6,637,276
Infrastructure	45,350,554	-	45,350,554
Total capital assets	55,733,385	36,384,484	92,117,869
Total assets	72,147,103	64,494,887	136,641,990
Deferred Outflows of Resources			
Pension related deferred outflows	1,180,788	1,736,053	2,916,841
OPEB related deferred outflows	43,382	-	43,382
Total deferred outflows of resources	1,224,170	1,736,053	2,960,223
Liabilities			
Accounts payable	228,672	1,473,964	1,702,636
Contracts payable	768,000	-	768,000
Accrued liabilities	288,362	1,259,341	1,547,703
Internal balances	21,700	-	21,700
Due to other governments	31,271	-	31,271
Noncurrent liabilities			
Due within one year - bonds, loans, compensated absences, premium on bonds	64,899	645,588	710,487
Due in more than one year - bonds, loans, compensated absences, premium on bonds	299,837	24,341,276	24,641,113
Due in more than one year - net pension liability	3,182,883	7,472,604	10,655,487
Due in more than one year - OPEB obligation	542,805	-	542,805
Total liabilities	5,428,429	35,192,773	40,621,202
Deferred Inflows of Resources			
Pension related deferred inflows	2,217,721	2,341,666	4,559,387
OPEB related deferred inflows	13,689	-	13,689
Total deferred inflows of resources	2,231,410	2,341,666	4,573,076
Net Position			
Net investment in capital assets	55,647,516	11,697,882	67,345,398
Restricted for specific purposes	1,670,079	664,812	2,334,891
Unrestricted	8,393,839	16,333,807	24,727,646
Total net position	$ 65,711,434	$ 28,696,501	$ 94,407,935

		Program Revenues		Net Revenue (Expense) and Changes in Net Position		
				Primary Government		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities						
General government	$ 4,375,538	$ 245,964	$ 960,094	$ (3,169,480)	$ -	$ (3,169,480)
Public safety	3,704,981	1,610,872	198,205	(1,895,904)	-	(1,895,904)
Public works	4,865,613	264,825	5,295,422	694,634	-	694,634
Sanitation	333,243	-	-	(333,243)	-	(333,243)
Human services	1,306,981	-	-	(1,306,981)	-	(1,306,981)
Health	122,349	-	-	(122,349)	-	(122,349)
Culture, recreation, and education	118,055	-	-	(118,055)	-	(118,055)
Conservation and development	452,015	2,850	161,315	(287,850)	-	(287,850)
Economic development	15,204	-	-	(15,204)	-	(15,204)
Interest and fiscal charges	29,302	-	-	(29,302)	-	(29,302)
Total governmental activities	15,323,281	2,124,511	6,615,036	(6,583,734)	-	(6,583,734)
Business-type activities						
Medical Center	30,209,539	29,187,613	205,536	-	(816,390)	(816,390)
Total	$ 45,532,820	$ 31,312,124	$ 6,820,572	(6,583,734)	(816,390)	(7,400,124)
General Revenues						
Property taxes, levied for general purposes				4,509,968	-	4,509,968
Property taxes, levied for human services				1,294,613	-	1,294,613
Property taxes, levied for roads and bridges				1,381,873	-	1,381,873
Other taxes				460,936	-	460,936
Grants and contributions not restricted to specific programs				57,175	-	57,175
Investment income				241,547	252,468	494,015
Refunds and reimbursements				225,845	-	225,845
Insurance dividend				65,075	-	65,075
Miscellaneous				320,311	103,849	424,160
Minority interest				-	1,353,566	1,353,566
Transfers				(214,016)	212,888	(1,128)
Total general revenues and transfers				8,343,327	1,922,771	10,266,098
Change in net position				1,759,593	1,106,381	2,865,974
Net Position - Beginning				63,951,841	27,590,120	91,541,961
Net Position - Ending				$ 65,711,434	$ 28,696,501	$ 94,407,935

	General Fund	Special Revenue Roads and Bridges	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and pooled investments	$ 5,274,353	$ 2,800,427	$ 1,043,012	$ 9,117,792
Undistributed cash in agency funds	-	-	189	189
Investments	44,000	1,175,000	-	1,219,000
Receivables:				
Taxes - delinquent	42,729	13,074	19,976	75,779
Special assessments - delinquent	14,678	-	4	14,682
Special assessments - noncurrent	230,848	-	-	230,848
Accounts	126,016	42,211	-	168,227
Interest	26,187	3,983	-	30,170
Loans	-	-	163,706	163,706
Due from other governments	76,439	5,106,446	-	5,182,885
Due from other funds	-	14,966	-	14,966
Inventories	-	210,440	-	210,440
Total assets	$ 5,835,250	$ 9,366,547	$ 1,226,887	$ 16,428,684
Liabilities				
Accounts payable	$ 143,876	$ 84,796	$ -	$ 228,672
Contracts payable	3,511	764,489	-	768,000
Accrued liabilities	221,725	66,637	-	288,362
Due to other governments	30,701	570	-	31,271
Due to other funds	14,966	-	21,700	36,666
Total liabilities	414,779	916,492	21,700	1,352,971
Deferred Inflows of Resources				
Unavailable revenues	347,939	4,666,373	19,980	5,034,292
Fund Balances				
Nonspendable	6,523	210,440	163,706	380,669
Restricted	304,100	1,074,438	297,372	1,675,910
Assigned	1,955,196	2,498,804	724,129	5,178,129
Unassigned	2,806,713	-	-	2,806,713
Total fund balances	5,072,532	3,783,682	1,185,207	10,041,421
Total liabilities, deferred inflows of resources and fund balances	$ 5,835,250	$ 9,366,547	$ 1,226,887	$ 16,428,684

Total fund balance - governmental funds		$ 10,041,421
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in government activities are not financial resources, and therefore, are not reported in the fund statements. Capital assets at year end consist of:		
Capital assets	$ 84,547,099	
Accumulated depreciation	(28,813,714)	55,733,385
Revenues that are not available to pay current liabilities are reported as deferred inflows of resources in the fund financial statements and are recognized as revenue when earned in the government-wide financial statements. Notes receivable are also off set by deferred inflows of resources in the fund financial statements. These types of deferred inflows of resources at year end consist of:		
Delinquent taxes	75,779	
Delinquent and noncurrent special assessments	245,530	
Interest on delinquent taxes and special assessments	30,170	
Accounts receivable not received within 60 days of year end	32,196	
Unexpended state allotments	4,650,617	5,034,292
Long-term liabilities, including bond and notes payable, are not due in the current period and, therefore, are not reported in the fund statements. Long-term liabilities at year end consist of:		
Compensated absences	(278,867)	
Loans payable	(85,869)	
Net pension liability	(3,182,883)	
OPEB Obligation	(542,805)	(4,090,424)
Pension and OPEB related deferred outflows of resources and deferred inflows of resources are not due and payable in the current period and therefore are not reported in the funds		
Deferred outflows of resources	1,224,170	
Deferred inflows of resources	(2,231,410)	(1,007,240)
Total net position - governmental activities		$ 65,711,434

	General Fund	Special Revenue Roads and Bridges	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Taxes	$ 4,434,231	$ 1,381,873	$ 1,515,037	$ 7,331,141
Special Assessments	285,142	-	11,839	296,981
Intergovernmental	1,543,133	4,248,433	-	5,791,566
Licenses and permits	18,225	-	-	18,225
Fines, forfeitures and penalties	9,370	-	-	9,370
Public charges for services	1,768,524	136,158	-	1,904,682
Investment income	239,494	16,765	4,114	260,373
Miscellaneous	428,240	483,485	-	911,725
Total revenues	8,726,359	6,266,714	1,530,990	16,524,063
Expenditures				
Current				
General government	4,196,762	-	-	4,196,762
Public safety	3,580,173	-	-	3,580,173
Highways and streets	-	5,639,063	-	5,639,063
Sanitation	324,375	-	-	324,375
Human services	-	-	1,306,981	1,306,981
Health	122,349	-	-	122,349
Culture and recreation	118,055	-	-	118,055
Conservation	440,590	-	10,865	451,455
Economic development	15,204	-	-	15,204
Intergovernmental	-	373,354	-	373,354
Debt service				
Principal	27,624	-	-	27,624
Interest and fiscal charges	1,678	-	-	1,678
Total expenditures	8,826,810	6,012,417	1,317,846	16,157,073
Excess (Deficiency) of Revenues Over (Under) Expenditures	(100,451)	254,297	213,144	366,990
Other Financing Uses				
Transfers out	-	-	(214,016)	(214,016)
Net change in fund balances	(100,451)	254,297	(872)	152,974
Fund Balances - Beginning of Year	5,172,983	3,599,975	1,186,079	9,959,037
Change in reserve for inventory	-	(70,590)	-	(70,590)
Fund Balances - End of Year	$ 5,072,532	$ 3,783,682	$ 1,185,207	$ 10,041,421

Net change in fund balances - total governmental funds	$ 152,974
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported as expenditures in governmental funds However, in the statement of activities the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:	
Capital Outlay	2,977,382
Depreciation Expense	(1,961,642)
Taxes and other receivables that are not available to pay current liabilities are reported as deferred inflows of resources in the fund financial statements but are recognized as revenue when earned in the government-wide financial statements. This is the effect of those deferred inflows of resources.	701,585
Debt issued provides current financial resources in the governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	
Principal payments	27,624
Some expenses in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the fund financial statements.	
Change in compensated absences	(15,410)
Change in net pension liability	118,015
Change in OPEB obligation	(3,571)
Change in deferred pension outflows	(777,249)
Change in deferred pension inflows	614,972
Change in deferred OPEB outflows	9,192
Change in deferred OPEB inflows	(13,689)
The change in inventory is reported as a change in fund balance in the fund financial statements, but is a change in expense in the government-wide statements.	(70,590)
Change in net position of government activities	$ 1,759,593

Assets	
Current Assets	
Cash and pooled investments	$ 7,616,987
Short-term investments	11,754,695
Patient and resident service receivables, net	4,452,819
Due from joint operating agreement partner	1,324,226
Estimated third-party payor settlements	300,000
Other receivables	255,150
Prepaid items	453,041
Inventories	686,833
Total current assets	26,843,751
Noncurrent Assets	
Restricted by indenture agreements	664,812
Investment in joint venture	432,604
Capital assets - net	36,384,484
Other assets	169,236
Total noncurrent assets	37,651,136
Total assets	64,494,887
Deferred Outflows of Resources	
Deferred pension outflows	1,736,053
Liabilities	
Current Liabilities	
Current maturities of long-term debt	639,966
Accounts payable	
Trade	1,109,414
Construction	364,550
Accrued liabilities	
Compensated absences	633,553
Salaries and wages	436,088
Payroll taxes and other	112,778
Interest	76,922
Total current liabilities	3,373,271
Noncurrent liabilities	
Net pension liability	7,472,604
Long-term debt, less current maturities	24,346,898
Total noncurrent liabilities	31,819,502
Total liabilities	35,192,773
Deferred Inflows of Resources	
Deferred pension inflows	2,341,666
Net Position	
Net investment in capital assets	11,697,882
Restricted - expendable for debt service	664,812
Unrestricted	16,333,807
Total net position	$ 28,696,501

Operating Revenues	
Net patient and resident service revenue, net	$ 28,052,600
Miscellaneous	1,238,862
Total operating revenues	29,291,462
Operating Expenses	
Salaries and wages	9,778,944
Employee benefits	2,262,285
Purchased services	7,566,130
Supplies and other expenses	7,318,106
Depreciation	2,533,356
Total operating expenses	29,458,821
Operating Loss	(167,359)
Nonoperating Revenues (Expenses)	
Investment income	252,468
Noncapital grants and contributions	205,536
Joint operating agreement partner's share of income	1,353,566
Interest expense	(750,718)
Total Nonoperating Revenues, Net	1,060,852
Revenues in Excess of Expenses	893,493
Transfer in	212,888
Change in Net Position	1,106,381
Net Position, Beginning of Year	27,590,120
Net Position, Ending of Year	$ 28,696,501

Cash Flows from Operating Activities	
Receipts from and on behalf of patients	$ 27,705,986
Payments to employees for services	(12,668,406)
Payments to suppliers and others	(15,215,342)
Other receipts and payments, net	1,148,361
Net Cash from Operating Activities	970,599
Cash Flows from Noncapital Financing Activities	
Transfers from other funds	212,888
Noncapital grants and contributions	205,536
Net Cash from Noncapital Financing Activities	418,424
Cash Flows used for Capital and Related Financing Activities	
Purchase of capital assets	(749,560)
Proceeds from the issuance of long-term debt	594,019
Principal paid on long-term debt	(739,571)
Interest paid on long-term debt, net of capitalized interest	(734,428)
Net Cash used for Capital and Related Financing Activities	(1,629,540)
Cash Flows from Investing Activities	
Purchases of short term investments	(2,500,000)
Sales and maturities of investments	1,399,736
Investment income	252,468
Capital contributed by joint operating agreement partner	2,286,203
Distribution from joint venture	92,201
Net Cash from Investing Activities	1,530,608
Net Change in Cash and Cash Equivalents	1,290,091
Cash and Cash Equivalents, Beginning of Year	6,991,708
Cash and Cash Equivalents, End of Year	$ 8,281,799
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position	
Cash and cash equivalents in current assets	$ 7,616,987
Noncurrent cash	664,812
Total cash and cash equivalents	$ 8,281,799

Reconciliation of Operating Loss to Net Cash from Operating Activities		
Operating loss	$	(167,359)
Adjustments to reconcile operating loss to net cash from operating activities		
Depreciation		2,533,357
Provision for bad debts		893,759
Non-cash patronage allocation		(150,122)
Change in assets and liabilities		
Receivables		(750,875)
Supplies		(7,285)
Prepaid expenses		(171,255)
Accounts payable		(582,444)
Net Pension liability		(1,515,974)
Deferred outflows of resources		752,364
Deferred inflows of resources		39,313
Accrued expenses		97,120
Net Cash from Operating Activities	$	970,599
Supplemental Disclosure of Noncash Investing and Financing Activities		
Accounts payable - construction in progress	$	364,550

	Agency Funds
Assets	
Cash and investments	$ 244,120
Liabilities	
Due to other governments	$ 244,120

Note 1 - Summary of Significant Accounting Policies

Pipestone County (the County) was established May 23, 1857. The accounting policies of Pipestone County, Minnesota (the County) conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The accepted standard setting body for establishing governmental accounting and financial reporting principles is the Governmental Accounting Standards Board (GASB).

A. Financial Reporting Entity

The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Pipestone County is an organized County having the powers, duties, and privileges granted counties by Minn. Statute 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 January meeting.

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the nature and significance of their relationships with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The County has one blended component unit, the Pipestone County Medical Center, which provides acute inpatient and outpatient care to the County area. County Commissioners are the members of the Pipestone County Medical Center Board, and a financial benefit/burden relationship exists. The Pipestone County Medical Center reports on a fiscal year-end of June 30th. The fiscal year of July 1, 2018 to June 30, 2019, is presented in these financial statements.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. *Governmental activities,* which normally are supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (a) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for the governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the *modified accrual basis of accounting.* Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

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.

The government reports the following major governmental funds:

- **General Fund** – accounts for the County's primary operating activities. It is used to account for and report all financial resources except those required to be accounted for and reported in another fund.

- **Roads and Bridges Special Revenue Fund** – accounts for restricted revenues from the federal and state government, as well as assigned property tax revenues used for the construction and maintenance of roads, bridges, and other projects affecting County roadways.

The government reports the following major enterprise fund:

- **Medical Center Fund** – accounts for the operation of the Medical Center, a blended component unit of Pipestone County. The Pipestone County Medical Center operates a 25-bed acute care hospital located in Pipestone, Minnesota, and medical clinics located in Pipestone, Minnesota, and other area communities.

The government reports the following non-major funds:

- **Family Services Special Revenue Fund –** accounts for assigned property tax revenues used for economic assistance and community social programs.

- **Ditch Special Revenue Fund** – accounts for special assessment revenues levied against benefitted property to finance the cost of constructing and maintaining an agricultural drainage ditch system.

- **Medical Facility Bonds Debt Service Fund** – accounts for the accumulation of restricted resources used for, and the payment of, principal, interest, and related costs.

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

- **Lincoln-Pipestone Rural Water System Fund** – accounts for the collection and disbursement of funds to the Lincoln-Pipestone Rural Water System.

- **State Revenue Fund** – accounts for the state's share of property taxes and state fees collected by the County.

- **Taxes and Penalties Fund** – accounts for property taxes collected for the County on behalf of school districts and local municipalities.

D. Assets, Liabilities, Deferred Inflows/Outflows of Resources, and Net Position or Fund Balance

1. Cash and Investments

Cash balances of the County's funds are combined (pooled) and invested to the extent available in various deposits and investments authorized by Minnesota State Statutes. Each fund shares in the investment earnings according to its average cash and investments balance. Cash includes amounts in demand deposits, as well as short-term investments with an original maturity date within three months of the date acquired by the County.

The County has adopted an investment policy. That policy follows state statutes for allowable investments. The policy also follows state statutes to address custodial credit risk by requiring the County Treasurer to monitor collateral to ensure it is held in safekeeping by a third party and it is at least 10% greater than the amount on deposit. The policy also requires that County deposits be held in qualifying financial institutions within the County, and that they be diversified to reduce the concentration of credit risk.

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on quoted market prices. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income. Investment income on commingled investments of municipal accounting funds is allocated to the general fund. The difference between the bank balance and carrying value is due to outstanding checks and/or deposits in transit.

The 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 MN Statues § 471.59. The MAGIC Fund is not registered with the Securities and Exchange Commission, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Therefore, the fair value of the County's position in the pool is essentially the same as the value of the pool shares.

Noncurrent cash includes cash restricted by loan agreements.

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds”. Interfund receivables and payables between funds within governmental activities are eliminated in the statement of net position.

Under the modified accrual basis of accounting, some revenues are susceptible to accrual while others are not. Major revenues treated as susceptible to accrual are: property taxes, special assessments, and state and federal aids. All receivables are reported at their gross value and, if appropriate, reduced by the estimated portion that is expected to be uncollectible. The County has determined that no portion of receivables is expected to be uncollectible, and therefore no allowance for uncollectible receivables have been provided.

Property Taxes. The County levies and collects property taxes and special assessments for all governmental units within the County. Property tax collections and payments to other governmental units are accounted for in agency funds. Property taxes and special assessments are billed to individual property owners within the County annually, and for the most part, are due and payable in January but may be paid in two equal installments on or before May 15 and October 15 without penalty. The County is required to distribute the collections to the various governmental units three times each year on a schedule prescribed in MN Statute 276.

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. No allowance for uncollectible delinquent taxes has been provided because of the County's demonstrated ability to recover any losses through the sale of the applicable property.

Special assessment receivables consist of delinquent special assessments payable in the years 2012 through 2019 and noncurrent special assessments payable in 2020 and after. Unpaid special assessments at December 31 are classified in the financial statements as delinquent special assessments.

All enterprise fund receivables are shown net of an allowance for uncollectibles. The allowance for doubtful accounts for patient and resident receivables was $1,135,000 at June 30, 2019.

Patient receivables are uncollateralized patient and third-party payor obligations. Payments of patient receivables are allocated to the specific claims identified on the remittance advice or, if unspecified, are applied to the earliest unpaid claim. The Medical Center does not assess interest on delinquent accounts.

The carrying amount of patient receivable is reduced by a valuation allowance that reflects management’s estimate of amounts that will not be collected from patients and third-party payors. Management reviews patient receivables by payor class and applies percentages to determine estimated amounts that will not be collected from third parties under contractual agreements and amounts that will not be collected from patients due to bad debts. Management considers historical write off and recovery information in determining the estimated bad debt provision.

3. Inventories and Prepaid Items

All inventories are valued at cost using the weighted average method. Inventories in governmental funds are recorded as expenditures when purchased rather than when consumed. Inventories in proprietary fund are stated at lower cost (first-in, first-out) or market and are recorded as expenses when consumed.

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

4. Restricted Assets

Certain funds of the County are classified as restricted assets on the statement of net position because the restriction is either imposed by law through constitutional provisions or enabling legislation or imposed externally by creditors, grantors, contributors, or laws or regulations of other governments. Therefore, their use is limited by applicable laws and regulations.

5. Capital Assets

Major outlays for capital assets and improvements are capitalized as projects are constructed. Capital assets, which include property, plant, equipment, and infrastructure assets (i.e., roads, bridges, sidewalks, and similar items), are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost per the schedule below. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

Governmental activities	$	10,000
Business-type activities		5,000

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.

Capital assets not being depreciated include land, right-of-way, historical treasures, and construction in progress.

Property, plant, and equipment of the primary government is depreciated using the straight-line method over the following estimated useful lives:

Governmental Activities	
Land improvements	20-35 Years
Buildings and building improvements	25-60 Years
Public domain infrastructure	15-70 Years
Machinery and equipment	3-15 Years
Business-Type Activities	
Land improvements	5-30 Years
Buildings and fixed equipment	5-40 Years
Major movable equipment	5-20 Years

The Medical Center capitalized as part of the costs of acquiring capital assets the interest cost on borrowed funds during the period of construction of capital assets. There was no capitalized interest for the year ended June 30, 2019.

6. Investment in Joint Venture

The Pipestone County Medical Center reports its investments in Central Minnesota Diagnostics, Inc. (CMDI) on the equity method of accounting. Under the equity method, original investments are recorded at cost and adjusted for the Medical Center's share of undistributed earnings or losses and distributions.

7. Deferred Outflows / Inflows of Resources

In addition to assets, the statement of financial position or governmental balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources,* represents a consumption of net position or fund balance that applies to a future period and so will *not* be recognized as an outflow (expense/expenditure) until then. The County has three items that qualify for reporting in this category. They are the contributions made to other post-employment benefit plans after the measurement date and prior to the fiscal year-end, contributions made to pension plans after the measurement date and prior to the fiscal year-end, and changes in the net pension liability not included in pension expense reported in the government-wide statement of net position.

In addition to liabilities, the statement of financial position or the governmental balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources,* represents an acquisition of net position or fund balance that applies to a future period and so will *not* be recognized as an inflow of resources (revenue) until that time. The County has three items that qualify for reporting in this category. *Unavailable revenue* arises only under the modified accrual basis of accounting. Accordingly, *unavailable revenue* is only reported on the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amount becomes available. The other items are changes in the net pension liability not included in pension expense and changes in net OPEB liability not included in OPEB expense reported in the government-wide statement of net position.

8. Compensated Absences

Under terms of employment, employees are granted sick leave and vacations in varying amounts. Only benefits considered to be vested are disclosed in these statements.

All vested vacation and sick leave pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements, and are payable with expendable available resources.

Payments for vacation and sick leave will be made at rates in effect when the benefits are used. Accumulated vacation and sick leave liabilities at December 31, 2019 are determined on the basis of current salary rates and include salary related payments. For the governmental activities, compensated absences are liquidated by the General Fund and the Road and Bridge Special Revenue Fund.

9. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. In the fund financial statements, governmental fund types report the face amount of debt issued as other financing sources.

Bond premiums and discounts are deferred and amortized over the life of the bonds and issuance costs are expensed in the period incurred. In the fund financial statements, governmental fund types recognize premiums received on debt issuances as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

10. Other Postemployment Benefits

Under the provisions of the various employee and union contracts the County provides access to health coverage until age 65 if certain criteria are met. The amount to be incurred is limited as specified by contract. All premiums are funded on a pay-as-you-go basis. This amount was actuarially determined, in accordance with GASB Statement No. 75, at January 1, 2019. OPEB obligations are generally liquidated by the General Fund and Road and Bridge Special Revenue Fund.

11. Pensions

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

12. Medical Center Operating Revenues and Expenses

The Medical Center's statement of revenues, expenses, and changes in net position distinguishes between operating and non-operating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services, the Medical Center's principal activity. Non-exchange revenues, including grants and contributions received for purposes other than capital asset acquisition, and investment earnings are reported as non-operating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

13. Net Patient Service Revenue

The Medical Center has agreements with third-party payors that provide for payments to the Medical Center at amounts different from its established rates. Payment arrangements include prospectively determined rates, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

A summary of the payment arrangements with major third-party payors follows:

Medicare - The Medical Center is licensed as a Critical Access Hospital (CAH). The Medical Center is reimbursed for most acute care services at cost with final settlement determined after submission of annual cost reports by the Medical Center and are subject to audits thereof by the Medicare intermediary. The Medical Center's Medicare cost reports have been audited by the Medicare fiscal intermediary through the year ended June 30, 2014. Clinical services are paid on a cost basis or a fixed fee schedule.

Medicaid - Inpatient services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Outpatient services related to Medicaid program beneficiaries are paid based on the lower of customary charges, allowable cost as determined through the Medical Center's Medicare cost report, or rates as established by the Medicaid program. The Medical Center is reimbursed at a tentative rate with final settlement determined by the program based on the Medical Center's final Medicare cost report.

Blue Cross - Inpatient services rendered to Blue Cross subscribers are paid at prospectively determined rates per discharge. Outpatient services are reimbursed at outpatient payment fee screens or at charges less a prospectively determined discount. The prospectively determined discount is not subject to retroactive adjustment.

The Medical Center has also entered into payment agreements with certain commercial insurance carriers and other organizations. The basis for payment to the Medical Center under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

Revenue from the Medicare and Medicaid programs and Blue Cross accounted for approximately 44%, 14%, and 15% of the Medical Center's net patient service revenue for the year ended June 30, 2019. Laws and regulations governing Medicare, Medicaid, and other programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

14. Charity Care

The Medical Center provides health care services to patients who meet certain criteria under its charity care policy without charge or at amounts less than established rates. Since the Medical Center does not pursue collection of these amounts, they are not reported as patient service revenue. The estimated cost of providing these services was $241,000 for the year ended June 30, 2019, calculated by multiplying the ratio of cost to gross charges for the Medical Center by the gross uncompensated charges associated with providing charity care to its patients

15. Grants and Contributions

The Medical Center may receive grants as well as contributions from individuals and private organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenues. Amounts restricted to capital acquisitions are reported after revenues (less than) in excess of expenses.

16. Risk Management

The Medical Center is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years. Medical malpractice insurance is discussed in the notes to the financial statements of the Medical Center.

17. Fund Balance and Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources in the government-wide financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. It is the County's policy to spend restricted net position before unrestricted net position. Fund balance is reported in classifications that describe the relative strength of the spending constraints:

- Nonspendable fund balance—amounts that are not in spendable form (such as prepaid items) or are required to be maintained intact.
- Restricted fund balance—amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance—amounts constrained to specific purposes by the County itself, using its highest level of decision-making authority (i.e., County Board). To be reported as committed, amounts cannot be used for any other purpose unless the County takes the same highest level action to remove or change the constraint.

- Assigned fund balance— Includes spendable fund balance amounts that are intended to be used for specific purposes that are not considered restricted or committed. Fund balance may be assigned through the following: 1) The County Board can assign amounts for a specific purpose. 2) All remaining positive spendable amounts in governmental funds, other than the general fund, that are neither restricted nor committed. Assignments may take place after the end of the reporting period.

- Unassigned fund balance—amounts that are available for any purpose. Positive amounts are reported only in the general fund.

The County considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents or contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the County would first use committed, then assigned and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The County Board has approved a fund balance policy to maintain unassigned fund balance for the general fund of approximately 35 to 50 percent of fund operating expenditures.

18. 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.

Note 2 - Stewardship, Compliance, and Accountability

A. Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds. All annual appropriations lapse at year end. The actual revenues, expenditures, and transfers for the year ended December 31, 2019, have been compared to the County's budget for the year where applicable. Variances which are in parentheses are unfavorable and indicate revenues are less than budgeted or expenditures are greater than budgeted. The budget is adopted through passage of a resolution. Administration can authorize transfer of budgeted amounts within any fund per state statutes. Any revisions that alter total expenditures of any fund must be approved by the County Board.

Budgetary control is maintained at the object of expenditure category level within each activity, and in compliance with State requirements. Also inherent in this controlling function is the management philosophy that the existence of a particular item or appropriation in the approved budget does not automatically mean that it will be spent. The budget process has flexibility in that, where need has been properly demonstrated, an adjustment can be made within the department budget by the County Board. Therefore, there is a constant review process and expenditures are not approved until it has been determined that (a) adequate funds were appropriated; (b) the expenditure is still necessary; and (c) funds are available. Budgeted amounts are as originally adopted or as amended by the County Board.

B. Expenditures in Excess of Appropriations

Expenditures exceeded budgetary appropriations in the General Fund by $557,788 for the year ended December 31, 2019. These excess expenditures were funded by revenues in excess of budget and fund balance.

Note 3 - Detailed Notes on All Funds

A. Cash and Investments

1. Cash

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

Government-wide statement of net position		
Governmental activities		
Cash and pooled investments	$	9,117,792
Investments		1,219,000
Business-type activities		
Cash and pooled investments		7,616,987
Investments		11,754,695
Assets restricted by indenture agreements		664,812
Statement of fiduciary net position		
Cash and pooled investments		244,120
	$	30,617,406

In accordance with Minnesota Statutes, the County maintains deposits at those depository banks authorized by the County Board. All such depositories are members of the Federal Reserve System. Minnesota Statutes require that all County deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or bonds. Minnesota Statutes require that securities pledged as collateral be held in safekeeping by the County Treasurer or in a financial institution other than that furnishing the collateral.

At December 31, 2019, the County's deposits were fully collateralized.

Custodial Credit Risk–Deposits. Custodial credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned to it. The County does not have a deposit policy for custodial credit risk. As of December 31, 2019, none of the County's bank balances were exposed to custodial credit risk.

2. Investments

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

(1) securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as "high risk" by Minn. Stat. § 118A.04, subd. 6;
(2) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;
(3) general obligations of the State of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;
(4) 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.

Credit and Interest Rate Risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. 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. Interest rate risk is the risk that changes in interest rates will adversely affect the value of an investment. In establishing specific diversification strategies, the County policy states portfolio maturities shall be staggered to avoid undue concentration of assets and a specific maturity sector. The maturities selected shall provide for stability of income and reasonable liquidity.

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 the investment or collateral securities in the possession of than outside party. The County's policy states the Chief Financial Officer or appointed person shall, after careful study of potential additional costs to the County, attempt to structure all investments and deposits so that the custodial risk is in accordance with GASB Statement 3 and only to the extent there is sufficient Security Investor Protection Corporation (SIPC) and excess SIPC coverage available. At December 31, 2019, 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 that portfolio maturities shall be staggered to avoid undue concentration of assets in a specific sector. The maturities selected shall provide for stability of income and reasonable liquidity.

The following table presents the County's investment balances at December 31, 2019.

Investment Type	Fair Value	Investment Maturities (in Years) < 1	1 - 5	6 - 10
Certificates of Deposit	$ 12,934,695	$ 7,734,695	$ 5,200,000	$ -
MAGIC Portfolio	39,000	39,000	-	-
Total investments	$ 12,973,695	$ 7,773,695	$ 5,200,000	$ -

The County categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quote prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The County has the following recurring fair value measurements as of December 31, 2019:

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Observable Inputs (Level 3)
Investments by fair value level				
Negotiable certificates of deposit	$ 12,934,695	$ -	$ 12,934,695	$ -
Investments measured at the net asset value (NAV)				
MAGIC Portfolio	$ 39,000			

All level 2 debt securities are valued using matrix pricing based on the securities' relationship to benchmark quoted prices.

MAGIC is a local government investment pool which is quoted at a net asset value (NAV). MAGIC Portfolio is valued using amortized cost. Shares of the MAGIC Portfolio are available to be redeemed upon proper notice without restrictions under normal operating conditions. There are no limits to the number of redemptions that can be made as long as the County has a sufficient number of shares to meet their redemption request.

MAGIC Portfolio is valued using amortized cost. Shares of the MAGIC Portfolio are available to be redeemed upon proper notice without restrictions under normal operating conditions. There are no limits to the number of redemptions that can be made as long as the county has a sufficient number of shares to meet their redemption request. The MAGIC Fund's Board of Trustees can suspend the right of withdrawal or postpone the date of payment if the Trustees determine that there is an emergency that makes the sale of a Portfolio's securities or determination of its net asset value not reasonably practical.

B. Receivables

Governmental funds report unearned revenue in connection with receivables for revenues that have been received but unearned and report unavailable revenue in connection with receivables for revenues that have been earned but not received. Both items are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, the various components of unavailable revenue reported in the governmental funds were as follows:

Taxes	$ 75,779
Grants	4,650,617
Special assessments	245,530
Solar credit	28,120
Probation officer	16,920
Interest	17,326
	$ 5,034,292

In 2013, Pipestone County executed two promissory notes totaling $197,000 in order for Southwestern Mental Health Center, Inc., to complete a building project. The notes have a payback of 30 years and a 2.75 percent interest rate. The balance outstanding as of December 31, 2019 totaled $163,706.

Of the receivable amounts, $170,001 of special assessments receivable and $158,267 of loans receivable are not scheduled for collection during the subsequent year.

C. Capital Assets

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

Governmental Activities:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets, Not Being Depreciated				
Land	$ 1,231,101	$ 95,820	$ -	$ 1,326,921
Right-of-way	1,267,283	-	-	1,267,283
Construction in progress	-	34,775		34,775
Historical treasures	35,924	-	-	35,924
Total Capital Assets, Not Being Depreciated	2,534,308	130,595	-	2,664,903
Capital Assets, Being Depreciated				
Buildings and building improvements	8,157,085	-	-	8,157,085
Land improvements	397,503	62,486	-	459,989
Machinery and equipment	6,104,838	799,382	467,654	6,436,566
Infrastructure	64,843,637	1,984,919	-	66,828,556
Total Capital Assets, Being Depreciated	79,503,063	2,846,787	467,654	81,882,196
Less Accumulated Depreciation for:				
Buildings and building improvements	3,560,622	120,662	-	3,681,284
Land improvements	170,535	16,367	-	186,902
Machinery and equipment	3,447,429	487,751	467,654	3,467,526
Infrastructure	20,141,140	1,336,862	-	21,478,002
Total Accumulated Depreciation	27,319,726	1,961,642	467,654	28,813,714
Total Capital Assets, Being Depreciated, Net	52,183,337	885,145	-	53,068,482
Governmental Activities Capital Assets, Net	$ 54,717,645	$ 1,015,740	$ -	$ 55,733,385

Construction in progress at year end consisted of improvements to the courthouse parking lot and sheriff department driveway. The remaining commitment on these projects totaled approximately $130,000 and the projects are expected to be completed in 2020.

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

Governmental Activities:	
General government	$ 154,492
Public safety	203,104
Public works	1,604,046
	$ 1,961,642

Capital asset activity for the year ended June 30, 2019, was as follows:

Business-type Activities:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets, Not Being Depreciated				
Land	$ 1,277,445	$ -	$ -	$ 1,277,445
Construction in progress	73,879	749,561	378,074	445,366
Total Capital Assets, Not Being Depreciated	1,351,324	749,561	378,074	1,722,811
Capital Assets, Being Depreciated				
Land improvements	1,610,841	-	-	1,610,841
Buildings	40,478,171	-	-	40,478,171
Fixed equipment	2,898,898	99,726	-	2,998,624
Major movable equipment	10,488,167	278,348	-	10,766,515
Total Capital Assets, Being Depreciated	55,476,077	378,074	-	55,854,151
Less Accumulated Depreciation for:				
Land improvements	439,936	95,725	-	535,661
Buildings	8,883,194	1,676,720	-	10,559,914
Fixed equipment	2,242,805	106,363	-	2,349,168
Major movable equipment	7,093,186	654,549	-	7,747,735
Total Accumulated Depreciation	18,659,121	2,533,357	-	21,192,478
Total Capital Assets, Being Depreciated, Net	36,816,956	(2,155,283)	-	34,661,673
Business-Type Activities Capital Assets, Net	$ 38,168,280	$ (1,405,722)	$ 378,074	$ 36,384,484

Construction in progress at June 30, 2019, consists of expenditures for a Medical Center remodeling project. The Medical Center did not have any commitments for this project.

Depreciation expense totaled $2,533,357 for the Medical Center for the year ended June 30, 2019.

D. Long-Term Debt

Changes in Long-Term Liabilities. During the year ended December 31, 2019, and June 30, 2019, for the Medical Center, the following changes occurred in long-term liabilities:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental Activities					
Loans payable	$ 113,493	$ -	$ 27,624	$ 85,869	$ 24,978
Compensated absences	263,457	228,047	212,637	278,867	39,921
Total governmental activities long-term liabilities	$ 376,950	$ 228,047	$ 240,261	$ 364,736	$ 64,899
Business-Type Activities					
Bonds payable					
Medical Center Revenue Bonds	$ 6,884,369	$ -	$ 125,000	$ 6,759,369	$ 130,000
G.O. Refunding Bonds, Series 2013A	795,000	-	195,000	600,000	195,000
Plus: Unamortized premium	20,148	-	5,622	14,526	5,622
Total bonds payable	7,699,517	-	325,622	7,373,895	330,622
Other long-term debt					
Health Facilities Revenue Note, Series 2001	113,937	-	113,937	-	-
USDA direct loan	17,318,962	594,019	300,012	17,612,969	314,966
Total other long-term debt	17,432,899	594,019	413,949	17,612,969	314,966
Total long-term liabilities	$ 25,132,416	$ 594,019	$ 739,571	$ 24,986,864	$ 645,588

1. General Obligation Debt and Certificates of Participation

General obligation debt payable for the County as of December 31, 2019, and June 30, 2019, for the Medical Center, consists of the following:

	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance 12/31/2019
Governmental Activities					
Loans Payable					
2009 Redwood River CWP Project	2009	2021	2.00%	$ 6,783	$ 1,467
2011 Rock River Septic Loan Program	2011	2022	2.00%	105,501	40,236
2011 Pipestone County Ag Best Management Loan Program	2011	2020	N/A	80,683	13,605
2013 Rock River Septic Loan Program	2013	2026	2.00%	37,306	30,561
Total loans payable				$ 230,273	$ 85,869
					Balance 6/30/2019
Business-Type Activities					
Medical Center Revenue Bonds, Series 2014A & 2014B	2014	2043	3.44% to 4.7%	$ 7,000,000	$ 6,759,369
G.O. Hospital Refunding Bonds, Series 2013A	2013	2022	2.25%	1,562,639	600,000
USDA Direct Loan	2017	2056	2.38%	17,065,678	17,612,969
				25,628,317	24,972,338
Plus: unamortized premium				44,981	14,526
Total long term debt				$ 25,673,298	$ 24,986,864

The County entered into loan agreements with the Minnesota Department of Agriculture and the Minnesota Pollution Control Agency for financing of failing septic systems. The loans are secured by special assessments placed on the individual parcels requesting funding on a project. Loan payments are reported in the general fund.

The County of Pipestone issued the Series 2014 and 2013A General Obligation Bonds for the purpose of providing funds for the Medical Center. The debt has been reflected on the Medical Center's books in order to properly reflect the financial position of the Medical Center, although the County is responsible for all principal and interest payments.

Under the terms of the general obligation bond indenture, certain limits have been placed on the Medical Center related to the incurrence of additional borrowings. In addition, the bond indenture requires the Medical Center to satisfy certain measures as long as the bonds are outstanding.

Annual debt service requirements to maturity for general obligation debt as are as follows:

	Governmental Activities		Business-Type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	$ 24,978	$ 1,367	$ 639,966	$ 746,463	$ 664,944	$ 747,830
2021	20,452	1,050	648,315	727,745	668,767	728,795
2022	15,638	731	665,718	682,400	681,356	683,131
2023	9,972	417	473,298	685,554	483,270	685,971
2024	4,132	276	491,061	670,428	495,193	670,704
2025 - 2029	10,697	323	2,723,422	3,102,278	2,734,119	3,102,601
2030 - 2034	-	-	3,197,425	2,625,807	3,197,425	2,625,807
2035 - 2039	-	-	3,764,643	2,054,459	3,764,643	2,054,459
2040 - 2044	-	-	4,918,629	1,353,113	4,918,629	1,353,113
2045 - 2049	-	-	2,858,385	719,475	2,858,385	719,475
2050 - 2054	-	-	3,218,417	359,443	3,218,417	359,443
2055 - 2056	-	-	1,373,059	10,420	1,373,059	10,420
Totals	$ 85,869	$ 4,164	$ 24,972,338	$ 13,737,585	$ 25,058,207	$ 13,741,749

In accordance with Minnesota Statutes, net indebtedness of the County may not exceed 3% of the market value of taxable property within the County's jurisdiction. The debt limit as of December 31, 2019 was $61,837,118.

2. Operating Lease

The Medical Center leases certain equipment under various operating leases with terms of less than one year or cancelable upon written notice. Total lease expense for the year ended June 30, 2019, for all operating leases was $409,242.

E. Interfund Activity

Interfund balances as of December 31, 2019, are as follows:

	Due to	Due from
General fund	$ 14,966	$ -
Roads and Bridges	-	14,966
Nonmajor governmental funds	21,700	-
Medical Center enterprise fund	-	21,700
	$ 36,666	$ 36,666

The amount of due to other funds does not agree to the due from other funds due to payments of $19,872 made between the Medical Center’s year-end of June 30, 2019 and the County’s year-end of December 31, 2019. The purpose of interfund activity is for reimbursable expenditures for goods and services.

During the year ended December 31, 2019, the Medical Facility Debt Service fund recorded transfers out of $214,016. During the year ended June 30, 2019, the Medical Center recorded transfers in of $212,888. The amount of transfers out does not agree to the transfers in due to payments of $700 made between the Medical Center’s year-end of June 30, 2019 and the County’s year-end of December 31, 2019. The purpose of interfund transfers are to provide funds for debt service requirements.

F. Fund Balances

Governmental fund balances reported on the fund financial statements at December 31, 2019, include the following:

	General Fund	Roads and Bridges	Nonmajor Funds	Totals
Nonspendable				
Inventories	$ -	$ 210,440	$ -	$ 210,440
Missing heirs	6,523	-	-	6,523
Loans receivable	-	-	163,706	163,706
Total Nonspendable	6,523	210,440	163,706	380,669
Restricted for:				
Health cost management	756	-	-	756
Law library	30,707	-	-	30,707
Elections	22,466	-	-	22,466
Recorder technology	39,609	-	-	39,609
Recorder compliance	94,229	-	-	94,229
Enhanced 911	3,603	-	-	3,603
Sheriffs contingency	1,854	-	-	1,854
Aggregate pit restore	13,069	-	-	13,069
Probation supervision	25,620	-	-	25,620
DUI fees	801	-	-	801
Redeem forfeit motor	4,910	-	-	4,910
Adm drug forfeitures	760	-	-	760
Jail canteen fund	2,637	-	-	2,637
Permit to carry	29,878	-	-	29,878
Septic/sewer loans	33,201	-	-	33,201
Highway allotments	-	456,172	-	456,172
Wheelage Tax Construction	-	332,216	-	332,216
Wind Tower Road Life	-	286,050	-	286,050
Debt service	-	-	272,383	272,383
Judicial ditch maintenance	-	-	24,989	24,989
Total Restricted	304,100	1,074,438	297,372	1,675,910
Assigned for:				
Elections	80,908	-	-	80,908
Buildings	107,657	-	-	107,657
Capital improvements	208,649	-	-	208,649
Capital equipment	-	557,700	-	557,700
Ambulance	110,429	-	-	110,429
Solid waste/recycling	634,650	-	-	634,650
Riparian protection aid	272,271	-	-	272,271
County septic loan program	63,236	-	-	63,236
Radio comm systems	45,000	-	-	45,000
Computer software	200,212	-	-	200,212
School resource officer	78,000	-	-	78,000
Assigned balance	154,184	-	-	154,184
County road and bridge	-	1,941,104	-	1,941,104
Family services	-	-	724,129	724,129
Total Assigned	1,955,196	2,498,804	724,129	5,178,129
Unassigned	2,806,713	-	-	2,806,713
Total fund balances	$ 5,072,532	$ 3,783,682	$ 1,185,207	$ 10,041,421

Note 4 - Other Post-Employment Benefits

A. Plan Description

All employees are allowed upon meeting the eligibility requirements under Minn. Stat. 471.61 subd, 2b, to participate in the County's health insurance plan after retirement. This single-employer plan covers active employees; retired law enforcement employees who have reached age 50 and 10 years of service (3 years of service if hired before July 1, 2010, and 5 years of service if hired after July 1, 2010, and before June 30, 2014); and all other retired county employees who have reached age 55 and 5 years of service (3 years of service if hired before July 1, 2010). Benefit provisions are established through negotiations between the County and the union representing County employees and are renegotiated at the end of each contract period. The retiree health plan does not issue a publicly available financial report.

B. Benefits Provided

Eligible participants and their dependents have access to other post-employment benefits of blended medical premiums of $557 for single coverage and age graded for spouses. The implicit rate subsidy is only until Medicare eligibility for medical insurance and age 70 for life insurance. There are no subsidized post employment medical, dental, or life benefits.

C. Employees Covered by Benefit Terms

At the valuation date of January 1, 2018, the following employees were covered by the benefit terms:

Inactive employees or spouses currently receiving benefit payments	5
Active employees electing coverage	76
	81

D. Total OPEB Liability

The County's total OPEB liability of $542,805 was measured as of January 1, 2019, and was determined by an actuarial valuation as of that date.

E. Actuarial Assumptions

The total OPEB liability in the January 1, 2018, actuarial valuation was determined as using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50 percent	
Salary increases	3.00 percent	
Discount Rate	3.30 percent	
Healthcare cost trend rates	6.25% as of January 1, 2019, grading to 5.00% over 5 years	
Retiree plan participation	Future retirees electing coverage:	
	Pre-65 subsidy available	N/A
	Pre-65 subsidy not available	50%
Percent of married retirees electing spouse coverage	Future retirees electing Pre-65 Spouse Coverage	
	Spouse subsidy available:	N/A
	Spouse subsidy not available:	25%

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

Since the plan is not funded by an irrevocable trust, the discount rate is equal to the index rate for 20-year, tax-exempt municipal bonds.

No assets are accumulated in a trust that meet the criteria in paragraph 4 of GASB Statement No. 75.

Actuarial assumptions used in the June 30, 2018 valuation were based on the results of the Public Employees Retirement Association of Minnesota actuarial experience studies. The most recent six-year experience study for the General Employees Plan was completed in 2015. The most recent four-year experience study for Police and Fire Plan was completed in 2016.

F. Changes in the Total OPEB Liability

Balance at January 1, 2019	$ 539,234
Changes from the Prior Year:	
Service Cost	35,331
Interest Cost	18,401
Assumption Changes	(15,971)
Benefit Payments	(34,190)
Net Change	3,571
Balance at December 31, 2019	$ 542,805

G. Sensitivity of the Total OPEB Liability to Changes in Discount Rate and the Healthcare Cost Trends Rate

The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using a discount rate 1 percentage point lower and 1 percentage point higher than the current discount rate:

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
Discount rate	2.30%	3.80%	4.30%
Total OPEB Liability	$ 581,445	$ 542,805	$ 507,059

The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using a discount rate 1 percentage point lower and 1 percentage point higher than the current healthcare trend rates:

	1% Decrease in Healthcare Trend Rates	Selected Healthcare Trend Rates	1% Increase in Healthcare Trend Rates
Total OPEB Liability	$ 488,421	$ 542,805	$ 607,725

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

For the year ended December 31, 2019, the County recognized OPEB expense of $8,068.

At December 31, 2019, the County reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of actuarial assumptions	$ -	$ 13,689
Employer contributions made after the measurement date	43,382	-
	$ 43,382	$ 13,689

$43,382 reported as deferred outflows of resources related to OPEB resulting from the County's contributions subsequent to the measurement date will be recognized as reduction of the total OPEB liability in the year ended December 31, 2020.

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

Years Ended June 30,	OPEB Expense Amount
2020	$ 2,282
2021	2,282
2022	2,282
2023	2,282
2024	2,282
Thereafter	2,279

Note 5 - Defined Benefit Pension Plans

A. Plan Description

The County participates in the following cost-sharing multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA's defined benefit pension plans are established and administered in accordance with *Minnesota Statutes*, Chapters 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

1. General Employees Retirement Plan

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

2. Public Employees Police and Fire Plan

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

3. Local Government Correctional Plan

The Correctional Plan was established for correctional officers serving in county and regional corrections facilities. Eligible participants must be responsible for the security, custody, and control of the facilities and their inmates.

B. Benefits Provided

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state Legislature. Vested, terminated employees who are entitled to benefits, but are not receiving them yet, are bound by the provisions in effect at the time they last terminated their public service.

1. General Employees Plan Benefits

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

Annuities, disability benefits, and survivor benefits are increased effective every January 1. Beginning January 1, 2019, the postretirement increase will be equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

2. Police and Fire Plan Benefits

Benefits for Police and Fire Plan members first hired after June 30, 2010, but before July 1, 2014, vest on a prorated basis from 50 percent after five years up to 100 percent after ten years of credited service. Benefits for Police and Fire Plan members first hired after June 30, 2014, vest on a prorated basis from 50 percent after ten years up to 100 percent after twenty years of credited service. The annuity accrual rate is 3 percent of average salary for each year of service. A full, unreduced pension is earned when members are age 55 and vested, or for members who were first hired prior to July 1, 1989, when age plus years of service equal at least 90.

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

3. Correctional Plan Benefits

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

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

C. Contributions

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

1. General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2019 and the County was required to contribute 7.50% for Coordinated Plan members. The County's contributions to the General Employees Fund for the year ended December 31, 2019 were $218,292 and the Medical Center's contributions for the year ended June 30, 2019, were $679,175. The County and Medical Center's contributions were equal to the required contributions as set by state statute.

2. Police and Fire Fund Contributions

Police and Fire member's contribution rates increased from 10.8 percent of pay to 11.3 percent and employer rates increased from 16.2 percent to 16.95 percent on January 1, 2019. The County's contributions to the Police and Fire Fund for the year ended December 31, 2019, were $158,523. The County's contributions were equal to the required contributions as set by state statute.

3. Correctional Fund Contributions

Plan members were required to contribute 5.83 percent of their annual covered salary and the County was required to contribute 8.75 percent of pay for plan members in fiscal year 2019. The County's contributions to the Correctional Fund for the year ended December 31, 2019, were $48,116. The County's contributions were equal to the required contributions as set by state statute.

D. Pension Costs

1. General Employees Fund Pension Costs

At December 31, 2019, the County reported a liability of $2,233,626 for its proportionate share of the General Employees Fund's net pension liability. The County's net pension liability reflected a reduction due to the State of Minnesota's contribution of $16 million to the fund in 2019. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the County totaled $69,497. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportionate share of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2018 through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the County's proportionate share was 0.0404%, which was a decrease of 0.0029% from its proportionate share measured as of June 30, 2018.

County's proportionate share of the net pension liability	$ 2,233,626
State of Minnesota's proportionate share of the net pension liability associated with the County	69,497
Total	$ 2,303,123

For the year ended December 31, 2019, the County recognized pension expense of $157,095 for its proportionate share of the General Employees Plan's pension expense. In addition, the County recognized an additional $5,205 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of $16 million to the General Employees Fund.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 64,694	$ -
Changes in actuarial assumptions	-	187,474
Net collective difference between projected and actual investment earnings	-	249,153
Changes in proportion	22,329	149,388
Contributions paid to PERA subsequent to measurement date	108,189	-
Total	$ 195,212	$ 586,015

The $108,189 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	Pension Expense
Year Ended December 31:	
2020	$ (164,428)
2021	(249,871)
2022	(88,294)
2023	3,601

At June 30, 2019, the Medical Center reported a liability of $7,472,604 for its proportionate share of the General Employees Fund's net pension liability. The Medical Center's net pension liability reflected a reduction due to the State of Minnesota's contribution of $16 million to the fund in 2018. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the Medical Center totaled $245,082. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Medical Center's proportionate share of the net pension liability was based on the Medical Center's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2017 through June 30, 2018, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2018, the Medical Center's proportionate share was 0.1347%, which was a decrease of .0061% from its proportionate share measured as of June 30, 2017.

Medical Center's proportionate share of the net pension liability	$ 7,472,604
State of Minnesota's proportionate share of the net pension liability associated with the Medical Center	245,082
Total	$ 7,717,686

For the year ended June 30, 2019, the Medical Center recognized pension expense of $38,741 for its proportionate share of the General Employees Plan's pension expense. In addition, the Medical Center recognized an additional $57,153 as pension expense (and grant revenue) for its proportional share of the state of Minnesota's contribution of $16 million to the General Employees Fund.

At June 30, 2019, the Medical Center reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 206,343	$ 234,609
Changes of actuarial assumptions	768,406	865,653
Difference between projected and actual investment earnings	-	736,073
Changes in proportion	-	505,331
Contributions paid to PERA subsequent to measurement date	761,304	-
Total	$ 1,736,053	$ 2,341,666

The $761,304 reported as deferred outflows of resources at June 30, 2019, related to pensions resulting from the Medical Center's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	Pension Expense
2020	$ 91,103
2021	(581,830)
2022	(720,224)
2023	(155,966)

2. Police and Fire Fund Pension Costs

At December 31, 2019, the County reported a liability of $914,492 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportionate share of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2018 through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers.

At June 30, 2019, the County's proportionate share was .0859%, which was an increase of .0056% from the prior year. The County also recognized $11,596 for the year ended December 31, 2019, as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Fund. Legislation passed in 2013 required the State of Minnesota to begin contributing $9 million to the Police and Fire Fund each year until the plan is 90 percent funded or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90 percent funded, whichever occurs later. In addition, the state will pay $4.5 million on October 1, 2018 and October 1, 2019 in direct state aid. Thereafter, by October 1 of each year, the state will pay $9 million until full funding is reached or July 1, 2048, whichever is earlier.

For the year ended December 31, 2019, the County recognized pension expense of $162,402 for its proportionate share of the Police and Fire Plan's pension expense.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 36,731	$ 121,018
Changes of actuarial assumptions	653,753	945,739
Net collective difference between projected and actual investment earnings	-	181,786
Changes in proportion	167,173	11,362
Contributions paid to PERA subsequent to measurement date	79,267	-
Total	$ 936,924	$ 1,259,905

The $79,267 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31:	Pension Expense
2020	$ (35,913)
2021	(98,770)
2022	(289,033)
2023	12,294
2024	9,174

3. Correctional Plan Pension Costs

At December 31, 2019, the County reported a liability of $34,765 for its proportionate share of the Correctional Plan's net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportionate share of the net pension liability was based on the contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2018 through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers.

At June 30, 2019, the County's proportionate share was .2511%, which was a decrease of .0096% from its proportionate share measured as of June 30, 2018.

For the year ended December 31, 2019, the County recognized pension expense of $75,632 for its proportionate share of the Correctional Plan's pension expense.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 1,326	$ 5,673
Changes of actuarial assumptions	-	318,522
Net collective difference between projected and actual investment earnings	-	46,422
Changes in proportion	24,380	1,184
Contributions paid to PERA subsequent to measurement date	22,946	-
Total	$ 48,652	$ 371,801

The $22,946 reported as deferred outflows of resources related to pensions resulting from [entity] contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

	Pension Expense
Year Ended December 31:	
2020	$ (175,216)
2021	(159,638)
2022	(11,577)
2023	336

4. Total Pension Expense

The total pension expense for all plans recognized by the County for the year ended December 31, 2019, was $496,228.

E. Actuarial Assumptions

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

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

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

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

The following changes in actuarial assumptions and plan provisions occurred in 2019:

General Employees Fund
Changes in Actuarial Assumptions:
- The mortality projection scale was changed from MP-2017 to MP-2018.

Changes in Plan Provisions:
- The employer supplemental contribution was changed prospectively, decreasing from $31.0 million to $21.0 million per year. The State's special funding contribution was changed prospectively, requiring $16.0 million due per year through 2031.

Police and Fire Fund
Changes in Actuarial Assumptions:
- The mortality projection scale was changed from MP-2017 to MP-2018.

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

Correctional Fund
Changes in Actuarial Assumptions:
- The mortality projection scale was changed from MP-2017 to MP-2018.

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

The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness on a regular basis of the long-term expected rate of return using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	35.5%	5.10%
Private Markets	25.0%	5.90%
Fixed Income	20.0%	0.75%
International Equity	17.5%	5.90%
Cash Equivalents	2.0%	0.00%
	100.0%	

F. Discount Rate

The discount rate used to measure the total pension liability in 2019 was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net positions of the General Employees Fund, the Police and Fire Fund, and the Correctional Fund were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

G. Pension Liability Sensitivity

The following presents the County's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

Sensitivity Analysis

Net Pension Liability (Asset) at Different Discount Rates

	General Employees Fund			Police and Fire Fund			Correctional Funds		
1% Lower	6.50%	$	3,671,960	6.50%	$	1,998,910	6.50%	$	370,521
Current Discount Rate	7.50%	$	2,233,626	7.50%	$	914,492	7.50%	$	34,765
1% Higher	8.50%	$	1,045,994	8.50%	$	18	8.50%	$	(233,895)

The following presents the Medical Center's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the Medical Center's proportionate share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

Sensitivity Analysis

Net Pension Liability at Different Discount Rates

	General Employees Fund		
1% Lower	6.50%	$	12,143,938
Current Discount Rate	7.50%	$	7,472,604
1% Higher	8.50%	$	3,616,551

H. Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the Internet at www.mnpera.org .

Note 6 - Defined Contribution Plan

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

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. *Minnesota Statutes*, Chapter 353D.03, specifies plan provisions, including the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes five percent of salary which is matched by the elected official's employer. For ambulance service personnel, employer contributions are determined by the employer, and for salaried employees contributions must be a fixed percentage of salary. Employer contributions for volunteer personnel may be a unit value for each call or period of alert duty. Employees who are paid for their services may elect to make member contributions in an amount not to exceed the employer share. Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives two percent of employer contributions and twenty-five hundredths of one percent (0.25 percent) of the assets in each member's account annually.

Total contributions made by the County during year ended December 31, 2019 were:

Contribution Amount		Percentage of Covered Payroll		Required Rate
Employee	Employer	Employee	Employer	
$ 10,483	$ 10,483	5.00%	5.00%	5.00%

Note 7 - Other Information

A. Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County accounts for and reports risk management activities in the General Fund within the constraints of the modified accrual basis of accounting.

The Workers' Compensation Division of MCIT and the Property and Casualty Division of MCIT are self-sustaining. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at $500,000 for 2019. Should the MCIT liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT. The County accounts for and reports risk management activities in the General Fund within the constraints of the modified accrual basis of accounting.

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

The Medical Center has malpractice insurance coverage to provide protection for professional liability losses on a claims-made basis subject to a limit of $1 million per claim and an annual aggregate limit of $3 million. The Medical Center is also insured under an excess umbrella liability policy with a limit of $20 million. Should the claims-made policy not be renewed or replaced with equivalent insurance, claims based on occurrences during its term, but reported subsequently, will be uninsured.

B. Contingencies

The County participates in a number of federal and state programs that are either partially or fully funded by grants or aids received from these agencies or other governmental units. Such programs are subject to audit by the grantor agencies which could result in requests for reimbursement to the granting agency for expenditures that are disallowed under the terms of the grant. Based on past experience, the County believes that any disallowed costs as a result of such audits will be immaterial.

As of December 31, 2019, the Lincoln-Pipestone Rural Water System had $37,305,119 of general obligation bonds and other loans outstanding through 2052. The bonds were issued by some of the participating counties in the Rural Water System to finance the construction of water system expansions and improvements. The debt is paid by the Lincoln-Pipestone Rural Water System from special assessments levied against property specifically benefitted by the applicable expansion, extension, or enlargement of the system and from the net revenues from time to time received in excess of the current costs of operating and maintaining the system. The bonds are general obligations of the issuing counties for which their full faith, credit, and taxing powers are pledged. The participating counties have adopted board resolutions and have signed joint powers agreements to define their liability for a proportional share of the debt should the issuing counties be required to make any debt service payments. In such a situation, each of the other counties will reimburse the paying counties in proportion to the percentage of Rural Water System customers located in such country. The outstanding bonds are reported on the annual financial statements of the Lincoln-Pipestone Rural Water System and are not reported as liabilities in the financial statements of any of the participating ten counties. The participating counties disclose a contingent liability due to the guarantee of indebtedness.

C. Joint Ventures

Pipestone County has an ongoing financial interest or responsibility in the following joint ventures:

Southwest Health and Human Services

Southwest Health and Human Services (SWHHS) was formed on January 1, 2011, by four counties, including Pipestone, to provide human service and public health functions. Since forming, two additional counties' health and human service functions have been assumed by SWHHS. SWHHS is governed by the Joint Health and Human Services Board, Human Services Board, and Community Health Board, which are made up of a combination of County Commissioners and citizens from the participating Counties. Funding for SWHHS is provided by state and federal grants and appropriations from member counties based on population based on three criteria, which are weighted equally:

- Population based on the most recent national census
- Tax capacity
- Most recent three-year average social services expenditure and grant reconciliation report (SEAGR)

Pipestone County's contribution in 2019 for the human services function was $1,306,901, and its contribution to the health services function was $122,349. The County received $77,130 from SWHHS for leased office space and technology.

Complete financial statements of SWHHS can be obtained at 607 West Main, Marshall, Minnesota 56258.

Lincoln-Pipestone Rural Water System

The Lincoln-Pipestone Rural Water System was established by ten counties, including Pipestone and is responsible for storing, treating, and distributing water for domestic, commercial, and industrial use within the area it serves. The cost of providing these services is recovered through user charges. The System is governed by a Board appointed by the District Court. The Rural Water System's board is solely responsible for the budgeting and financing of the Rural Water System.

Bonds were issued by three of the participating counties to finance the construction of the Rural Water System. Costs assessed to municipalities and special assessments levied against benefited properties pay approximately 85 percent of the amount necessary to retire principal and interest on the bonds. The remainder of the funds necessary to retire the outstanding bonds and interest will be provided by appropriations from the Lincoln-Pipestone Rural Water System. Outstanding obligations as of December 31, 2019, were $37,305,119.

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

PrimeWest Rural Minnesota Health Care Access Initiative

The PrimeWest Rural Minnesota Health Care Access Initiative (PrimeWest) was established as a joint powers agreement between ten counties to directly purchase health care services for county residents who are eligible for Medical Assistance and General Assistance Medical Care. Since forming, three counties have joined the initiative. County-based purchasing is the local control alternative favored for improved coordination of services to prepaid Medical Assistance programs. In the event of termination of the joint powers agreement, all assets owned pursuant to this agreement shall be sold, and the proceeds, together with monies on hand, will be distributed to current members based on their proportional share of each member's county-based purchasing eligible population.

Control of PrimeWest is vested in a Joint Powers Board, composed of two Commissioners from each member county. Each member of the Joint Powers Board is appointed by the County Commissioners of the county represented.

Douglas County acts as the fiscal agent for PrimeWest and reports the cash transactions as an investment trust fund on its financial statements. Financing is provided by Medical Assistance and General Assistance Medical Care payments from the Minnesota Department of Human Services. During the year, Pipestone County made no contributions to PrimeWest.

Complete financial information can be obtained from its administrative office at PrimeWest Rural Minnesota Health Care Access Initiative, 2209 Jefferson Street, Suite 101, Alexandria, Minnesota 56308.

Central Minnesota Diagnostics, Inc.

The Pipestone County Medical Center and other hospitals formed Central Minnesota Diagnostics, Inc (CMDI), a non-profit corporation to provide certain agreed-upon shared services to those hospitals who are members of the corporation. CMDI operates as a non-profit cooperative and allocates income to its member hospitals based on the services the member hospitals purchase from CMDI. The Medical Center records its investment in CMDI based on the allocations it receives.

CMDI provides some equipment for the Pipestone County Medical Center's patients. The Pipestone County Medical Center collected $150,122 in revenue for these services to patients and paid Central Minnesota Diagnostics, Inc., $337,732 in the year ended June 30, 2019. The Pipestone County Medical Center also received $92,201 of distributions from CMDI for the year ended June 30, 2019.

Southwestern Mental Health Center, Inc.

The Southwestern Mental Health Center, Inc., is a private, non-profit agency established by five counties for the purpose of providing mental health services and programs to the residents of these counties.

In 2019, Pipestone County made no contributions to the Southwestern Mental Health Center, Inc., for mental health services.

Complete financial statements for the Southwestern Mental Health Center, Inc., can be obtained at 216 East Luverne Street, Luverne, Minnesota 56156.

Buffalo Ridge Drug Task Force

The Buffalo Ridge Drug Task Force was established to provide drug enforcement services for member organizations, which consist of Counties and Cities.

Control of the Task Force is vested in a Board of Directors that consists of the Chief of Police and the Sheriff from each party. Fiscal agent responsibilities for the Task Force are with the City of Worthington. During the year, Pipestone County provided $38,425 to the Task Force.

Plum Creek Library System

The Plum Creek Library System was created as a public library service to provide expanded library service to Cities and Counties, with the additional purpose of furthering the public interest by providing the potential for extending public library services into areas without services.

The Library System is governed by a board of trustees which consists of two representatives from each county. One is appointed by the County Commissioners and the second from the board of the participating libraries. During 2019, Pipestone County provided $2,500 to the Library System.

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

Counties Providing Technology

Counties Providing Technology (CPT) was created to purchase the technology system related to the taxing system used by the member counties.

CPT is governed by a board consisting of one representative from each member county. Stevens County serves as fiscal agent for CPT. During 2019, Pipestone County paid $64,657 for technology services.

D. Jointly-Governed Organization

Pipestone County, in conjunction with other governmental entities and various private organizations, has formed the jointly-governed organization below:

Minnesota Counties Computer Cooperative

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, Pipestone County paid $4,087 to the MCC.

Note 8 - Joint Operating Agreements

The Medical Center participates in a joint operating agreement with Avera McKennan to provide primary care physician services for citizens of the County of Pipestone, Minnesota. Under the agreement, the joint operation is managed as a department of the Medical Center and is not considered a separate legal entity. The Medical Center retains 50% of the gains and losses from the operations. The assets, liabilities, and operations are included in the Medical Center's financial statements as Pipestone County Medical Center has title to the specific assets and liabilities of the joint operation and are contractually obligated to operate the department. A receivable is recorded for Avera McKennan's contributions to the joint operation and its allocable share of gains and losses under the joint operating agreement.

The amount the Medical Center has recorded for Avera McKennan's share of losses for the years ended June 30, 2019 is $1,353,566.

Note 9 - Subsequent Events

Subsequent to year-end, the County has been impacted by the effects of the world-wide coronavirus pandemic. The County is closely monitoring its operations and reserves and is actively working to minimize the current and future impact of this unprecedented situation. As of the date of issuance of these financial statements, the County's management does not expect the pandemic to have a significant impact on operations and reserves.

Required Supplementary Information
December 31, 2019

Pipestone County

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget
Revenues				
Taxes	$ 4,592,061	$ 4,592,061	$ 4,434,231	$ (157,830)
Special assessments	242,480	242,480	285,142	42,662
Intergovernmental	1,246,685	1,246,685	1,543,133	296,448
Licenses and permits	14,650	14,650	18,225	3,575
Fines, forfeitures and penalties	9,500	9,500	9,370	(130)
Public charges for services	1,720,678	1,720,678	1,768,524	47,846
Investment income	150,000	150,000	239,494	89,494
Miscellaneous	284,650	284,650	428,240	143,590
Total revenues	8,260,704	8,260,704	8,726,359	465,655
Expenditures				
Current				
General government	3,520,524	3,520,524	4,196,762	(676,238)
Public safety	3,655,585	3,655,585	3,580,173	75,412
Sanitation	288,648	288,648	324,375	(35,727)
Health	122,349	122,349	122,349	-
Culture and recreation	134,257	134,257	118,055	16,202
Conservation	508,175	508,175	440,590	67,585
Economic development	15,204	15,204	15,204	-
Debt Service				
Principal	23,180	23,180	27,624	(4,444)
Interest	1,100	1,100	1,678	(578)
Total expenditures	8,269,022	8,269,022	8,826,810	(557,788)
Net Change in Fund Balance	$ (8,318)	$ (8,318)	(100,451)	$ (92,133)
Fund Balance, Beginning			5,172,983	
Fund Balance, Ending			$ 5,072,532	

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget
Revenues				
Taxes	$ 1,420,570	$ 1,420,570	$ 1,381,873	$ (38,697)
Intergovernmental	5,711,500	5,711,500	4,248,433	(1,463,067)
Public charges for services	247,500	247,500	136,158	(111,342)
Investment income	10,750	10,750	16,765	6,015
Miscellaneous	77,500	77,500	483,485	405,985
Total revenues	7,467,820	7,467,820	6,266,714	(1,201,106)
Expenditures				
Current				
Highways and streets	7,137,820	7,137,820	5,639,063	1,498,757
Intergovernmental	330,000	330,000	373,354	(43,354)
Total expenditures	7,467,820	7,467,820	6,012,417	1,455,403
Net Change in Fund Balance	$ -	$ -	254,297	$ 254,297
Fund Balance, Beginning			3,599,975	
Increase in inventories			(70,590)	
Fund Balance, Ending			$ 3,783,682	

A. Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds.

On or before mid-July of each year, all departments and agencies submit requests for appropriations to the County Finance Director so that a budget can be prepared. Before September 30, 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. The County's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require approval of the County Board. The legal level of budgetary control (the level at which expenditures may not legally exceed appropriations) is the fund level. During the year ended December 31, 2019, the board did not make supplemental budgetary appropriations.

Schedule of Changes in the County's Total OPEB Liability and Related Ratios, Last 10 Fiscal Years*

	2019	2018
Service cost	$ 35,331	$ 37,113
Interest	18,401	17,226
Changes of assumptions	(15,971)	-
Benefit payments	(34,190)	-
Net change in total OPEB liability	3,571	54,339
Total OPEB liability - beginning	539,234	484,895
Total OPEB liability - ending	$ 542,805	$ 539,234
Covered-employee payroll	$ 4,138,618	$ 4,018,076
Total OPEB liability as a percentage of covered-employee payroll	13.12%	13.42%

*GASB Statement No. 75 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the County will present information for those years for which information is available.

Notes to the Schedule of Changes in the County's Total OPEB Liability and Related Ratios

- No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.
- No changes have occurred that would significantly affect trends in the amounts reported.

Schedule of Employer's Share of Net Pension Liability
Last 10 Fiscal Years *

Pension Plan	Measurement Date	County's Proportionate Share (Percentage) of the Net Pension Liability (Asset)	County's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	State's Proportionate Share (Amount) of the Net Pension Liability Associated With County (b)	Total (d) (a+b)	County's Covered Payroll (e)	County's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll (a/e)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
General Employees Fund	6/30/2019	0.0404%	$ 2,233,626	$ 69,497	$ 2,303,123	$ 2,635,596	84.75%	80.2%
General Employees Fund	6/30/2018	0.0433%	2,402,106	78,758	2,480,864	3,428,182	70.07%	79.5%
General Employees Fund	6/30/2017	0.0442%	2,821,699	35,475	2,857,174	3,015,955	93.56%	75.9%
General Employees Fund	6/30/2016	0.0431%	3,499,506	45,639	3,545,145	2,662,941	131.42%	68.9%
General Employees Fund	6/30/2015	0.0422%	2,187,023	N/A	2,187,023	2,482,283	88.11%	78.2%
General Employees - PCMC	6/30/2018	0.1347%	$ 7,472,604	$ 245,082	$ 7,717,686	$ 9,391,058	79.57%	80.2%
General Employees - PCMC	6/30/2017	0.1408%	8,988,578	113,040	9,101,618	9,408,004	95.54%	79.5%
General Employees - PCMC	6/30/2016	0.1450%	11,773,281	153,770	11,927,051	9,331,701	126.16%	75.9%
General Employees - PCMC	6/30/2015	0.1483%	7,685,767	N/A	7,685,767	8,714,344	88.20%	68.9%
General Employees - PCMC	6/30/2014	0.1533%	7,291,991	N/A	7,291,991	8,153,703	89.43%	78.2%
Police and Fire Fund	6/30/2019	0.0859%	$ 914,492	N/A	$ 914,492	$ 868,811	105.26%	89.3%
Police and Fire Fund	6/30/2018	0.0803%	855,915	N/A	855,915	984,936	86.90%	88.8%
Police and Fire Fund	6/30/2017	0.0790%	1,066,594	N/A	1,066,594	813,063	131.18%	85.4%
Police and Fire Fund	6/30/2016	0.0740%	2,969,749	N/A	2,969,749	712,533	416.79%	63.9%
Police and Fire Fund	6/30/2015	0.0770%	874,900	N/A	874,900	704,233	124.23%	86.6%
Correctional Fund	6/30/2019	0.2511%	$ 34,765	N/A	$ 34,765	$ 537,733	6.47%	98.2%
Correctional Fund	6/30/2018	0.2607%	42,877	N/A	42,877	620,525	6.91%	97.6%
Correctional Fund	6/30/2017	0.2500%	712,503	N/A	712,503	500,451	142.37%	65.9%
Correctional Fund	6/30/2016	0.2400%	876,754	N/A	876,754	450,808	194.49%	58.2%
Correctional Fund	6/30/2015	0.2400%	37,104	N/A	37,104	426,512	8.70%	97.0%

* GASB Statement No. 68 requires ten years of information to be presented in these tables. However, until a full 10-year trend is compiled, the County will present information for those years for which information is available.

Schedule of Employer's Contributions
Last 10 Fiscal Years *

Pension Plan	Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (d)	Contributions as a Percentage of Covered Payroll (b/d)
General Employees Fund	12/31/2019	$ 218,292	$ 218,292	-	$ 2,910,560	7.50%
General Employees Fund	12/31/2018	211,617	211,617	-	2,821,556	7.50%
General Employees Fund	12/31/2017	227,870	227,870	-	3,038,267	7.50%
General Employees Fund	12/31/2016	210,392	210,392	-	2,805,223	7.50%
General Employees Fund	12/31/2015	189,422	189,422	-	2,525,631	7.50%
General Employees - PCMC	6/30/2019	$ 761,304	$ 761,304	-	$ 10,150,720	7.50%
General Employees - PCMC	6/30/2018	655,368	655,368	-	8,738,240	7.50%
General Employees - PCMC	6/30/2017	679,436	679,436	-	9,059,147	7.50%
General Employees - PCMC	6/30/2016	653,318	653,318	-	8,710,907	7.50%
General Employees - PCMC	6/30/2015	594,963	594,963	-	7,932,840	7.50%
Police and Fire Fund	12/31/2019	$ 158,523	$ 158,523	-	$ 935,239	16.95%
Police and Fire Fund	12/31/2018	141,143	141,143	-	871,250	16.20%
Police and Fire Fund	12/31/2017	133,723	133,723	-	825,449	16.20%
Police and Fire Fund	12/31/2016	125,705	125,705	-	775,956	16.20%
Police and Fire Fund	12/31/2015	108,158	108,158	-	667,643	16.20%
Correctional Fund	12/31/2019	$ 48,116	$ 48,116	-	$ 549,897	8.75%
Correctional Fund	12/31/2018	45,546	45,546	-	520,521	8.75%
Correctional Fund	12/31/2017	46,167	46,167	-	527,625	8.75%
Correctional Fund	12/31/2016	41,399	41,399	-	473,135	8.75%
Correctional Fund	12/31/2015	37,338	37,338	-	426,714	8.75%

* GASB Statement No. 68 requires ten years of information to be presented in these tables. However, until a full 10-year trend is compiled, the County will present information for those years for which information is available.

Notes to the Schedule of Changes in Net Pension Liabilities and Related Ratios

General Employees Fund

2019 Changes
Changes in Actuarial Assumptions
- The mortality projection scale was changed from MP-2017 to MP-2018.

Changes in Plan Provisions
- The employer supplemental contribution was changed prospectively, decreasing from $31.0 million to $21.0 million per year. The State's special funding contribution was changed prospectively, requiring $16.0 million due per year through 2031.

2018 Changes
Changes in Actuarial Assumptions
- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

Changes in Plan Provisions
- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Postretirement benefit increases were changed from 1.00 percent per year with a provision to increase to 2.50 percent upon attainment of 90.00 percent funding ratio to 50.00 percent of the Social Security Cost of Living Adjustment, not less than 1.00 percent and not more than 1.50 percent, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 Changes
Changes in Actuarial Assumptions
- The combined service annuity (CSA) loads were changed from 0.80 percent for active members and 60.00 percent for vested and non-vested deferred members. The revised CSA load are now 0.00 percent for active member liability, 15.00 percent for vested deferred member liability, and 3.00 percent for non-vested deferred member liability.
- The assumed postretirement benefit increase rate was changed for 1.00 percent per year for all years to 1.00 percent per year through 2044 and 2.50 percent per year thereafter.

Changes in Plan Provisions

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

2016 Changes:

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015 Changes:

Changes in Actuarial Assumptions

- The assumed postretirement benefit increase rate was changed from 1.00 percent per year through 2030 and 2.50 percent per year thereafter to 1.00 percent per year through 2035 and 2.50 percent per year thereafter.

Changes in Plan Provisions:

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

Police and Fire Fund

2019 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2018 Changes

Changes in Actuarial Assumptions

- The mortality projection scale was changed from MP-2016 to MP-2017.

Changes in Plan Provisions

- Postretirement benefit increases were changed to 1.00 percent for all years, with no trigger.
- An end date of July 1, 2048 was added to the existing $9.0 million state contribution.
- New annual state aid will equal $4.5 million in fiscal years 2019 and 2020, and $9.0 million thereafter until the plan reaches 100 percent funding, or July 1, 2048, if earlier.
- Member contributions were changed from 10.80 percent to 11.30 percent of pay, effective January 1, 2019 and 11.80 percent of pay, effective January 1, 2020.
- Employer contributions were changed from 16.20 percent to 16.95 percent of pay, effective January 1, 2019 and 17.70 percent of pay, effective January 1, 2020.
- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 Changes

Changes in Actuarial Assumptions

- Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements.
- The combined service annuity (CSA) load was 30.00 percent for vested and non-vested, deferred members. The CSA has been changed to 33.00 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 tables assumed for healthy retirees.
- Assumed termination rates were decreased to 3.00 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- Assumed percentage of married female members was decreased from 65.00 percent to 60.00 percent.
- Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.
- The assumed percentage of female members electing joint and survivor annuities was increased.
- The assumed postretirement benefit increase rate was changed from 1.00 percent for all years to 1.00 percent per year through 2064 and 2.50 percent thereafter.
- The single discount rate was changed from 5.60 percent per annum to 7.50 percent per annum.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2016 Changes:

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015 Changes:

Changes in Actuarial Assumptions

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

Changes in Plan Provisions:

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

Correctional Fund

2019 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2018 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.

- Postretirement benefit increases were changed from 2.50 percent per year with a provision to reduce to 1.00 percent if the funding status declines to a certain level, to 100 percent of the Social Security Cost of Living Adjustment, not less than 1.00 percent and not more than 2.50 percent, beginning January 1, 2019. If the funding status declines to 85.00 percent for two consecutive years or 80.00 percent for one year, the maximum increase will be lowered to 1.50 percent.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 Changes

Changes in Actuarial Assumptions

- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016, and is applied to healthy and disabled members. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the RP-2014 disabled annuitant mortality table (with future mortality improvement according to MP-2016).
- The combined service annuity (CSA) load was 30.00 percent for vested and non-vested, deferred members. The CSA has been changed to 35.00 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.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2016 Changes:

Changes in Actuarial Assumptions

- The assumed investment return was changed from 7.90 percent to 7.50 percent. The single discount rate changed from 7.90 percent to 5.31 percent.
- The assumed future salary increases, payroll growth, and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.5 percent for inflation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015 Changes

Changes in Actuarial Assumptions

- There have been no changes since the prior valuation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

Supplemental Schedules
December 31, 2019

Pipestone County

	Special Revenue		Debt Service	
	Family Services	Ditch	Medical Facility Bonds	Total Nonmajor Governmental Funds
Assets				
Cash and investments	$ 724,129	$ 24,800	$ 294,083	$ 1,043,012
Undistributed cash in agency funds	-	189	-	189
Receivables:				
Taxes - delinquent	14,145	-	5,831	19,976
Special assessments - delinquent	-	4	-	4
Loans	163,706	-	-	163,706
Total assets	$ 901,980	$ 24,993	$ 299,914	$ 1,226,887
Liabilities				
Due to other funds	$ -	$ -	$ 21,700	$ 21,700
Deferred Inflows of Resources				
Unavailable revenues - notes receivable	14,145	4	5,831	19,980
Fund Balances				
Nonspendable	163,706	-	-	163,706
Restricted	-	24,989	272,383	297,372
Assigned	724,129	-	-	724,129
Total fund balances	887,835	24,989	272,383	1,185,207
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 901,980	$ 24,993	$ 299,914	$ 1,226,887

	Special Revenue		Debt Service	
	Family Services	Ditch	Medical Facility Bonds	Total Nonmajor Governmental Funds
Revenues				
Taxes	$ 1,294,613	$ -	$ 220,424	$ 1,515,037
Special Assessments	-	11,839	-	11,839
Investment income	4,114	-	-	4,114
Total revenues	1,298,727	11,839	220,424	1,530,990
Expenditures				
Current				
Human services	1,306,981	-	-	1,306,981
Conservation	-	10,865	-	10,865
Total expenditures	1,306,981	10,865	-	1,317,846
Excess (Deficiency) of Revenues Over (Under) Expenditures	(8,254)	974	220,424	213,144
Other Financing Uses				
Transfers out	-	-	(214,016)	(214,016)
Net Change in Fund Balances	(8,254)	974	6,408	(872)
Fund Balances - Beginning of Year	896,089	24,015	265,975	1,186,079
Fund Balances - End of Year	$ 887,835	$ 24,989	$ 272,383	$ 1,185,207

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget
Revenues				
Taxes	$ 1,353,908	$ 1,353,908	$ 1,294,613	$ (59,295)
Investment income	-	-	4,114	4,114
Total revenues	1,353,908	1,353,908	1,298,727	(55,181)
Expenditures				
Current				
Human services	1,353,908	1,353,908	1,306,981	46,927
Net Change in Fund Balance	$ -	$ -	(8,254)	$ (8,254)
Fund Balance, Beginning			896,089	
Fund Balance, Ending			$ 887,835	

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget
Revenues				
Special assessments	$ 10,650	$ 10,650	$ 11,839	$ 1,189
Expenditures				
Current				
Conservation	10,650	10,650	10,865	(215)
Net Change in Fund Balance	$ -	$ -	974	$ 974
Fund Balance, Beginning			24,015	
Fund Balance, Ending			$ 24,989	

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget
Revenues				
Taxes	$ 219,925	$ 219,925	$ 220,424	$ 499
Other Financing Uses				
Transfers Out	(219,925)	(219,925)	(214,016)	5,909
Net Change in Fund Balance	$ -	$ -	6,408	$ 6,408
Fund Balance, Beginning			265,975	
Fund Balance, Ending			$ 272,383	

	Balance January 1	Additions	Deductions	Balance December 31
Lincoln-Pipestone Rural Water System				
Assets				
Cash and investments	$ 8,077	$ 149,480	$ 152,484	$ 5,073
Liabilities				
Due to other governments	$ 8,077	$ 149,480	$ 152,484	$ 5,073
State Revenue				
Assets				
Cash and investments	$ 57,998	$ 1,989,501	$ 2,004,543	$ 42,956
Liabilities				
Due to other governments	$ 57,998	$ 1,989,501	$ 2,004,543	$ 42,956
Taxes and Penalties				
Assets				
Cash and investments	$ 171,196	$ 19,579,517	$ 19,554,622	$ 196,091
Liabilities				
Due to other governments	$ 171,196	$ 19,579,517	$ 19,554,622	$ 196,091
Total Agency Funds				
Assets				
Cash and investments	$ 237,271	$ 21,718,498	$ 21,711,649	$ 244,120
Liabilities				
Due to other governments	$ 237,271	$ 21,718,498	$ 21,711,649	$ 244,120

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Independent Auditor's Report on *Minnesota Legal Compliance*

To the County Board
Pipestone County
Preston, 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, the business-type activities, each major fund, and the aggregate remaining fund information of Pipestone County (the County), as of and for the year ended December 31, 2019, and the related notes to the financial statements, and have issued our report thereon dated June 30, 2020.

The *Minnesota Legal Compliance Audit Guide for Counties*, promulgated by the State Auditor pursuant to Minnesota Statutes Sec. 6.65 contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit considered all of the listed categories.

In connection with our audit, nothing came to our attention that caused us to believe the County failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Counties*. 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.

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

Eide Bailly LLP

Mankato, Minnesota
June 30, 2020

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Independent Auditor's 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*

To the County Board
Pipestone County

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, the business-type activities, each major fund, and the aggregate remaining fund information of Pipestone County (the County) as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated June 30, 2020.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 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 have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings as items 2019-001 and 2019-002 that we consider to be material weaknesses.

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

Response to Findings
The County's responses to the findings identified in our audit are described in the accompanying schedule of findings. The County's responses were 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 and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Eide Bailly LLP

Mankato, Minnesota
June 30, 2020

Section I – Financial Statement Findings

Material Weakness

2019-001 Preparation of Financial Statements, Including Footnotes

Criteria: A good system of internal control contemplates an adequate system for drafting of the financial statements, including footnotes.

Condition: The County does not have an internal control system designed to provide for the preparation of the financial statements and footnotes being audited. As auditors, we are requested to draft the financial statements, accompanying notes to the financial statements, and required supplementary information.

Cause: The County does not have the economic resources to hire additional qualified accounting staff or hire professional accounting services in order to draft financial statements.

Effect: This control deficiency could result in a misstatement to the financial statements that would not be prevented or detected.

Recommendation: This control deficiency is not unusual in a County of your size. It is the responsibility of the management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Views of Responsible Officials: There is no disagreement with this audit finding.

Material Weakness

2019-002 Material Journal Entries

Criteria: A good system of internal control contemplates an adequate system for recording and processing entries material to the financial statements.

Condition: During the course of our engagement, we proposed material audit adjustments to the trial balance as a result of the County's existing internal controls.

Cause: The County does not have the economic resources to hire additional qualified accounting staff or hire professional accounting services in order to make all of the necessary year-end adjustments to the trial balance.

Effect: This control deficiency could result in a misstatement to the financial statements that would not be prevented or detected.

Recommendation: A thorough and timely review and reconciliation of accounts in each fund should take place on a monthly basis. This review should be done at both the accounting staff and accounting supervisor levels.

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

Section II – *Minnesota Legal Compliance* Findings

None reported