PRELIMINARY OFFICIAL STATEMENT DATED JANUARY 14, 2021

In the opinion of Dorsey & Whitney LLP, Bond Counsel, based on existing law and assuming the accuracy of certain representations and compliance with certain covenants, interest on the Bonds (i) is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"), (ii) is not an item of tax preference for purposes of the federal alternative minimum tax imposed by Section 55 of the Code, (iii) is excluded from taxable net income of individuals, estates, and trusts for Minnesota income tax purposes, and (iv) is not an item of tax preference for Minnesota alternative minimum tax purposes. Interest on the Bonds is included, however, in net income for purposes of the Minnesota franchise tax imposed on corporations and financial institutions.

The County will designate the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code relating to the ability of financial institutions to deduct from income for federal income tax purposes a portion of the interest expense that is allocable to carrying and acquiring tax-exempt obligations. See "TAX CONSIDERATIONS" herein.

New Issue | **Rating Application Made: S&P Global Ratings**

HOUSTON COUNTY, MINNESOTA

$3,090,000* GENERAL OBLIGATION STATE AID BONDS, SERIES 2021A

PROPOSAL OPENING: January 25, 2021, 12:00 P.M. (Noon), C.T.
CONSIDERATION: January 26, 2021, 9:00 A.M., C.T.

PURPOSE/AUTHORITY/SECURITY: The $3,090,000* General Obligation State Aid Bonds, Series 2021A (the "Bonds") are being issued pursuant to Minnesota Statutes, Section 162.181 and Chapter 475, by Houston County, Minnesota (the "County") to finance the construction of county highway improvements. The Bonds will be general obligations of the County for which the County will pledge its full faith, credit and taxing powers. Delivery is subject to receipt of an approving legal opinion of Dorsey & Whitney LLP, Minneapolis, Minnesota.

DATE OF BONDS: February 24, 2021

MATURITY: April 1 as follows:

Year	Amount*	Year	Amount*	Year	Amount*
2023	$195,000	2028	$200,000	2033	$210,000
2024	195,000	2029	200,000	2034	215,000
2025	195,000	2030	205,000	2035	220,000
2026	195,000	2031	205,000	2036	225,000
2027	195,000	2032	210,000	2037	225,000

MATURITY ADJUSTMENTS: * The County reserves the right to increase or decrease the principal amount of the Bonds on the day of sale, in increments of $5,000 each. Increases or decreases may be made in any maturity. If any principal amounts are adjusted, the purchase price proposed will be adjusted to maintain the same gross spread per $1,000.

TERM BONDS: See "Term Bond Option" herein.

INTEREST: October 1, 2021 and semiannually thereafter.

OPTIONAL REDEMPTION: Bonds maturing on April 1, 2031 and thereafter are subject to call for prior optional redemption on April 1, 2030 and any date thereafter, at a price of par plus accrued interest.

MINIMUM PROPOSAL: $3,052,920.

GOOD FAITH DEPOSIT: A good faith deposit in the amount of $61,800 shall be made by the winning bidder by wire transfer of funds.

PAYING AGENT: Bond Trust Services Corporation

BOND COUNSEL: Dorsey & Whitney LLP

MUNICIPAL ADVISOR: Ehlers and Associates, Inc.

BOOK-ENTRY-ONLY: See "Book-Entry-Only System" herein (unless otherwise specified by the purchaser).

REPRESENTATIONS

No dealer, broker, salesperson or other person has been authorized by the County to give any information or to make any representation other than those contained in this Preliminary Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by the County. ***This Preliminary Official Statement does not constitute an offer to sell or a solicitation of an offer to buy any of the Bonds in any jurisdiction to any person to whom it is unlawful to make such an offer or solicitation in such jurisdiction.***

This Preliminary Official Statement is not to be construed as a contract with the Syndicate Manager or Syndicate Members. Statements contained herein which involve estimates or matters of opinion are intended solely as such and are not to be construed as representations of fact. Ehlers and Associates, Inc. prepared this Preliminary Official Statement and any addenda thereto relying on information of the County and other sources for which there is reasonable basis for believing the information is accurate and complete. Bond Counsel has not participated in the preparation of this Preliminary Official Statement and is not expressing any opinion as to the completeness or accuracy of the information contained therein. Compensation of Ehlers and Associates, Inc., payable entirely by the County, is contingent upon the delivery of the Bonds.

COMPLIANCE WITH S.E.C. RULE 15c2-12

Certain municipal obligations (issued in an aggregate amount over $1,000,000) are subject to Rule 15c2-12 promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended (the "Rule").

Preliminary Official Statement: This Preliminary Official Statement was prepared for the County for dissemination to potential investors. Its primary purpose is to disclose information regarding the Bonds to prospective underwriters in the interest of receiving competitive proposals in accordance with the sale notice contained herein. Unless an addendum is posted prior to the sale, this Preliminary Official Statement shall be deemed nearly final for purposes of the Rule subject to completion, revision and amendment in a Final Official Statement as defined below.

Review Period: This Preliminary Official Statement has been distributed to prospective bidders for review. Comments or requests for the correction of omissions or inaccuracies must be submitted to Ehlers and Associates, Inc. at least two business days prior to the sale. Requests for additional information or corrections in the Preliminary Official Statement received on or before this date will not be considered a qualification of a proposal received from an underwriter. If there are any changes, corrections or additions to the Preliminary Official Statement, interested bidders will be informed by an addendum prior to the sale.

Final Official Statement: Copies of the Final Official Statement will be delivered to the underwriter (Syndicate Manager) within seven business days following the proposal acceptance.

Continuing Disclosure: Subject to certain exemptions, issues in an aggregate amount over $1,000,000 may be required to comply with provisions of the Rule which require that underwriters obtain from the issuers of municipal securities (or other obligated party) an agreement for the benefit of the owners of the securities to provide continuing disclosure with respect to those securities. This Preliminary Official Statement describes the conditions under which the County is required to comply with the Rule.

CLOSING CERTIFICATES

Upon delivery of the Bonds, the underwriter (Syndicate Manager) will be furnished with the following items: (1) a certificate of the appropriate officials to the effect that at the time of the sale of the Bonds and all times subsequent thereto up to and including the time of the delivery of the Bonds, this Preliminary Official Statement did not and does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (2) a receipt signed by the appropriate officer evidencing payment for the Bonds; (3) a certificate evidencing the due execution of the Bonds, including statements that (a) no litigation of any nature is pending, or to the knowledge of signers, threatened, restraining or enjoining the issuance and delivery of the Bonds, (b) neither the corporate existence or boundaries of the County nor the title of the signers to their respective offices is being contested, and (c) no authority or proceedings for the issuance of the Bonds have been repealed, revoked or rescinded; and (4) a certificate setting forth facts and expectations of the County which indicates that the County does not expect to use the proceeds of the Bonds in a manner that would cause them to be arbitrage bonds within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended, or within the meaning of applicable Treasury Regulations.

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HOUSTON
COUNTY BOARD

		Term Expires
Bob Burns	Commissioner	January 2025
Eric Johnson	Commissioner	January 2023
Greg Myhre	Commissioner	January 2025
Duane Severson	Commissioner	January 2025
Teresa Walter	Commissioner	January 2023

ADMINISTRATION

Donna Trehus, County Auditor-Treasurer

Carol Lapham, Finance Director

PROFESSIONAL SERVICES

Dorsey & Whitney LLP, Bond Counsel, Minneapolis, Minnesota

Ehlers and Associates, Inc., Municipal Advisors, Roseville, Minnesota
(*Other offices located in Waukesha, Wisconsin and Denver, Colorado*)

INTRODUCTORY STATEMENT

This Preliminary Official Statement contains certain information regarding Houston County, Minnesota (the "County") and the issuance of its $3,090,000* General Obligation State Aid Bonds, Series 2021A (the "Bonds"). Any descriptions or summaries of the Bonds, statutes, or documents included herein are not intended to be complete and are qualified in their entirety by reference to such statutes and documents and the form of the Bonds to be included in the resolution authorizing the issuance and sale of the Bonds ("Award Resolution") to be adopted by the Board of Commissioners on January 26, 2021.

Inquiries may be directed to Ehlers and Associates, Inc. ("Ehlers" or the "Municipal Advisor"), Roseville, Minnesota, (651) 697-8500, the County's municipal advisor. A copy of this Preliminary Official Statement may be downloaded from Ehlers' web site at www.ehlers-inc.com by connecting to the Bond Sales link and following the directions at the top of the site.

THE BONDS

GENERAL

The Bonds will be issued in fully registered form as to both principal and interest in denominations of $5,000 each or any integral multiple thereof, and will be dated, as originally issued, as of February 24, 2021. The Bonds will mature on April 1 in the years and amounts set forth on the cover of this Preliminary Official Statement. Interest will be payable on April 1 and October 1 of each year, commencing October 1, 2021, to the registered owners of the Bonds appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board ("MSRB"). **The rate for any maturity may not be more than 1.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2023 maturity, then the lowest rate that may be proposed for any later maturity is 3.50%.)** All Bonds of the same maturity must bear interest from the date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

Unless otherwise specified by the purchaser, the Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). (See "Book-Entry-Only System" herein.) As long as the Bonds are held under the book-entry system, beneficial ownership interests in the Bonds may be acquired in book-entry form only, and all payments of principal of, premium, if any, and interest on the Bonds shall be made through the facilities of DTC and its participants. If the book-entry system is terminated, principal of, premium, if any, and interest on the Bonds shall be payable as provided in the Award Resolution.

The County has selected Bond Trust Services Corporation, Roseville, Minnesota, to act as paying agent (the "Paying Agent"). Bond Trust Services Corporation and Ehlers are affiliate companies. The County will pay the charges for Paying Agent services. The County reserves the right to remove the Paying Agent and to appoint a successor.

*Preliminary, subject to change.

OPTIONAL REDEMPTION

At the option of the County, the Bonds maturing on or after April 1, 2031 shall be subject to optional redemption prior to maturity on April 1, 2030 or any date thereafter, at a price of par plus accrued interest.

Redemption may be in whole or in part of the Bonds subject to prepayment. If redemption is in part, the selection of the amounts and maturities of the Bonds to be redeemed shall be at the discretion of the County. If only part of the Bonds having a common maturity date are called for redemption, then the County or Paying Agent, if any, will notify DTC of the particular amount of such maturity to be redeemed. DTC will determine by lot the amount of each participant's interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interest in such maturity to be redeemed.

Notice of redemption shall be sent by mail not more than 60 days and not less than 30 days prior to the date fixed for redemption to the registered owner of each Bond to be redeemed at the address shown on the registration books.

AUTHORITY; PURPOSE

The Bonds are being issued pursuant to Minnesota Statutes, Section 162.181 and Chapter 475, by the County to finance the construction of county highway improvements and will be paid entirely from county state aid highway funds. Minnesota counties are allowed to issue bonds for this purpose provided the total principal amount does not exceed the total of the preceding two years state aid allotments. In addition, the annual debt service in any calendar year may not exceed 90% of the last annual allotment preceding the bond issue which was received by the County from the construction fund.

ESTIMATED SOURCES AND USES*

Sources			
	Par Amount of Bonds	$3,090,000	
	Total Sources		**$3,090,000**
Uses			
	Total Underwriter's Discount (1.200%)	$37,080	
	Costs of Issuance	48,000	
	Deposit to Project Construction Fund	3,000,000	
	Rounding Amount	4,920	
	Total Uses		**$3,090,000**

*Preliminary, subject to change.

SECURITY

The Bonds are payable entirely from county state-aid highway funds. In the Award Resolution, the County will pledge and appropriate an amount of the money allotted to the County from its account in the county state-aid highway fund sufficient to pay the principal of and interest on the Bonds.

The Bonds are general obligations of the County for which its full faith, credit and taxing powers are pledged without limit as to rate or amount.

RATING

General obligation debt of the County, with the exception of any outstanding credit enhanced issues, is currently rated "AA" by S&P Global Ratings.

The County has requested a rating on the Bonds from S&P Global Ratings, and bidders will be notified as to the assigned rating prior to the sale. Such rating reflects only the views of such organization and explanations of the significance of such rating may be obtained from S&P Global Ratings. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating agency, if in the judgment of such rating agency circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

Such rating is not to be construed as a recommendation of the rating agency to buy, sell or hold the Bonds, and the rating assigned by the rating agency should be evaluated independently. Except as may be required by the Disclosure Undertaking described under the heading “CONTINUING DISCLOSURE” neither the County nor the underwriter undertake responsibility to bring to the attention of the owner of the Bonds any proposed changes in or withdrawal of such rating or to oppose any such revision or withdrawal.

CONTINUING DISCLOSURE

In order to assist brokers, dealers, and municipal securities dealers, in connection with their participation in the offering of the Bonds, to comply with Rule 15c2-12 promulgated by the Securities and Exchange Commission, pursuant to the Securities and Exchange Act of 1934, as amended (the "Rule"), the County shall agree to provide certain information to the Municipal Securities Rulemaking Board (MSRB) through its Electronic Municipal Market Access (EMMA) system, or any system that may be prescribed in the future. The Rule was last amended, effective February 27, 2019, to include an expanded list of material events.

In the Award Resolution, the county will covenant for the benefit of holders including beneficial holders, to provide electronically, or in a manner otherwise prescribed, certain financial information annually and to provide notices of the occurrence of certain events enumerated in the Rule (the "Disclosure Undertaking"). The details and terms of the Disclosure Undertaking for the County are set forth in Appendix D.

A failure by the County to comply with any Disclosure Undertaking will not constitute an event of default on the Bonds. However, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

In the previous five years, the County believes it has not failed to comply in all material respects with its prior undertakings under the Rule. The County has reviewed its continuing disclosure responsibilities along with any changes to the Rule, to ensure compliance. Ehlers is currently engaged as dissemination agent for the County.

LEGAL OPINION

An opinion in substantially the form attached hereto as Appendix B will be furnished by Dorsey & Whitney LLP ("Bond Counsel"), Minneapolis, Minnesota, bond counsel to the County.

TAX CONSIDERATIONS

The following is a summary of certain U.S. federal and Minnesota income tax considerations relating to the purchase, ownership, and disposition of the Bonds. This summary is based on the U.S. Internal Revenue Code of 1986 (the "Code") and the Treasury Regulations promulgated thereunder, judicial decisions, and published rulings and administrative pronouncements of the Internal Revenue Service (the "IRS"), all as of the date hereof and all of which are subject to change, possibly with retroactive effect. Any such change could adversely affect the matters discussed below, including the tax exemption of interest on the Bonds. The County has not sought and will not seek any rulings from the IRS regarding the matters discussed below, and there can be no assurance the IRS or a court will not take a contrary position regarding these matters.

Prospective purchasers of Bonds should consult their own tax advisors with respect to applicable federal, state, and local tax rules, and any pending or proposed legislation or regulatory or administrative actions, relating to the Bonds based on their own particular circumstances.

This summary is for general information only and is not intended to constitute a complete analysis of all tax considerations relating to the purchase, ownership, and disposition of Bonds. It does not address the application of the alternative minimum tax or the additional tax on net investment income, nor does it address the U.S. federal estate and gift tax or any state, local, or non-U.S. tax consequences except with respect to Minnesota income tax to the extent specified herein. This summary is limited to consequences to U.S. holders that purchase the Bonds for cash at original issue and hold the Bonds as "capital assets" (generally, property held for investment).

This discussion does not address all aspects of U.S. federal income or state taxation that may be relevant to particular holders of Bonds in light of their specific circumstances or the tax considerations applicable to holders that may be subject to special income tax rules, such as holders subject to special tax accounting rules under Section 451(b) of the Code; insurance companies, brokers, dealers, or traders in stocks, securities, or currencies or notional principal contracts; foreign corporations subject to the branch profits tax; holders receiving payments in respect to the Bonds through foreign entitites; and S corporations, partnerships, or other pass-through entities or investors therein.

For purposes of this discussion, the "issue price" of a maturity of Bonds is the first price at which a substantial amount of Bonds of that maturity is sold for cash to persons other than bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents, or wholesalers.

Tax Exempt Interest

In the opinion of Bond Counsel, based on existing law and assuming the accuracy of certain representations and compliance with certain covenants, interest on the Bonds (i) is excluded from gross income for federal income tax purposes (ii) is not an item of tax preference for federal alternative minimum tax purposes; (iii) is excluded from taxable net income of individuals, estates, and trusts for Minnesota income tax purposes, and (iv) is not an item of tax preference for federal or Minnesota alternative minimum tax purposes. Interest on the Bonds is included, however, in net taxable income for purposes of the Minnesota franchise tax imposed on corporations and financial institutions.

The Code establishes certain requirements that must be met after the issuance of the Bonds in order that interest on the Bonds be excluded from federal gross income and from Minnesota taxable net income of individuals, estates, and trusts. These requirements include, but are not limited to, provisions regarding the use of Bond proceeds and the facilities financed or refinanced with such proceeds and restrictions on the investment of Bond proceeds and other amounts. The County has made certain representations and has covenanted to comply with certain restrictions, conditions, and requirements designed to ensure interest on the Bonds will not be included in federal gross income. Inaccuracy of these representations or noncompliance with these covenants may cause interest on the Bonds to be included in federal gross income or in Minnesota taxable net income retroactively to their date of issue. Bond Counsel has not independently verified the accuracy of these representations and will not verify the continuing compliance with these covenants. No provision has been made for redemption of or for an increase in the interest rate on the Bonds in the event that interest on the Bonds is included in federal gross income or in Minnesota taxable net income.

Original Issue Discount

Bonds may be issued at a discount from their principal amount (any such Bonds being "Discount Bonds"). The excess of the principal amount payable on Bonds of a given maturity over their issue price constitutes "original issue discount" ("OID"). OID that accrues to a holder of a Discount Bond is excluded from federal gross income and from Minnesota taxable net income of individuals, estates, and trusts to the same extent that stated interest on such Discount Bond would be so excluded. The amount of OID that accrues on a Discount Bond is added to the holder's federal and Minnesota tax bases. OID is taxable under the Minnesota franchise tax on corporations and financial institutions.

OID on a Discount Bond generally accrues pursuant to a constant-yield method that reflects semiannual compounding on dates that are determined by reference to the maturity date of the Discount Bond. The amount of OID that accrues for any particular semiannual accrual period generally is equal to the excess of (1) the product of (a) one-half of the yield on such Discount Bonds (adjusted as necessary for an initial short period) and (b) the adjusted issue price of such Discount Bonds, over (2) the amount of stated interest actually payable. For this purpose, the adjusted issue price is determined by adding to the issue price for such Discount Bonds the OID that is treated as having accrued during all prior accrual periods. If a Discount Bond is sold or otherwise disposed of between semiannual compounding dates, then the original issue discount that would have accrued for that accrual period for federal income tax purposes is allocated ratably to the days in such accrual period.

If a Discount Bond is purchased for a cost that exceeds the sum of the issue price plus accrued interest and accrued OID, the amount of OID that is deemed to accrue thereafter to the purchaser is reduced by an amount that reflects amortization of such excess over the remaining term of such Discount Bond. If the excess is greater than the amount of remaining OID, the basis reduction rules for amortizable bond premium may result in taxable gain upon sale or other disposition of the Bonds, even if the Bonds are sold, redeemed or retired for an amount equal to or less than their cost.

It is possible under certain state and local income tax laws that original issue discount on a Discount Bond may be taxable in the year of accrual and may be deemed to accrue differently than under federal law.

Market Discount

If a Bond is purchased for a cost that is less than the Bond's issue price (plus accrued original issue discount, if any), the purchaser will be treated as having purchased the Bond with market discount (unless a statutory *de minimis* rule applies). Market discount is treated as ordinary income and generally is recognized on the maturity or earlier disposition of the Bond (to the extent that the gain realized does not exceed the accrued market discount on the Bond.

Bond Premium

A holder that acquires a Bond for an amount in excess of its principal amount generally must, from time to time, reduce the holder's federal and Minnesota tax basis for the Bond. Premium generally is amortized for federal income tax purposes and Minnesota income and franchise tax purposes on the basis of a bondholder's constant yield to maturity or to certain call dates with semiannual compounding. Accordingly, holders who acquire Bonds at a premium might recognize taxable gain upon sale of the Bonds, even if such Bonds are sold for an amount equal to or less than their original cost. Amortized premium is not deductible for federal income tax purposes or for purposes of the Minnesota income tax applicable to individuals, estates, or trusts.

Related Tax Considerations

Section 86 of the Code and corresponding provisions of Minnesota law require recipients of certain social security and railroad retirement benefits to take interest on the Bonds into account in determining the taxability of such benefits.

Section 265(a) of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Bonds, and Minnesota law similarly denies a deduction for such interest in the case of individuals, estates, and trusts. In the case of a financial institution, generally, no deduction is allowed under Section 265(b) of the Code for that portion of the holder's interest expense that is allocable to interest on tax-exempt obligations, such as the Bonds, unless the obligations are "qualified tax-exempt obligations". Indebtedness may be allocated to the Bonds for this purpose even though not directly traceable to the purchaser of the Bonds.

The Bonds are "qualified tax exempt obligations" for purposes of Section 265(b)(3) of the Code. Accordingly, although interest expense allocable to the Bonds is not subject to the disallowance under Section 265(b) of the Code, the deduction for interest on indebtedness incurred or continued to purchase or carry the Bonds may be subject to reduction under Section 291 of the Code.

Sale or Other Disposition

A holder will generally recognize gain or loss on the sale, exchange, redemption, retirement, or other disposition of a Bond equal to the difference between (i) the amount realized less amounts attributable to any accrued but unpaid stated interest and (ii) the holder's adjusted tax basis in the Bond. The amount realized includes the cash and the fair market value of any property received by the holder in exchange for the Bond. A holder's adjusted tax basis in a Bond generally will be equal to the amount that the holder paid for the Bond, increased by any accrued original issue discount with respect to the Bond and reduced by the amount of any amortized bond premium on the Bond. Except to the extent attributable to market discount (which will be taxable as ordinary income to the extent not previously included in income), any gain or loss will be capital gain or loss and will be long-term capital gain or loss if the holder held the Bond for more than one year. Long-term capital gains recognized by certain non-corporate persons, including individuals, generally are taxable at a reduced rate. The deductibility of capital losses is subject to significant limitations.

Information Reporting and Backup Withholding

Payments of interest on the Bonds (including any allocable bond premium or accrued original issue discount) and proceeds from the sale or other disposition of the Bonds are expected to be reported to the IRS as required under applicable Treasury Regulations. Backup withholding will apply to these payments if the holder fails to provide an accurate taxpayer identification number and certification that it is not subject to backup withholding (generally on an IRS Form W-9) or otherwise fails to comply with the applicable backup withholding requirements. Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against the holder's U.S. federal income tax liability, provided that the required information is timely furnished to the IRS. Certain holders are exempt from information reporting. Potential holders should consult their own tax advisors regarding qualification for an exemption and the procedures for obtaining such an exemption.

The Bonds are "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code. Accordingly, although interest expense allocable to the Bonds is not subject to the disallowance under Section 265(b) of the Code, the deduction for interest on indebtedness incurred or continued to purchase or carry the Bonds may be subject to reduction under Section 291 of the Code.

MUNICIPAL ADVISOR

Ehlers has served as municipal advisor to the County in connection with the issuance of the Bonds. The Municipal Advisor cannot participate in the underwriting of the Bonds. The financial information included in this Preliminary Official Statement has been compiled by the Municipal Advisor. Such information does not purport to be a review, audit or certified forecast of future events and may not conform with accounting principles applicable to compilations of financial information. Ehlers is not a firm of certified public accountants. Ehlers is registered with the Securities and Exchange Commission and the MSRB as a municipal advisor. Ehlers makes no representation, warranty or guarantee regarding the accuracy or completeness of the information in this Preliminary Official Statement, and its assistance in preparing this Preliminary Official Statement should not be construed as a representation that it has independently verified such information.

MUNICIPAL ADVISOR AFFILIATED COMPANIES

Bond Trust Services Corporation ("BTSC") and Ehlers Investment Partners, LLC ("EIP") are affiliate companies of Ehlers. BTSC is chartered by the State of Minnesota and authorized in Minnesota, Wisconsin, Colorado, and Illinois to transact the business of a limited purpose trust company. BTSC provides paying agent services to debt issuers. EIP is a Registered Investment Advisor with the Securities and Exchange Commission. EIP assists issuers with the investment of bond proceeds or investing other issuer funds. This includes escrow bidding agent services. Issuers, such as the County, have retained or may retain BTSC and/or EIP to provide these services. If hired, BTSC and/or EIP would be retained by the County under an agreement separate from Ehlers.

INDEPENDENT AUDITORS

The basic financial statements of the County for the fiscal year ended December 31, 2019, have been audited by the Office of the Minnesota State Auditor, independent auditors (the "Auditor"). The report of the Auditor, together with the basic financial statements, component units financial statements, and notes to the financial statements are attached hereto as “APPENDIX A – FINANCIAL STATEMENTS”. The Auditor has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. The Auditor also has not performed any procedures relating to this Preliminary Official Statement.

RISK FACTORS

Following is a description of possible risks to holders of the Bonds without weighting as to probability. This description of risks is not intended to be all-inclusive, and there may be other risks not now perceived or listed here.

Taxes: The Bonds are general obligations of the County, the ultimate payment of which rests in the County's ability to levy and collect sufficient taxes to pay debt service should other revenue (state aids) be insufficient. In the event of delayed billing, collection or distribution of property taxes, sufficient funds may not be available to the County in time to pay debt service when due.

State Actions: Many elements of local government finance, including the issuance of debt and the levy of property taxes, are controlled by state government. Future actions of the state may affect the overall financial condition of the County, the taxable value of property within the County, and the ability of the County to levy and collect property taxes.

Future Changes in Law: Various State and federal laws, regulations and constitutional provisions apply to the County and to the Bonds. The County can give no assurance that there will not be a change in or interpretation of any such applicable laws, regulations and provisions which would have a material effect on the County or the taxing authority of the County.

Ratings; Interest Rates: In the future, the County's credit rating may be reduced or withdrawn, or interest rates for this type of obligation may rise generally, either possibility resulting in a reduction in the value of the Bonds for resale prior to maturity.

Tax Exemption: If the federal government or the State of Minnesota taxes all or a portion of the interest on municipal obligations, directly or indirectly, or if there is a change in federal or state tax policy, the value of the Bonds may fall for purposes of resale. Noncompliance following the issuance of the Bonds with certain requirements of the Code and covenants of the bond resolution may result in the inclusion of interest on the Bonds in gross income of the recipient for United States income tax purposes or in taxable net income of individuals, estates or trusts for State of Minnesota income tax purposes. No provision has been made for redemption of the Bonds, or for an increase in the interest rate on the Bonds, in the event that interest on the Bonds becomes subject to United States or State of Minnesota income taxation, retroactive to the date of issuance.

Continuing Disclosure: A failure by the County to comply with the Disclosure Undertaking for continuing disclosure (see "CONTINUING DISCLOSURE") will not constitute an event of default on the Bonds. Any such failure must be reported in accordance with the Rule and must be considered by any broker, dealer, or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

State Economy; State Aids: State of Minnesota cash flow problems could affect local governments and possibly increase property taxes.

Book-Entry-Only System: The timely credit of payments for principal and interest on the Bonds to the accounts of the Beneficial Owners of the Bonds may be delayed due to the customary practices, standing instructions or for other unknown reasons by DTC participants or indirect participants. Since the notice of redemption or other notices to holders of these obligations will be delivered by the County to DTC only, there may be a delay or failure by DTC, DTC participants or indirect participants to notify the Beneficial Owners of the Bonds.

Economy: A combination of economic, climatic, political or civil disruptions or terrorist actions outside of the control of the County, including loss of major taxpayers or major employers, could affect the local economy and result in reduced tax collections and/or increased demands upon local government. Real or perceived threats to the financial stability of the County may have an adverse effect on the value of the Bonds in the secondary market.

Secondary Market for the Bonds: No assurance can be given that a secondary market will develop for the purchase and sale of the Bonds or, if a secondary market exists, that such Bonds can be sold for any particular price. The underwriters are not obligated to engage in secondary market trading or to repurchase any of the Bonds at the request of the owners thereof. Prices of the Bonds as traded in the secondary market are subject to adjustment upward and downward in response to changes in the credit markets and other prevailing circumstances. No guarantee exists as to the future market value of the Bonds. Such market value could be substantially different from the original purchase price.

Bankruptcy: The rights and remedies of the holders may be limited by and are subject to the provisions of federal bankruptcy laws, to other laws, or equitable principles that may affect the enforcement of creditors' rights, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against local governments. The opinion of Bond Counsel to be delivered with respect to the Bonds will be similarly qualified.

Cybersecurity: The County is dependent on electronic information technology systems to deliver services. These systems may contain sensitive information or support critical operational functions which may have value for unauthorized purposes. As a result, the electronic systems and networks may be targets of cyberattack. There can be no assurance that the County will not experience an information technology breach or attack with financial consequences that could have a material adverse impact.

Impact of the Spread of COVID-19: In late 2019, a novel strain of coronavirus (COVID-19) emerged in Wuhan, Hubei Province, China. COVID-19 has spread throughout the world, including to the United States, resulting in the World Health Organization proclaiming COVID-19 to be a pandemic and President Trump declaring a national emergency. In response to the spread of COVID-19, the United States government, state governments, local governments and private industries have taken measures to limit social interactions in an effort to limit the spread of COVID-19. The effects of the spread of COVID-19 and the government and private responses to the spread continue to rapidly evolve. COVID-19 has caused significant disruptions to the global, national and State economy. The extent to which the coronavirus impacts the County and its financial condition will depend on future developments, which are highly uncertain and cannot be predicted by the County, including the duration of the outbreak and measures taken to address the outbreak.

On March 13, 2020, Minnesota Governor Tim Walz signed Emergency Executive Order 20-01 and declared a peacetime emergency. In subsequent executive orders, the Governor has extended the peacetime emergency by 30 days. On June 5, 2020, the Governor signed Emergency Executive Order 20-74 which outlines guidelines for continuing to safely reopen Minnesota's economy and ensuring safe non-work activities during the COVID-19 peacetime emergency. This order is effective as of June 10, 2020, and outlines the guidelines for continuing to lift the restrictions that were identified in prior executive orders signed by the Governor.

The foregoing is intended only as a summary of certain risk factors attendant to an investment in the Bonds. In order for potential investors to identify risk factors and make an informed investment decision, potential investors should be thoroughly familiar with this entire Preliminary Official Statement and the Appendices hereto.

VALUATIONS

OVERVIEW

All non-exempt property is subject to taxation by local taxing districts. Exempt real property includes Indian lands, public property, and educational, religious and charitable institutions. Most personal property is exempt from taxation (except investor-owned utility mains, generating plants, etc.).

The valuation of property in Minnesota consists of three elements. (1) The estimated market value is set by city or county assessors. Not less than 20% of all real properties are to be appraised by local assessors each year. (2) The taxable market value is the estimated market value adjusted by all legislative exclusions. (3) The tax capacity (taxable) value of property is determined by class rates set by the State Legislature. The tax capacity rate varies according to the classification of the property. Tax capacity represents a percent of taxable market value.

The property tax rate for a local taxing jurisdiction is determined by dividing the total tax capacity or market value of property within the jurisdiction into the dollars to be raised from the levy. State law determines whether a levy is spread on tax capacity or market value. Major classifications and the percentages by which tax capacity is determined are:

Type of Property	2017/18	2018/19	2019/20
Residential homestead[1]	First \$500,000 - 1.00% Over \$500,000 - 1.25%	First \$500,000 - 1.00% Over \$500,000 - 1.25%	First \$500,000 - 1.00% Over \$500,000 - 1.25%
Agricultural homestead[1]	First \$500,000 HGA - 1.00% Over \$500,000 HGA - 1.25% First \$1,940,000 - 0.50% [2] Over \$1,940,000 - 1.00% [2]	First \$500,000 HGA - 1.00% Over \$500,000 HGA - 1.25% First \$1,900,000 - 0.50% [2] Over \$1,900,000 - 1.00% [2]	First \$500,000 HGA - 1.00% Over \$500,000 HGA - 1.25% First \$1,880,000 - 0.50% [2] Over \$1,880,000 - 1.00% [2]
Agricultural non-homestead	Land - 1.00% [2]	Land - 1.00% [2]	Land - 1.00% [2]
Seasonal recreational residential	First \$500,000 - 1.00% [3] Over \$500,000 - 1.25% [3]	First \$500,000 - 1.00% [3] Over \$500,000 - 1.25% [3]	First \$500,000 - 1.00% [3] Over \$500,000 - 1.25% [3]
Residential non-homestead:	1 unit - 1st \$500,000 - 1.00% Over \$500,000 - 1.25% 2-3 units - 1.25% 4 or more - 1.25% Small City [4] - 1.25% Affordable Rental: First \$121,000 - .75% Over \$121,000 - .25%	1 unit - 1st \$500,000 - 1.00% Over \$500,000 - 1.25% 2-3 units - 1.25% 4 or more - 1.25% Small City [4] - 1.25% Affordable Rental: First \$139,000 - .75% Over \$139,000 - .25%	1 unit - 1st \$500,000 - 1.00% Over \$500,000 - 1.25% 2-3 units - 1.25% 4 or more - 1.25% Small City [4] - 1.25% Affordable Rental: First \$150,000 - .75% Over \$150,000 - .25%
Industrial/Commercial/Utility[5]	First \$150,000 - 1.50% Over \$150,000 - 2.00%	First \$150,000 - 1.50% Over \$150,000 - 2.00%	First \$150,000 - 1.50% Over \$150,000 - 2.00%

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1 A residential property qualifies as "homestead" if it is occupied by the owner or a relative of the owner on the assessment date.

2 Applies to land and buildings. Exempt from referendum market value tax.

3 Exempt from referendum market value tax.

4 Cities of 5,000 population or less and located entirely outside the seven-county metropolitan area and the adjacent nine-county area and whose boundaries are 15 miles or more from the boundaries of a Minnesota city with a population of over 5,000.

5 The estimated market value of utility property is determined by the Minnesota Department of Revenue.

CURRENT PROPERTY VALUATIONS

2019/20 Economic Market Value	$2,860,203,655[1]

	2019/20 Assessor's Estimated Market Value	2019/20 Net Tax Capacity
Real Estate	$2,545,768,500	$19,367,684
Personal Property	19,698,100	375,826
Total Valuation	$2,565,466,600	$19,743,510
Less: Captured Tax Increment Tax Capacity[2]		(135,343)
Taxable Net Tax Capacity		$19,608,167

1 According to the Minnesota Department of Revenue, the Assessor's Estimated Market Value (the "AEMV") for the County is about 89.79% of the actual selling prices of property most recently sold in the County. The sales ratio was calculated by comparing the selling prices with the AEMV. Dividing the AEMV of real estate by the sales ratio and adding the AEMV of personal property and utility, railroads and minerals, if any, results in an Economic Market Value ("EMV") for the County of $2,860,203,655.

2 The captured tax increment value shown above represents the captured net tax capacity of tax increment financing districts located in the County.

2019/20 NET TAX CAPACITY BY CLASSIFICATION

	2019/20 Net Tax Capacity	Percent of Total Net Tax Capacity
Residential homestead	$ 7,803,177	39.52%
Agricultural	8,126,108	41.16%
Commercial/industrial	1,636,864	8.29%
Public utility	44,662	0.23%
Railroad operating property	73,740	0.37%
Non-homestead residential	1,444,120	7.31%
Commercial & residential seasonal/rec.	239,013	1.21%
Personal property	375,826	1.90%
Total	$19,743,510	100.00%

TREND OF VALUATIONS

Levy Year	Assessor's Estimated Market Value	Assessor's Taxable Market Value	Net Tax Capacity[1]	Taxable Net Tax Capacity[2]	Percent +/- in Estimated Market Value
2015/16	$2,369,336,700	$2,076,792,400	$17,622,891	$17,502,476	- 1.25%
2016/17	2,371,567,000	2,071,981,200	17,737,410	17,629,085	+ 0.09%
2017/18	2,455,259,200	2,147,887,600	18,469,550	18,357,416	+ 3.53%
2018/19	2,506,891,600	2,200,854,000	19,067,911	18,956,843	+ 2.10%
2019/20	2,565,466,600	2,261,163,100	19,743,510	19,608,167	+ 2.34%

1 Net Tax Capacity includes tax increment values.

2 Taxable Net Tax Capacity does not include tax increment values.

LARGER TAXPAYERS[1]

Taxpayer	Type of Property	2019/20 Net Tax Capacity	Percent of County's Total Net Tax Capacity
Minnesota Energy Resources Corporation	Utility	$157,648	0.80%
Northern Natural Gas Company	Utility	101,728	0.52%
SVP, LLC	Residential	93,204	0.47%
Xcel Energy	Utility	68,867	0.35%
Great River Investment, LLC.	Residential	63,988	0.32%
Farmers Co-Op Elevator Company	Commercial	58,139	0.29%
Mi Energy Cooperative	Utility	56,689	0.29%
WB Properties, LLP	Commercial	51,942	0.26%
Sno-Pac Foods	Commercial	50,212	0.25%
Dakota, Minnesota & Eastern Railroad	Railroad	48,054	0.24%
Total		$750,471	3.80%

County's Total 2019/20 Net Tax Capacity $19,743,510

Source: Current Property Valuations, Net Tax Capacity by Classification, Trend of Valuations and Larger Taxpayers have been furnished by Houston County.

[1] In 2019, the estimated median commercial and industrial sales ratio used to equalize utility values in Houston County dropped below 90% to 89.85%, thereby resulting in lower valuations for this classification of property. Depreciation may also have affected the decrease in valuations.

DEBT

DIRECT DEBT

General Obligation Debt (see schedules following)

Total G.O. debt secured by state aids (includes the Bonds)*	$ 3,090,000
Total G.O. debt secured by taxes	11,155,000
Total General Obligation Debt*	$14,245,000

*Preliminary, subject to change.

Houston County, Minnesota
Schedule of Bonded Indebtedness
General Obligation Debt Secured by State Aids
(As of 02/24/2021)

	State Aid Bonds Series 2021A							
Dated	02/24/2021							
Amount	$3,090,000*							
Maturity	04/01							
Calendar Year Ending	**Principal**	**Estimated Interest**	**Total Principal**	**Total Interest**	**Total P & I**	**Principal Outstanding**	**% Paid**	**Calendar Year Ending**
2021	0	23,136	0	23,136	23,136	3,090,000	.00%	**2021**
2022	0	38,383	0	38,383	38,383	3,090,000	.00%	**2022**
2023	195,000	37,846	195,000	37,846	232,846	2,895,000	6.31%	**2023**
2024	195,000	36,725	195,000	36,725	231,725	2,700,000	12.62%	**2024**
2025	195,000	35,506	195,000	35,506	230,506	2,505,000	18.93%	**2025**
2026	195,000	34,141	195,000	34,141	229,141	2,310,000	25.24%	**2026**
2027	195,000	32,581	195,000	32,581	227,581	2,115,000	31.55%	**2027**
2028	200,000	30,703	200,000	30,703	230,703	1,915,000	38.03%	**2028**
2029	200,000	28,503	200,000	28,503	228,503	1,715,000	44.50%	**2029**
2030	205,000	26,071	205,000	26,071	231,071	1,510,000	51.13%	**2030**
2031	205,000	23,406	205,000	23,406	228,406	1,305,000	57.77%	**2031**
2032	210,000	20,500	210,000	20,500	230,500	1,095,000	64.56%	**2032**
2033	210,000	17,350	210,000	17,350	227,350	885,000	71.36%	**2033**
2034	215,000	13,949	215,000	13,949	228,949	670,000	78.32%	**2034**
2035	220,000	10,250	220,000	10,250	230,250	450,000	85.44%	**2035**
2036	225,000	6,244	225,000	6,244	231,244	225,000	92.72%	**2036**
2037	225,000	2,081	225,000	2,081	227,081	0	100.00%	**2037**
	3,090,000	417,375	3,090,000	417,375	3,507,375			

* Preliminary, subject to change.

Houston County, Minnesota
Schedule of Bonded Indebtedness
General Obligation Debt Secured by Taxes
(As of 02/24/2021)

	Refunding Bonds Series 2017A		Jail and CIP Refunding Bonds Series 2020A							
Dated	12/27/2017		02/05/2020							
Amount	$9,380,000		$2,870,000							
Maturity	02/01		02/01							
Calendar Year Ending	Principal	Interest	Principal	Interest	Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Calendar Year Ending
2021	0	134,225	0	49,750	0	183,975	183,975	11,155,000	.00%	**2021**
2022	205,000	266,400	725,000	81,375	930,000	347,775	1,277,775	10,225,000	8.34%	**2022**
2023	445,000	259,900	535,000	49,875	980,000	309,775	1,289,775	9,245,000	17.12%	**2023**
2024	445,000	248,775	570,000	22,250	1,015,000	271,025	1,286,025	8,230,000	26.22%	**2024**
2025	895,000	228,675	160,000	4,000	1,055,000	232,675	1,287,675	7,175,000	35.68%	**2025**
2026	1,105,000	198,675			1,105,000	198,675	1,303,675	6,070,000	45.58%	**2026**
2027	1,140,000	165,000			1,140,000	165,000	1,305,000	4,930,000	55.80%	**2027**
2028	1,170,000	130,350			1,170,000	130,350	1,300,350	3,760,000	66.29%	**2028**
2029	1,205,000	94,725			1,205,000	94,725	1,299,725	2,555,000	77.10%	**2029**
2030	1,240,000	58,050			1,240,000	58,050	1,298,050	1,315,000	88.21%	**2030**
2031	1,315,000	19,725			1,315,000	19,725	1,334,725	0	100.00%	**2031**
	9,165,000	1,804,500	1,990,000	207,250	11,155,000	2,011,750	13,166,750			

DEBT LIMIT

The statutory limit on debt of Minnesota municipalities other than school districts or cities of the first class (Minnesota Statutes, Section 475.53, subd. 1) is 3% of the Assessor's Estimated Market Value of all taxable property within its boundaries. "Net debt" (Minnesota Statutes, Section 475.51, subd. 4) is the amount remaining after deducting from gross debt the amount of current revenues which are applicable within the current fiscal year to the payment of any debt and the aggregate principal of the following: (1) obligations payable wholly or partly from special assessments levied against benefitted property; (2) warrants or orders having no definite or fixed maturity; (3) obligations payable wholly from the income of revenue producing conveniences; (4) obligations issued to create or maintain a permanent improvement revolving fund; (5) obligations issued to finance any public revenue producing convenience; (6) funds held as sinking funds for payment of principal and interest on debt other than those deductible under Minnesota Statutes, Section 475.51, subd. 4; (7) obligations issued to pay judgments against the County; and (8) other obligations which are not to be included in computing the net debt of a municipality under the provisions of the law authorizing their issuance (includes the Bonds).

2019/20 Assessor's Estimated Market Value	$2,565,466,600
Multiply by 3%	0.03
Statutory Debt Limit	$ 76,963,998
Less: Long-Term Debt Outstanding Being Paid Solely from Taxes	(11,155,000)
Unused Debt Limit	$ 65,808,998

UNDERLYING DEBT[1]

Taxing District	2019/20 Taxable Net Tax Capacity	% In County	Total G.O. Debt[2]	County's Proportionate Share
City of Brownsville	$ 423,752	100.0000%	$ 89,600	$ 89,600
City of Caledonia	1,638,238	100.0000%	1,961,000	1,961,000
City of Hokah	244,148	100.0000%	820,850	820,850
City of Houston	533,983	100.0000%	2,366,008	2,366,008
City of La Crescent	4,785,804	97.4433%	10,798,000	10,521,928
City of Spring Grove	648,128	100.0000%	1,160,000	1,160,000
I.S.D. No. 238 (Mabel-Canton)	4,062,909	3.2911%	6,655,000 [3]	219,023
I.S.D. No. 239 (Rushford-Peterson)	5,995,102	8.7582%	28,790,000 [4]	2,521,486
I.S.D. No. 294 (Houston)	3,513,292	84.7074%	3,750,000 [5]	3,176,528
I.S.D. No. 297 (Spring Grove)	2,703,858	100.0000%	770,000 [6]	770,000
I.S.D. No. 299 (Caledonia)	6,235,418	100.0000%	11,135,000 [7]	11,135,000
I.S.D. No. 300 (La Crescent-Hokah)	8,280,018	84.9611%	23,175,000 [8]	19,689,735
County's Share of Total Underlying Debt				$54,431,156

1 Underlying debt is as of the dated date of the Bonds. Only those taxing jurisdictions with general obligation debt outstanding are included in this section. Does ***not*** include non-general obligation debt, self-supporting general obligation revenue debt, short-term general obligation debt, or general obligation tax/aid anticipation certificates of indebtedness.

2 Outstanding debt is based on information in Official Statements obtained on EMMA and the Municipal Advisor's records.

3 Currently, the State of Minnesota is paying approximately 38.8% of the principal and interest on the I.S.D. No. 238 (Mabel-Canton) School District's general obligation bonds. Assuming this percentage continues for the life of the bonds, the State's proportionate share of principal is $2,582,140. Based upon the long term facilities maintenance revenue formula and current statistics, the District anticipates a portion of this debt will be paid by the State of Minnesota. The total G.O. Debt outstanding is preliminary at this time. The District's 2021A issue is scheduled to close on February 11, 2021.

4 Currently, the State of Minnesota is paying approximately 29.6% of the principal and interest on the I.S.D. No. 239 (Rushford-Peterson) School District's general obligation bonds. Assuming this percentage continues for the life of the bonds, the State's proportionate share of principal is $8,521,840. Based upon the long term facilities maintenance revenue formula and current statistics, the District anticipates a portion of this debt will be paid by the State of Minnesota.

5 Currently, the State of Minnesota is paying approximately 28.6% of the principal and interest on the I.S.D. No. 294 (Houston) School District's general obligation bonds. Assuming this percentage continues for the life of the bonds, the State's proportionate share of principal is $1,072,500. Based upon the long term facilities maintenance revenue formula and current statistics, the District anticipates a portion of this debt will be paid by the State of Minnesota.

6 Currently, the State of Minnesota is paying approximately 32.4% of the principal and interest on the I.S.D. No. 297 (Spring Grove) School District's general obligation bonds. Assuming this percentage continues for the life of the bonds, the State's proportionate share of principal is $249,480. Based upon the long term facilities maintenance revenue formula and current statistics, the District anticipates a portion of this debt will be paid by the State of Minnesota.

7 Currently, the State of Minnesota is paying approximately 23.9% of the principal and interest on the I.S.D. No. 299 (Caledonia) School District's general obligation bonds. Assuming this percentage continues for the life of the bonds, the State's proportionate share of principal is $2,661,265. Based upon the long term facilities maintenance revenue formula and current statistics, the District anticipates a portion of this debt will be paid by the State of Minnesota.

8 Currently, the State of Minnesota is paying approximately 5.1% of the principal and interest on the I.S.D. No. 300 (La Crescent-Hokah) School District's general obligation bonds. Assuming this percentage continues for the life of the bonds, the State's proportionate share of principal is $1,185,925 Based upon the long term facilities maintenance revenue formula and current statistics, the District anticipates a portion of this debt will be paid by the State of Minnesota.

DEBT RATIOS

	G.O. Debt	Debt/Economic Market Value ($2,860,203,655)	Debt/ Current Population Estimate (18,648)
Direct G.O. Debt Secured By:			
State Aids*	$ 3,090,000		
Taxes	11,155,000		
Total General Obligation Debt (includes the Bonds)*	$14,245,000		
Less: G.O. Debt Paid Entirely from State-Aids[1]	(3,090,000)		
Tax Supported General Obligation Debt*	$11,155,000	0.39%	$598.19
County's Share of Total Underlying Debt[2]	$54,431,156	1.90%	$2,918.87
Total*	$65,586,156	2.29%	$3,517.06

*Preliminary, subject to change.

DEBT PAYMENT HISTORY

The County has no record of default in the payment of principal and interest on its debt.

FUTURE FINANCING

The County has no current plans for additional financing in the next 12 months.

1 Debt service on the County's general obligation state-aid debt is being paid entirely from state-aids and therefore is considered self-supporting debt.

2 After deducting the County's proportionate share of the agricultural land valuation applicable to the underlying school districts of $5,654,749, the County's net underlying debt is $48,776,407, which results in a net underlying debt/market value ratio of 1.70% and net underlying debt/current population estimate ratio of $2,615.64.

TAX RATES, LEVIES AND COLLECTIONS

TAX LEVIES AND COLLECTIONS

Tax Year	Net Tax Levy[1]	Total Collected Following Year	Collected to Date[2]	% Collected
2015/16	$ 11,234,292	$10,936,302	$11,229,374	99.96%
2016/17	11,589,557	11,199,715	11,580,008	99.92%
2017/18	11,420,619	11,066,294	11,404,046	99.85%
2018/19	11,637,683	11,316,630	11,617,429	99.83%
2019/20	11,958,961	In process of collection		

Property taxes are collected in two installments in Minnesota--the first by May 15 and the second by October 15.[3] Mobile home taxes are collectible in full by August 31. Minnesota Statutes require that levies (taxes and special assessments) for debt service be at least 105% of the actual debt service requirements to allow for delinquencies.

The spread of COVID-19 and responses taken by the United States government, state governments, local governments and private industries have caused significant disruptions to the national and State economy. See "RISK FACTORS - Impact of the Spread of COVID-19" herein. Certain states have announced extended deadlines for payment of property taxes, although as of this date Minnesota has not taken such measures. The County cannot predict whether and how much payment of property taxes will be impacted. Any delays or reduction in the receipt of property taxes may materially adversely impact the County's finances and payment of debt obligations, including the Bonds.

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1 This reflects the Final Levy Certification of the County after all adjustments have been made.

2 Collections are through November 20, 2020.

3 Second half tax payments on agricultural property are due on November 15th of each year.

TAX CAPACITY RATES[1]

	2015/16	2016/17	2017/18	2018/19	2019/20
Houston County	64.978%	66.411%	64.967%	64.434%	63.911%
City of Brownsville	37.661%	35.749%	32.468%	30.057%	31.415%
City of Caledonia	56.418%	52.982%	51.436%	52.048%	56.581%
City of Eitzen	95.255%	94.980%	80.920%	85.579%	88.593%
City of Hokah	123.488%	127.132%	120.719%	121.763%	127.121%
City of Houston	114.963%	110.899%	116.371%	112.143%	95.883%
City of Spring Grove	112.333%	116.121%	112.742%	109.717%	94.117%
City of La Crescent	64.893%	64.309%	68.450%	66.596%	63.838%
I.S.D. No. 238 (Mabel-Canton)	16.312%	3.529%	3.010%	3.831%	4.681%
I.S.D. No. 239 (Rushford- Peterson)	28.103%	27.694%	29.756%	25.136%	19.526%
I.S.D. No. 294 (Houston)	10.589%	7.582%	8.649%	7.187%	7.016%
I.S.D. No. 297 (Spring Grove)	7.739%	7.405%	6.611%	7.054%	6.804%
I.S.D. No. 299 (Caledonia)	37.132%	35.352%	24.639%	22.789%	22.125%
I.S.D. No. 300 (La-Crescent-Hokah)	21.717%	20.185%	20.347%	14.450%	27.637%
Town of Black Hammer[2]	18.586%	18.946%	18.422%	18.512%	18.268%
Referendum Market Value Rates:					
I.S.D. No. 238 (Mabel-Canton)	0.28371%	0.40118%	0.37001%	0.35961%	0.34799%
I.S.D. No. 239 (Rushford- Peterson)	0.2011%	0.2306%	0.22262%	0.22748%	0.20228%
I.S.D. No. 294 (Houston)	0.4691%	0.5101%	0.45358%	0.51940%	0.50928%
I.S.D. No. 297 (Spring Grove)	0.3871%	0.4159%	0.38691%	0.39361%	0.37279%
I.S.D. No. 299 (Caledonia)	0.1506%	0.1558%	0.20269%	0.20956%	0.21674%
I.S.D. No. 300 (La-Crescent-Hokah)	0.1523%	0.1484%	0.22960%	0.28944%	0.25465%

Source: Tax Levies and Collections and Tax Capacity Rates have been furnished by Houston County.

1 After reduction for state aids. Does not include the statewide general property tax against commercial/industrial, non-homestead resorts and seasonal recreational residential property.

2 Representative town rate.

LEVY LIMITS

The State Legislature has periodically imposed limitations on the ability of municipalities to levy property taxes. For taxes levied in 2013, payable in 2014, only, the Legislature imposed a one year levy limit on all counties with a population greater than 5,000, and all cities with a population greater than 2,500. While these limitations have expired, the potential exists for future legislation to limit the ability of local governments to levy property taxes. All previous limitations have not limited the ability to levy for the payment of debt service on bonded indebtedness. For more detailed information about Minnesota levy limits, contact the Minnesota Department of Revenue or Ehlers and Associates.

THE ISSUER

COUNTY GOVERNMENT

The County was organized as a municipality in 1854, and is governed by an elected five-member Board of County Commissioners. Decisions are made by a majority vote of a quorum. The County Finance Director is appointed by the Board, and the County Auditor/Treasurer is elected.

EMPLOYEES; PENSIONS; UNIONS

The County has 142 full-time, 15 part-time, and 58 seasonal employees. All full-time and certain part-time employees of the County are covered by defined benefit pension plans administered by the Public Employee Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Fund (GERF) and the Public Employees Police and Fire Fund (PEPFF) which are cost-sharing multiple-employer retirement plans. PERA members belong to either the Coordinated Plan or the Basic Plan. Coordinated members are covered by Social Security. See the Notes to Financial Statements in Appendix A for a detailed description of the Plans.

Recognized and Certified Bargaining Units

Bargaining Unit	Expiration Date of Current Contract
AFSCME Local Union #2166	December 31, 2020
Local No. 49 AFL-CIO	December 31, 2023
LELS Local #237	December 31, 2020
LELS Local #60	December 31, 2020
MAPE	December 31, 2020

Status of Contracts

Contracts which expired on December 31, 2020 are currently in negotiations.

POST EMPLOYMENT BENEFITS

The County has obligations for some post-employment benefits for its employees. Accounting for these obligations is dictated by Governmental Accounting Standards Board Statement No. 75 (GASB 75). The County's most recent most recent actuarial study shows a total OPEB liability of $473,687 as of January 1, 2019. The County has been funding these obligations on a pay-as-you-go basis.

Source: The County's most recent actuarial study.

FUNDS ON HAND (as of November 30, 2020)

Fund	Total Cash and Investments
General Fund	$ 8,122,307
Road and Bridge	7,712,282
Human Services	1,215,386
Debt Service	1,613,460
Capital Projects	187,343
Fiduciary Funds	1,195,118
Total Funds on Hand	$20,045,896

LITIGATION

There is no litigation threatened or pending questioning the organization or boundaries of the County or the right of any of its officers to their respective offices or in any manner questioning their rights and power to execute and deliver the Bonds or otherwise questioning the validity of the Bonds.

MUNICIPAL BANKRUPTCY

Municipalities are prohibited from filing for bankruptcy under Chapter 11 (reorganization) or Chapter 7 (liquidation) of the U.S. Bankruptcy Code (11 U.S.C. §§ 101-1532) (the "Bankruptcy Code"). Instead, the Bankruptcy Code permits municipalities to file a petition under Chapter 9 of the Bankruptcy Code, but only if certain requirements are met. These requirements include that the municipality must be "specifically authorized" under State law to file for relief under Chapter 9. For these purposes, "State law" may include, without limitation, statutes of general applicability enacted by the State legislature, special legislation applicable to a particular municipality, and/or executive orders issued by an appropriate officer of the State's executive branch.

As of the date hereof, Minnesota Statutes, 471.831, authorizes municipalities to file for bankruptcy relief under Chapter 9 of the Bankruptcy Code. A municipality is defined in United States Code, title 11, section 101, as amended through December 31, 1996, but limited to a county, statutory or home rule charter city, or town; or a housing and redevelopment authority, economic development authority, or rural development financing authority established under Chapter 469, a home rule charter or special law.

SUMMARY GENERAL FUND INFORMATION

Following are summaries of the revenues and expenditures and fund balances for the County's General Fund. These summaries are not purported to be the complete audited financial statements of the County, and potential purchasers should read the included financial statements in their entirety for more complete information concerning the County. Copies of the complete statements are available upon request. Appendix A includes the 2019 audited financial statements.

	FISCAL YEAR ENDING DECEMBER 31				
COMBINED STATEMENT	**2017 Audited**	**2018 Audited**	**2019 Audited**	**2020 Adopted Budget 1)**	**2021 Adopted Budget 2)**
Revenues					
Property taxes	$7,179,317	$6,972,267	$6,913,257	$7,543,361	$7,783,095
Intergovernmental	2,915,299	2,845,029	2,412,475	1,879,156	2,116,669
Licenses and permits	78,134	73,115	64,680	94,325	92,725
Fines and forfeits	22,980	8,686	5,514	5,000	5,000
Charges for services	1,879,452	1,756,084	1,378,691	1,420,880	1,399,780
Investment earnings	127,152	112,716	453,231	210,400	124,200
Gifts and contributions	0	3,100	3,100	3,000	3,000
Miscellaneous	242,431	246,957	129,289	210,951	174,939
Total Revenues	$12,444,765	$12,017,954	$11,360,237	$11,367,073	$11,699,408
Expenditures					
Current:					
General government	$4,390,288	$4,767,771	$4,821,117	$5,306,286	$5,259,454
Public safety	3,965,170	4,154,867	4,258,770	4,594,993	4,667,411
Health and welfare	1,415,423	1,072,135	17,000	22,000	22,000
Sanitation	1,033,650	1,034,768	956,275	1,121,334	933,267
Conservation of natural resources	345,908	377,996	355,689	349,558	343,932
Economic development	371,060	281,624	283,102	143,981	323,128
Culture and recreation	355,528	389,443	403,573	105,693	115,552
Debt service	12,720	10,600	25,350		
Total Expenditures	$11,889,747	$12,089,204	$11,120,876	$11,643,845	$11,664,744
Excess of revenues over (under) expenditures	$555,018	($71,250)	$239,361	($276,772)	$34,664
Other Financing Sources (Uses)					
Proceeds from the sale of capital assets	$0	$0	$68,723	$0	$0
Proceeds from capital lease	0	0	121,730	0	0
Transfers out	0	0	0	0	0
Total Other Financing Sources (Uses)	$0	$0	190,453	0	0
Net changes in Fund Balances	$555,018	($71,250)	$429,814	($276,772)	$34,664
General Fund Balance January 1*	$6,004,507	$6,559,525	$6,206,111		
Prior Period Adjustment	0	0	0		
Residual Equity Transfer in (out)	0	0	0		
General Fund Balance December 31	$6,559,525	$6,488,275	$6,635,925		
DETAILS OF DECEMBER 31 FUND BALANCE					
Nonspendable	$333,055	$288,233	$11,993		
Restricted	875,086	902,742	925,943		
Committed	0	0	0		
Unassigned	5,351,384	5,297,300	5,697,989		
Total	$6,559,525	$6,488,275	$6,635,925		

* The 2019 General Fund Balance is restated.

1) The 2020 budget was adopted on December 17, 2019.

2) The 2021 budget was adopted on December 15, 2020.

GENERAL INFORMATION

LOCATION

The County, with a 2010 U.S. Census population of 19,027 and a current population estimate of 18,648, and comprising an area of 558 square miles acres, is located approximately 160 miles southeast of the Minneapolis-St. Paul metropolitan area. The City of Caledonia is the county seat of Houston County.

LARGER EMPLOYERS[1]

Larger employers in the County include the following:

Firm	Type of Business/Product	Estimated No. of Employees
I.S.D. No. 294 (Houston)	Elementary and secondary education	297
I.S.D. No. 300 (La Crescent-Hokah)	Elementary and secondary education	250
Houston County	County government and services	215
ABLE, Inc.	Support services (mental & physical disabilities)	200
I.S.D. No. 299 (Caledonia)	Elementary and secondary education	191
City of La Crescent	Municipal government and services	187
Truss Specialist Inc	Truss manufacturers	124
Caledonia Haulers	Trucking company	110
Ready Bus Line Co	Bus and charter rentals	100
Miken Sports	Sports gear	100
Ace Telephone Assoc	Internet services	100

Source: *Data Axle, written and telephone survey (December 2020), and the Minnesota Department of Employment and Economic Development.*

[1] This does not purport to be a comprehensive list and is based on available data obtained through a survey of individual employers, as well as the sources identified above. Some employers do not respond to inquiries for employment data. Estimates provided are accurate as of the date noted and may not reflect changes in the number of employees resulting from the current COVID-19 pandemic. (See "Risk Factors - Impact of the Spread of COVID-19").

U.S. CENSUS DATA

Population Trend: The County

2000 U.S. Census population	19,718
2010 U.S. Census population	19,027
2019 State Demographer's Estimate	18,648
Percent of Change 2000 - 2010	-3.50%

Income and Age Statistics

	The County	State of Minnesota	United States
2019 per capita income	$33,032	$36,245	$32,621
2019 median household income	$60,382	$68,411	$60,293
2019 median family income	$77,733	$86,204	$73,965
2019 median gross rent	$722	$944	$1,023
2019 median value owner occupied units	$173,700	$211,800	$204,900
2019 median age	45.3 yrs.	37.9 yrs.	37.9 yrs.

	State of Minnesota	United States
County % of 2019 per capita income	91.14%	101.26%
County % of 2019 median family income	90.17%	105.09%

Housing Statistics

	The County		
	2010	2019	Percent of Change
All Housing Units	8,168	8,764	7.30%

Source: *2000 and 2010 Census of Population and Housing, and 2019 American Community Survey (Based on a five-year estimate), U.S. Census Bureau (https://data.census.gov/cedsci).*

EMPLOYMENT/UNEMPLOYMENT DATA

	Average Employment	Average Unemployment	
Year	Houston County	Houston County	State of Minnesota
2016	10,214	3.9%	3.9%
2017	10,103	3.4%	3.4%
2018	10,161	2.9%	2.9%
2019	10,361	3.2%	3.2%
2020, November	9,861	2.4%	3.9%

Source: *Minnesota Department of Employment and Economic Development.*

APPENDIX A

FINANCIAL STATEMENTS

Potential purchasers should read the included financial statements in their entirety for more complete information concerning the County's financial position. Such financial statements have been audited by the Auditor, to the extent and for the periods indicated thereon. The County has not requested or engaged the Auditor to perform, and the Auditor has not performed, any additional examination, assessments, procedures or evaluation with respect to such financial statements since the date thereof or with respect to this Preliminary Official Statement, nor has the County requested that the Auditor consent to the use of such financial statements in this Preliminary Official Statement. Although the inclusion of the financial statements in this Preliminary Official Statement is not intended to demonstrate the fiscal condition of the County since the date of the financial statements, in connection with the issuance of the Bonds, the County represents that there have been no material adverse change in the financial position or results of operations of the County, nor has the County incurred any material liabilities, which would make such financial statements misleading.

Copies of the complete audited financial statements for the past three years and the current budget are available upon request from Ehlers.

State of Minnesota

Office of the State Auditor

Julie Blaha
State Auditor

Houston County
Caledonia, Minnesota

Year Ended December 31, 2019

Description of the Office of the State Auditor

The mission of the Office of the State Auditor is to oversee local government finances for Minnesota taxpayers by helping to ensure financial integrity and accountability in local governmental financial activities.

Through financial, compliance, and special audits, the State Auditor oversees and ensures that local government funds are used for the purposes intended by law and that local governments hold themselves to the highest standards of financial accountability.

The State Auditor performs approximately 100 financial and compliance audits per year and has oversight responsibilities for over 3,300 local units of government throughout the state. The office currently maintains five divisions:

Audit Practice – conducts financial and legal compliance audits of local governments;

Government Information – collects and analyzes financial information for cities, towns, counties, and special districts;

Legal/Special Investigations – provides legal analysis and counsel to the Office and responds to outside inquiries about Minnesota local government law; as well as investigates allegations of misfeasance, malfeasance, and nonfeasance in local government;

Pension – monitors investment, financial, and actuarial reporting for Minnesota's local public pension funds; and

Tax Increment Financing – promotes compliance and accountability in local governments' use of tax increment financing through financial and compliance audits.

The State Auditor serves on the State Executive Council, State Board of Investment, Land Exchange Board, Public Employees Retirement Association Board, Minnesota Housing Finance Agency, and the Rural Finance Authority Board.

Office of the State Auditor
525 Park Street, Suite 500
Saint Paul, Minnesota 55103
(651) 296-2551
state.auditor@osa.state.mn.us
www.auditor.state.mn.us

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

Houston County
Caledonia, Minnesota

Year Ended December 31, 2019

Office of the State Auditor

Audit Practice Division
Office of the State Auditor
State of Minnesota

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HOUSTON COUNTY
CALEDONIA, MINNESOTA

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HOUSTON COUNTY
CALEDONIA, MINNESOTA

ORGANIZATION
DECEMBER 31, 2019

			Term Expires
Elected			
Commissioners			
Board Member	Jack Miller	District 1	January 2021
Vice Chair	Eric Johnson[1]	District 2	January 2023
Board Member	Robert Burns[2]	District 3	January 2021
Chair	Teresa Walter	District 4	January 2023
Board Member	Vacant	District 5	January 2021
Attorney	Samuel Jandt		January 2023
Auditor/Treasurer	Donna Trehus		January 2023
County Recorder	Susan Schwebach		January 2023
County Sheriff	Mark Inglett		January 2023
Appointed			
Administrator	Jeffrey Babinski		Indefinite
Assessor	Cynthia Cresswell-Hatleli		December 2020
County Engineer	Brian Pogodzinski		April 2021
Coroner	Mayo Medical Examiner		Indefinite
Court Administrator	Darlene Larson		Indefinite
Finance Director	Carol Lapham		Indefinite
Public Health/Human Services Director	John Pugleasa		Indefinite
Veterans Service Officer	Robert Thoen		January 2020

[1]Chair 2020
[2]Vice Chair 2020

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STATE OF MINNESOTA
OFFICE OF THE STATE AUDITOR

JULIE BLAHA
STATE AUDITOR

SUITE 500
525 PARK STREET
SAINT PAUL, MN 55103-2139

(651) 296-2551 (Voice)
(651) 296-4755 (Fax)
state.auditor@state.mn.us (E-mail)
1-800-627-3529 (Relay Service)

INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Houston County
Caledonia, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Houston County, Minnesota, 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, 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 County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Houston County as of December 31, 2019, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter – Change in Accounting Principles

As discussed in Note 1.E. to the financial statements, in 2019, the County changed the method of accounting for long-term receivables. Our opinion is not modified with respect to this matter.

Emphasis of Matter – Subsequent Event

As discussed in Note 4 to the financial statements, subsequent to year-end, the World Health Organization declared the outbreak of a coronavirus (COVID-19) to be a pandemic. A reduction of calendar year 2021 County State Aid from state-collected gasoline tax revenue is expected to occur. Additionally, the County received $2.26 million in funding under the federal Coronavirus Aid, Relief, and Economic Security (CARES) Act in July 2020. The CARES Act requires the County use the funding to cover eligible expenses incurred due to the COVID-19 public health emergency. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Houston County's basic financial statements. The Supplementary Information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Supplementary Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 3, 2020, on our consideration of Houston 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 Houston 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 Houston County's internal control over financial reporting and compliance.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (SEFA) as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements. The SEFA is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the SEFA is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

/s/Julie Blaha

JULIE BLAHA
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

September 3, 2020

HOUSTON COUNTY
CALEDONIA, MINNESOTA

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

The Management's Discussion and Analysis (MD&A) provides an overview of the County's financial activities for the fiscal year ended December 31, 2019. Since this information is designed to focus on current year activities, resulting changes, and currently known facts, it should be read in conjunction with the County's financial statements.

FINANCIAL HIGHLIGHTS

- Governmental activities' total net position is $78,624,922, of which $70,527,269 is in net investment in capital assets and $3,206,019 is restricted to specific purposes.

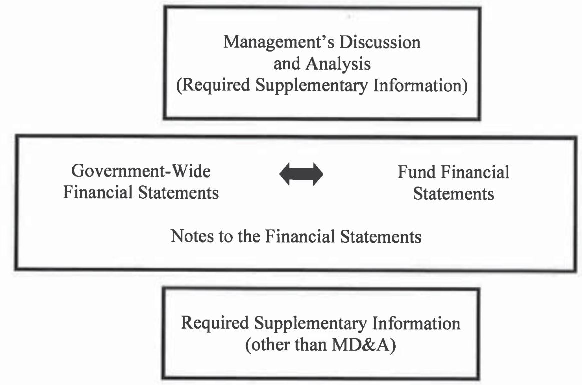
- Houston County's net position decreased by $629,550 for the year ended December 31, 2019.

- The net cost of governmental activities for the current fiscal year was $15,113,486. The net cost was funded by general revenues, including taxes and grants.

- Governmental funds' fund balances decreased by $2,707,396.

OVERVIEW OF THE FINANCIAL STATEMENTS

This MD&A is intended to serve as an introduction to the basic financial statements. Houston County's basic financial statements consist of three parts: government-wide financial statements, fund financial statements, and notes to the financial statements. The MD&A (this section) and certain budgetary comparison schedules are required to accompany the basic financial statements and, therefore, are included as required supplementary information. The following chart demonstrates how the different pieces are interrelated.



There are two government-wide financial statements. The Statement of Net Position and the Statement of Activities (Exhibits 1 and 2) provide information about the activities of the County as a whole and present a longer-term view of the County's finances. Government-wide financial statements start on page 14. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the County's operations in more detail than the government-wide statements by providing information about the County's most significant funds. The remaining statements provide financial information about activities for which the County acts solely as an agent for the benefit of those outside of the government.

Government-Wide Financial Statements—The Statement of Net Position and the Statement of Activities

Our analysis of the County as a whole is shown on Exhibits 1 and 2. The Statement of Net Position and the Statement of Activities report information about the County as a whole and about its activities in a way that helps the reader determine whether the County's financial condition has improved or declined as a result of the year's activities. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the full accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the County's net position and changes in them. You can think of the County's net position—the difference between assets and deferred outflows of resources from liabilities and deferred inflows of resources—as one way to measure the County's financial health or financial position. Over time, increases or decreases in the County's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the County's property tax base and the condition of County roads, to assess the overall health of the County.

The Statement of Activities presents information showing how the County's net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows only in future years. The activities of Houston County are presented as governmental activities because they are principally supported by taxes and intergovernmental revenues. The County's basic services are reported here, including general government, public safety, transportation, sanitation, human services, health, culture and recreation, conservation of natural resources, and economic development.

Fund Financial Statements

Our analysis of the County's major funds begins on page 17. The fund financial statements provide detailed information about the significant funds—not the County as a whole. Some funds are required to be established by state law. However, the County Board establishes some funds to help it control and manage money for a particular purpose or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money.

The County's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting. This method measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the County's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation following each governmental fund financial statement.

Reporting the County's Fiduciary Responsibilities

The County is the trustee, or fiduciary, over assets that can be used only by other governments, nonprofits, or individuals. All of the County's fiduciary activities are reported in a separate Statement of Fiduciary Net Position. We exclude these activities from the County's other financial statements because the County cannot use these assets to finance its operations.

THE COUNTY AS A WHOLE

The County's net position decreased $629,550 from $79,254,472 to $78,624,922.

Table 1
Net Position
(in Millions)

	2019	2018
Assets		
Current and other assets	$ 19.0	$ 24.6
Capital assets	83.6	79.9
Total Assets	$ 102.6	$ 104.5
Deferred Outflows of Resources		
Deferred pension and OPEB outflows	$ 1.7	$ 2.9
Deferred charge on refunding	0.6	0.7
Total Deferred Outflows of Resources	$ 2.3	$ 3.6
Liabilities		
Long-term liabilities	$ 21.6	$ 22.3
Other liabilities	1.1	1.5
Total Liabilities	$ 22.7	$ 23.8
Deferred Inflows of Resources		
Deferred pension and OPEB inflows	$ 3.6	$ 5.0
Net Position		
Net investment in capital assets	$ 70.5	$ 65.9
Restricted	3.2	5.5
Unrestricted	4.9	7.9
Total Net Position	$ 78.6	$ 79.3

Net position of the County's governmental activities decreased by 0.8 percent ($78,624,922 compared to $79,254,472).

Table 2
Change in Net Position
(in Millions)

	2019	2018
Revenues		
Program revenues		
Fees, charges, fines, and other	$ 2.7	$ 3.0
Operating grants and contributions	10.6	10.6
General revenues		
Property taxes	11.7	11.6
Other taxes and payments in lieu of taxes	0.5	0.6
Grants and contributions	1.5	1.5
Other general revenues	0.7	0.4
Total Revenues	$ 27.7	$ 27.7
Expenses		
General government	$ 4.8	$ 4.8
Public safety	4.7	4.3
Transportation	9.6	6.8
Human services	5.7	5.7
Health	1.1	1.1
Sanitation	1.0	1.1
Culture and recreation	0.4	0.4
Conservation of natural resources	0.4	0.4
Economic development	0.3	0.3
Interest	0.4	0.4
Total Expenses	$ 28.4	$ 25.3
Increase (Decrease) in Net Position	$ (0.7)	$ 2.4
Net Position – January 1, as restated (1)	79.3	76.9
Net Position – December 31	$ 78.6	$ 79.3

(1) 2018 was restated for change in accounting principle

Governmental Activities

The cost of all governmental activities this year was $28,420,701. However, as shown in the Statement of Activities, the amount that the taxpayers ultimately financed for these activities through County property taxes was only $11,699,186, because some of the cost was paid by

those who directly benefited from the programs ($2,717,992) or by other governments and organizations that subsidized certain programs with grants and contributions ($10,589,223). The County paid for the remaining "public benefit" portion of governmental activities with $14,483,936 in general revenues, primarily property taxes and other revenues, such as interest and general entitlements, resulting in a decrease to net position of $629,550.

Table 3 presents the cost of each of the County's four largest program functions, as well as each function's net cost (total cost, less revenues generated by the activities). The net cost shows the financial burden that was placed on the County's taxpayers by each of these functions.

Table 3
Governmental Activities
(in Millions)

	Total Cost of Services		Net Cost (Revenue) of Services	
	2019	2018	2019	2018
Transportation	$ 9.6	$ 6.8	$ 3.7	$ 0.8
Human services	5.7	5.7	1.9	1.6
General government	4.8	4.8	4.1	4.0
Public safety	4.6	4.3	3.8	3.5

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

As noted earlier, Houston County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the County's funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unrestricted fund balance may serve as a useful measure of a county's net resources available for spending at the end of the year.

At December 31, 2019, Houston County's governmental funds reported combined ending fund balances of $16,579,435, a decrease of $2,707,396 in comparison with 2018 as restated. The County is reporting an unassigned fund balance of $5,697,989 in 2019. The remainder of fund balance is nonspendable, restricted, or assigned to indicate that it is not available for new spending because it has already been committed.

The General Fund is the chief operating fund of Houston County. At December 31, 2019, unassigned fund balance was $5,679,989, while total fund balance was $6,635,925. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 51.2 percent of total General Fund expenditures, while total fund balance represents 59.7 percent of the same amount. While the 2019 General Fund final budget reflected a $98,200 use of fund balance, the General Fund ended the year with an increase of $429,814 of fund balance. The General Fund December 31, 2019, fund balance of $6,635,925 increased from the 2018 restated balance of $6,206,111.

The Road and Bridge Special Revenue Fund's fund balance decreased by $2,998,151 to $6,975,021, of which $466,576 is nonspendable and the remaining balance of $6,508,445 is assigned. The total amount collected to date for wheelage tax is $1,219,148 and has been applied to the 2019 County Road 249 paving project, CP 2019-01 which totaled $2,629,152. The decrease also reflects the deferred payment of $118,051 for the 2019 State Flood Disaster receivable. In addition, $200,000 was transferred to the Capital Projects fund to cover expenses for an anticipated new highway building.

The Health and Human Services Special Revenue Fund's fund balance decreased by $259,985 to $1,383,777, all of which is assigned. The decrease in fund balance is the result of a planned use of fund balance of $65,047 and a reduction in intergovernmental revenue of approximately $168,000.

General Fund Budgetary Highlights

Houston County revised its General Fund budget during 2019, increasing expected revenues by 1.2 percent and decreasing appropriations by 1.3 percent, respectively. For the year ended December 31, 2019, expenditures were less than final budget by $240,464.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2019, the County had $83,589,681 invested in a broad range of capital assets, including land, buildings, highways and streets, and equipment. (See Table 4.) This amount represents a net increase (including additions and deductions) of $3,646,362, or 4.6 percent, over last year. More detailed information about the County's capital assets can be found in Note 2.A. of the financial statements.

Table 4
Capital Assets at Year-End
(Net of Depreciation, in Millions)

	2019	2018
Land	$ 3.3	$ 3.2
Construction in progress	0.1	0.1
Buildings and improvements	16.8	17.3
Machinery, furniture, and equipment	3.6	3.4
Infrastructure	59.8	55.9
Totals	$ 83.6	$ 79.9

(Unaudited)

Long-Term Debt

At the end of the current fiscal year, the County had total general obligation bonds outstanding in the amount of $13,683,309, as shown in Table 5. More detailed information about the County's long-term liabilities is presented in Note 2.C. to the financial statements.

Table 5
Outstanding Debt at Year-End
(in Millions)

	2019	2018
G.O. bonds	$ 13.7	$ 14.6

Other obligations include loans payable, capital leases, compensated absences, pension benefits, and other postemployment benefits.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The County's elected and appointed officials considered many factors when setting the fiscal year 2020 budget, tax rates, and fees that will be charged for the government-type activities.

- The unemployment rate in Houston County increased, moving from 2.87 percent in 2018 to 3.23 percent in 2019 for the annual average. This is lower than the U.S. average of 3.67 percent and equals the Minnesota rate of 3.23 percent.

- County General Fund expenditures for 2020 are budgeted to increase 2.5 percent from the 2019 level.

- Houston County's population decreased by 3.9 percent from 2009 (19,381) to 2019 (18,626), compared to an increase of 7.2 percent in Minnesota as a whole. Citizens age 65+ comprise 22.04 percent of the County's population.

- The proposed property tax levy has increased 3.0 percent for 2020.

- During 2020, Houston County will move forward with construction of the Highway Department complex having navigated a design/build phase and the hiring of a construction manager. The County Board of Commissioners will also be considering the repurposing or demolition of the Historic Jail and the use of the insurance settlement following the 2014 damage to the unoccupied building that occurred when the sprinkler system malfunctioned. The County's organizational structure continues transitioning with the hire of a County Administrator, the combining of the Auditor and Treasurer's Offices, and the integration of the Public Health and Human Services Departments aiming to streamline operations and increase efficiencies. County operations and funding will be affected by the declaration of the COVID-19 pandemic.

(Unaudited)

CONTACTING HOUSTON COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about this report, or need additional financial information, contact the County Finance Director, Carol Lapham, Houston County Courthouse, 304 South Marshall Street, Caledonia, Minnesota 55921.

(Unaudited)

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BASIC FINANCIAL STATEMENTS

HOUSTON COUNTY
CALEDONIA, MINNESOTA

EXHIBIT 1

STATEMENT OF NET POSITION
GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2019

Assets		
Cash and pooled investments	$	12,912,854
Petty cash and change funds		17,160
Investments		3,059,633
Taxes receivable		
Delinquent		157,044
Accounts receivable – net		134,903
Accrued interest receivable		38,627
Loans receivable		369,638
Due from other governments		1,894,870
Inventories		466,576
Prepaid items		11,993
Capital assets		
Non-depreciable		3,420,382
Depreciable – net of accumulated depreciation		80,169,299
Total Assets	**$**	**102,652,979**
Deferred Outflows of Resources		
Deferred charge on refunding	$	620,898
Deferred other postemployment benefits outflows		29,516
Deferred pension outflows		1,643,140
Total Deferred Outflows of Resources	**$**	**2,293,554**
Liabilities		
Accounts payable	$	431,566
Salaries payable		259,400
Contracts payable		122,817
Due to other governments		77,357
Accrued interest payable		164,469
Customer deposits		32,212
Long-term liabilities		
Due within one year		1,069,766
Due in more than one year		13,942,558
Net pension liability		6,128,910
Other postemployment benefits liability		473,687
Total Liabilities	**$**	**22,702,742**

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

HOUSTON COUNTY
CALEDONIA, MINNESOTA

EXHIBIT 1
(Continued)

STATEMENT OF NET POSITION
GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2019

Deferred Inflows of Resources		
Deferred OPEB inflows	$	10,263
Deferred pension inflows		3,608,606
Total Deferred Inflows of Resources	**$**	**3,618,869**
Net Position		
Net investment in capital assets	$	70,527,269
Restricted for		
General government		220,342
Public safety		375,468
Debt service		1,553,974
Highways and streets		726,102
Economic development		330,133
Unrestricted		4,891,634
Total Net Position	**$**	**78,624,922**

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

HOUSTON COUNTY
CALEDONIA, MINNESOTA

EXHIBIT 2

STATEMENT OF ACTIVITIES
DECEMBER 31, 2019

	Expenses	Program Revenues: Fees, Charges, Fines, and Other	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenues and Change in Net Position
Functions/Programs					
Primary government					
Governmental activities					
General government	$ 4,828,415	$ 388,183	$ 357,360	$ -	$ (4,082,872)
Public safety	4,638,474	407,359	430,461	-	(3,800,654)
Transportation	9,625,623	294,730	5,578,558	9,540	(3,742,795)
Sanitation	982,568	593,203	111,611	-	(277,754)
Human services	5,681,568	578,973	3,195,936	-	(1,906,659)
Health	1,137,600	377,320	589,190	-	(171,090)
Culture and recreation	412,357	61,173	-	-	(351,184)
Conservation of natural resources	355,519	740	139,375	-	(215,404)
Economic development	334,760	16,311	169,669	7,523	(141,257)
Interest	423,817	-	-	-	(423,817)
Total Governmental Activities	**$ 28,420,701**	**$ 2,717,992**	**$ 10,572,160**	**$ 17,063**	**$ (15,113,486)**

General Revenues	
Property taxes	$ 11,699,186
Mortgage registry and deed tax	18,361
Wheelage tax	188,646
Payments in lieu of tax	363,553
Grants and contributions not restricted to specific programs	1,510,603
Unrestricted investment earnings	507,658
Miscellaneous	195,929
Total general revenues	**$ 14,483,936**
Change in net position	**$ (629,550)**
Net Position – Beginning	**79,254,472**
Net Position – Ending	**$ 78,624,922**

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

FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUNDS

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HOUSTON COUNTY
CALEDONIA, MINNESOTA

EXHIBIT 3

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2019

	General	Road and Bridge	Health and Human Services	Nonmajor Governmental Funds	Total
Assets					
Cash and pooled investments	$ 5,688,856	$ 5,115,209	$ 529,317	$ 1,579,472	$ 12,912,854
Petty cash and change funds	17,060	100	-	-	17,160
Investments	1,010,287	1,499,076	550,270	-	3,059,633
Taxes receivable					
Delinquent	92,568	26,903	19,740	17,833	157,044
Accounts receivable – net	10,024	1,073	123,806	-	134,903
Loans receivable	369,638	-	-	-	369,638
Accrued interest receivable	34,978	3,054	595	-	38,627
Due from other funds	8,689	-	-	-	8,689
Due from other governments	149,000	1,087,053	658,817	-	1,894,870
Prepaid expense	11,993	-	-	-	11,993
Inventories	-	466,576	-	-	466,576
Total Assets	**$ 7,393,093**	**$ 8,199,044**	**$ 1,882,545**	**$ 1,597,305**	**$ 19,071,987**
Liabilities, Deferred Inflows of Resources, and Fund Balances					
Liabilities					
Accounts payable	$ 101,956	$ 165,788	$ 163,822	$ -	$ 431,566
Salaries payable	137,247	39,167	82,986	-	259,400
Contracts payable	-	122,817	-	-	122,817
Due to other funds	-	-	8,689	-	8,689
Due to other governments	12,692	6,131	58,534	-	77,357
Customer deposits	32,212	-	-	-	32,212
Total Liabilities	**$ 284,107**	**$ 333,903**	**$ 314,031**	**$ -**	**$ 932,041**
Deferred Inflows of Resources					
Unavailable revenue	**$ 473,061**	**$ 890,120**	**$ 184,737**	**$ 12,593**	**$ 1,560,511**

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

HOUSTON COUNTY
CALEDONIA, MINNESOTA

EXHIBIT 3
(Continued)

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2019

	General	Road and Bridge	Health and Human Services	Nonmajor Governmental Funds	Total
Liabilities, Deferred Inflows of Resources, and Fund Balances (Continued)					
Fund Balances					
Nonspendable					
Prepaid items	$ 11,993	$ -	$ -	$ -	$ 11,993
Inventories	-	466,576	-	-	466,576
Restricted for				-	
Debt service	-	-	-	1,553,974	1,553,974
Recorder's technology				-	
equipment	137,110	-	-	-	137,110
Recorder's compliance	73,871	-	-	-	73,871
E-911	199,236	-	-	-	199,236
Economic development loans	330,133	-	-	-	330,133
Conceal and carry	168,003	-	-	-	168,003
Sheriff's DUI forfeiture	8,229	-	-	-	8,229
Attorney forfeited property	9,361	-	-	-	9,361
Assigned				-	
Road and bridge	-	6,508,445	-	-	6,508,445
Human services	-	-	1,383,777	-	1,383,777
Capital projects	-	-	-	30,738	30,738
Unassigned	5,697,989	-	-	-	5,697,989
Total Fund Balances	**$ 6,635,925**	**$ 6,975,021**	**$ 1,383,777**	**$ 1,584,712**	**$ 16,579,435**
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	**$ 7,393,093**	**$ 8,199,044**	**$ 1,882,545**	**$ 1,597,305**	**$ 19,071,987**

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

HOUSTON COUNTY
CALEDONIA, MINNESOTA

EXHIBIT 4

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION—GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2019

Fund balances – total governmental funds (Exhibit 3)		**$ 16,579,435**
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		83,589,681
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.		1,560,511
Deferred outflows of resources resulting from pension and other postemployment benefits liabilities are not available resources and, therefore, are not reported in the governmental funds.		1,672,656
Deferred outflows of resources resulting from debt refundings are not reported in the governmental funds.		620,898
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Loans payable	$ (84,783)	
Capital lease payable	(110,569)	
Bonds payable	(13,230,000)	
Bond discount	6,064	
Bond premium	(459,373)	
Accrued interest payable	(164,469)	
Net pension liability	(473,687)	
Other postemployment benefits liability	(6,128,910)	
Compensated absences	(1,133,663)	(21,779,390)
Deferred inflows of resources resulting from pension and other postemployment not due and payable in the current period and, therefore, are not reported in the governmental funds.		(3,618,869)
Net Position of Governmental Activities (Exhibit 1)		**$ 78,624,922**

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

HOUSTON COUNTY
CALEDONIA, MINNESOTA

EXHIBIT 5

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

	General	Road and Bridge	Health and Human Services	Nonmajor Governmental Funds	Total
Revenues					
Taxes	$ 6,913,257	$ 2,095,777	$ 1,580,297	$ 1,319,667	$ 11,908,998
Licenses and permits	64,680	5,415	-	-	70,095
Intergovernmental	2,412,475	8,428,547	3,913,795	55,912	14,810,729
Charges for services	1,378,691	263,662	722,180	-	2,364,533
Fines and forfeits	5,514	-	-	-	5,514
Gifts and contributions	3,100	-	-	-	3,100
Investment earnings	453,231	38,434	15,993	-	507,658
Miscellaneous	129,289	9,001	284,047	-	422,337
Total Revenues	**$ 11,360,237**	**$ 10,840,836**	**$ 6,516,312**	**$ 1,375,579**	**$ 30,092,964**
Expenditures					
Current					
General government	$ 4,821,117	$ -	$ -	$ 4,681	$ 4,825,798
Public safety	4,258,770	-	-	-	4,258,770
Transportation	-	13,399,348	-	-	13,399,348
Sanitation	956,275	-	-	-	956,275
Human services	-	-	5,650,650	-	5,650,650
Health	17,000	-	1,125,647	-	1,142,647
Culture and recreation	403,573	-	-	-	403,573
Conservation of natural resources	355,689	-	-	-	355,689
Economic development	283,102	-	-	-	283,102
Intergovernmental	-	290,163	-	-	290,163
Capital outlay	-	-	-	164,581	164,581
Debt service					
Principal	22,067	-	-	870,000	892,067
Interest	3,283	-	-	410,691	413,974
Administrative (fiscal) charges	-	-	-	4,700	4,700
Total Expenditures	**$ 11,120,876**	**$ 13,689,511**	**$ 6,776,297**	**$ 1,454,653**	**$ 33,041,337**

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

HOUSTON COUNTY
CALEDONIA, MINNESOTA

EXHIBIT 5
(Continued)

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
DECEMBER 31, 2019

	General	Road and Bridge	Health and Human Services	Nonmajor Governmental Funds	Total
Excess of Revenues Over (Under) Expenditures	**$ 239,361**	**$ (2,848,675)**	**$ (259,985)**	**$ (79,074)**	**$ (2,948,373)**
Other Financing Sources (Uses)					
Proceeds from capital lease	$ 121,730	$ -	$ -	$ -	$ 121,730
Transfer in	-	-	-	200,000	200,000
Transfer out	-	(200,000)	-	-	(200,000)
Proceeds from sale of capital assets	68,723	41,442	-	-	110,165
Total Other Financing Sources (Uses)	**$ 190,453**	**$ (158,558)**	**$ -**	**$ 200,000**	**$ 231,895**
Net Change in Fund Balance	**$ 429,814**	**$ (3,007,233)**	**$ (259,985)**	**$ 120,926**	**$ (2,716,478)**
Fund Balance – January 1, as restated (see Note 1.E.)	**6,206,111**	**9,973,172**	**1,643,762**	**1,463,786**	**19,286,831**
Increase (decrease) in inventories	**-**	**9,082**	**-**	**-**	**9,082**
Fund Balance – December 31	**$ 6,635,925**	**$ 6,975,021**	**$ 1,383,777**	**$ 1,584,712**	**$ 16,579,435**

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

EXHIBIT 6

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES—GOVERNMENTAL ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2019

Net change in fund balances – total governmental funds (Exhibit 5)		**$ (2,716,478)**
Amounts reported for governmental activities in the statement of activities are different because:		
In the funds, under the modified accrual basis, receivables not available for expenditure are deferred. In the statement of activities, those revenues are recognized when earned. The adjustment to revenue between the fund statements and the statement of activities is the increase or decrease in revenue deferred as unavailable.		
Deferred inflows of resources – December 31	$ 1,560,511	
Deferred inflows of resources – January 1, restated	(3,862,057)	(2,301,546)
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Also, in the statement of activities, only the gain or loss on the disposal of assets is reported; whereas, in the governmental funds, the proceeds from the sale increase financial resources. Therefore, the change in net position differs from the change in fund balance by the net book value of the assets sold.		
Expenditures for general capital assets and infrastructure	$ 6,979,841	
Net book value of assets disposed	(483,238)	
Current year depreciation	(2,850,241)	3,646,362
Issuing long-term debt provides current financial resources to governmental funds, while the repayment of debt consumes current financial resources. Neither transaction, however, has any effect on net position. Also, governmental funds report the net effect of issuance costs, premiums, discounts, and similar items when debt is first issued; whereas, those amounts are deferred and amortized over the life of the debt in the statement of net position.		
Proceeds of new debt		
Capital lease issued	$ (121,730)	
Principal repayments		
General obligation bonds	870,000	
Loans	10,906	
Capital lease	11,161	
Current year amortization of discounts and premiums	41,260	811,597

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

HOUSTON COUNTY
CALEDONIA, MINNESOTA

EXHIBIT 6
(Continued)

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES—GOVERNMENTAL ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2019

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Change in compensated absences	$ (12,371)	
Change in accrued interest payable	10,042	
Change in net pension liability	(98,418)	
Change in other postemployment benefits liability	(11,621)	
Change in deferred outflows of resources	(1,335,119)	
Change in deferred inflows of resources	1,368,920	
Change in inventories	9,082	(69,485)
Change in Net Position of Governmental Activities (Exhibit 2)		**$ (629,550)**

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

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FIDUCIARY FUNDS

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HOUSTON COUNTY
CALEDONIA, MINNESOTA

EXHIBIT 7

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2019

		Agency Funds
Assets		
Cash and pooled investments	$	1,577,519
Liabilities		
Accounts payable	$	153,864
Due to other governments		1,423,655
Total Liabilities	$	1,577,519

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

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

1. Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

Houston County was established February 23, 1854, and is an organized county having the powers, duties, and privileges granted counties by Minn. Stat. ch. 373. As required by accounting principles generally accepted in the United States of America, these financial statements present Houston County (primary government) and its component unit for which the County is financially accountable. The County is governed by a five-member Board of Commissioners elected from districts within the County. The Board is organized with a chair and vice chair elected at the annual meeting in January of each year.

Blended Component Unit

Blended component units are legally separate organizations so intertwined with the County that they are, in substance, the same as the County and, therefore, are reported as if they were part of the County. Houston County has one blended component unit, which is reported as part of the General Fund.

Component Unit	Component Unit Included in Reporting Entity Because	Separate Financial Statements
Houston County Economic Development Authority (EDA) provides for development within the County.	County Commissioners are the members of the EDA Board, and the County has operational responsibility.	Separate financial statements are not prepared.

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity (Continued)

Joint Ventures and Jointly-Governed Organizations

The County participates in joint ventures described in Note 3.D. The County also participates in jointly-governed organizations described in Note 3.C.

B. Basic Financial Statements

1. Government-Wide Statements

The government-wide financial statements (the statement of net position and the statement of activities) display information about the primary government and its component unit. These statements include the financial activities of the overall County government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities are normally supported by taxes and intergovernmental revenues.

The government-wide statement of net position is presented on a consolidated basis by column and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The County's net position is reported in three parts: (1) net investment in capital assets, (2) restricted net position, and (3) unrestricted net position. The County first utilizes restricted resources to finance qualifying activities.

The statement of activities demonstrates the degree to which the direct expenses of each function of the County's governmental activities are offset by program revenues. Direct expenses are those clearly identifiable with a specific function or activity. Program revenues include: (1) fees, fines, and charges paid by the recipients of goods, services, or privileges provided by a given function or activity; and (2) grants and contributions restricted to meeting the operational or capital requirements of a particular function or activity. Revenues not classified as program revenues, including all taxes, are presented as general revenues. The County does not allocate indirect expenses to functions within the financial statements.

1. Summary of Significant Accounting Policies

B. Basic Financial Statements (Continued)

2. Fund Financial Statements

The fund financial statements provide information about the County's funds, including its fiduciary funds and blended component unit. Separate statements for each fund category—governmental and fiduciary—are presented. The emphasis of governmental fund financial statements is on major individual governmental funds, with each displayed as a separate column in the fund financial statements. All remaining funds are aggregated and reported as nonmajor funds.

The County reports the following major governmental funds:

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

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

The Health and Human Services Special Revenue Fund accounts for restricted revenue sources from federal, state, and other oversight agencies, as well as committed property tax revenues used for economic assistance and community social services programs.

Additionally, the County reports the following fund types:

The Debt Service Fund is used to account for all financial resources restricted for payment of principal, interest, and related costs of long-term bonded debt.

The Capital Projects Fund is used to account for financial resources committed for the land acquisition and Highway Department complex construction.

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.

1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. 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. Houston County considers all revenues as available if collected within 60 days after the end of the current period. Property and other taxes, licenses, and interest are all considered susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent that they have matured. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first and then unrestricted resources as needed.

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

1. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2019, based on market prices. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments are credited to the General Fund. Other funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants. Pooled investment earnings for 2019 were $453,231.

1. Summary of Significant Accounting Policies

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

2. Receivables and Payables

Activities between funds representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (the current portion of interfund loans) or "advances to/from other funds" (the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Advances between funds, as reported in the fund financial statements, are offset by nonspendable fund balance to indicate they are not available for appropriation and are not expendable available financial resources.

All receivables are shown net of an allowance for uncollectibles.

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.

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 at the government-wide level are recorded as expenses when consumed.

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

HOUSTON COUNTY
CALEDONIA, MINNESOTA

1. Summary of Significant Accounting Policies

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

4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (for example, roads, bridges, and similar items), are reported in the government-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost of more than $10,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value.

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

Property, plant, and equipment of the County are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	50
Building improvements	50
Public domain infrastructure	50 - 75
Furniture, equipment, and vehicles	3 - 20

5. Compensated Absences

The liability for compensated absences reported in the financial statements consists of unpaid, accumulated annual vacation, compensatory, and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. Compensated absences are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The current portion is calculated using a trend analysis based on prior year payouts.

1. Summary of Significant Accounting Policies

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

6. Unearned Revenue

Governmental funds and government-wide financial statements report unearned revenue for resources that have been received, but not yet earned. There was no unearned revenue in 2019.

7. Pension Plan

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

8. Long-Term Obligations

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as an other financing source. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

HOUSTON COUNTY
CALEDONIA, MINNESOTA

1. Summary of Significant Accounting Policies

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

9. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expenditure/expense) until then. The County has two items—deferred charge on refunding and deferred pension and other postemployment benefits (OPEB) outflows—that qualify for reporting in this category. Deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt and only arises under the full accrual basis of accounting. The County reports deferred outflows of resources only under the full accrual basis of accounting associated with pension plans and OPEB and, accordingly, are reported only in the statement of net position.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) or reduction of expense until that time. The County reports two types of deferred inflows—unavailable revenue and deferred pension and OPEB inflows—that qualify for reporting in this category. Unavailable revenue arises only under a modified accrual basis of accounting and, accordingly, is reported only in the governmental funds balance sheet. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available. The County also reports deferred inflows of resources associated with pension and OPEB benefits. These inflows arise only under the full accrual basis of accounting and, accordingly, are reported only in the statement of net position.

1. Summary of Significant Accounting Policies

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

10. Classification of Net Position

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

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

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

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

11. Classification of Fund Balances

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

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

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

1. Summary of Significant Accounting Policies

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

11. Classification of Fund Balances (Continued)

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

Assigned – amounts the County intends to use for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the County Board or the County Finance Director, who has been delegated that authority by Board resolution.

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

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

12. Minimum Fund Balance

Houston County has adopted a minimum fund balance policy to address cash flow or working capital needs for the General Fund and other special revenue funds, which are heavily reliant on property tax revenues to fund current operations. However, property tax revenues are not available for distribution until June. Therefore, the County Board has determined the need to maintain a minimum

1. Summary of Significant Accounting Policies

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

12. Minimum Fund Balance (Continued)

unassigned fund balance in the General Fund and an unrestricted (committed and assigned) fund balance in the remaining special revenue funds until the tax revenues are distributed. The County Board has determined this amount to be not less than 40 percent and not more than 65 percent of the sum of the most recent budget year's property tax levy.

13. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, 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.

E. Change in Accounting Principles

During the year ended December 31, 2019, the County changed its accounting for long-term loans receivable in the General Fund. This change is due to clarifying guidance from the GASB regarding long-term receivables. The long-term portion of loans receivable was removed from fund balance and is now reported as deferred inflows of resources – unavailable revenue.

	General Fund
Fund Balance, January 1, 2019, as previously reported	$ 6,488,275
Change in accounting principles	(282,164)
Fund Balance, January 1, 2019, as restated	$ 6,206,111

HOUSTON COUNTY
CALEDONIA, MINNESOTA

2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

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	$ 12,912,854
Petty cash and change funds	17,160
Investments	3,059,633
Statement of fiduciary net position	
Cash and pooled investments	1,577,519
Total Cash and Investments	$ 17,567,166

a. Deposits

The County is authorized by Minn. Stat. §§ 118A.02 and 118A.04 to designate a depository for public funds and to invest in certificates of deposit. The County is required by Minn. Stat. § 118A.03 to protect all County deposits with insurance, surety bond, or collateral. The market value of collateral pledged shall be at least ten percent more than the amount on deposit plus accrued interest at the close of the financial institution's banking day, not covered by insurance or bonds.

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

2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

a. Deposits (Continued)

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits may not be returned to it. The County has adopted a policy for custodial credit risk of obtaining collateral or bond for all uninsured amounts on deposit and obtaining necessary documentation to show compliance with state law and perfected security interest under federal law. As of December 31, 2019, the County's deposits were not exposed to custodial credit risk.

b. Investments

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

(1) securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as "high risk" by Minn. Stat. § 118A.04, subd. 6;

(2) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;

(3) general obligations of the State of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;

HOUSTON COUNTY
CALEDONIA, MINNESOTA

2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

(4) bankers' acceptances of United States banks;

(5) commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less; and

(6) with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. It is the County's policy to minimize interest rate risk by: (1) structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market prior to maturity; and (2) investing operating funds, when most prudent, in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the County's cash requirements.

Investment Type	Fair Value	Less Than 1 Year	1 - 3 Years	3 - 13 Years
Municipal bonds	$ 884,631	$ 185,030	$ 453,698	$ 245,903
Negotiable certificates of deposit	5,415,597	1,096,241	2,507,212	1,812,144
Total Investments	$ 6,300,228	$ 1,281,271	$ 2,960,910	$ 2,058,047

2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. It is the County's policy, as set by the Houston County Investment Policy, to invest only in securities that meet the ratings requirements of state statute.

The County is required to disclose the credit quality ratings of investments in debt securities, external investment pools, money market funds, bond mutual funds, and other pooled investments of fixed income securities. Houston County invests in the following investment pools/mutual funds:

	Credit Rating	Rating Agency	Fair Value
Municipal bonds	AAA/AA	Standard & Poor's	$ 884,631

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The County's policy is to minimize custodial credit risk by limiting investments with any one broker to no more than ten percent of its Securities Investor Protection Corporation coverage plus any excess coverage, if provided. At December 31, 2019, none of Houston County's investments were subject to custodial credit risk.

HOUSTON COUNTY
CALEDONIA, MINNESOTA

2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Concentration of Credit Risk

It is the County's policy to minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the County's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

As of December 31, 2019, the County did not have any investments in any one issuer that represented five percent or more of the County's total investments.

Fair Value Measurement

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

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

2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments

Fair Value Measurement (Continued)

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

		Fair Value Measurements Using		
	December 31, 2019	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Debt securities				
Municipal bonds	$ 884,631	$ -	$ 884,631	$ -
Negotiable certificates of Deposit	5,415,597	-	5,415,597	-
Total Investments Included in the Fair Value Hierarchy	$ 6,300,228	$ -	$ 6,300,228	$ -

Debt securities classified in Level 2 are valued using the following approaches:

- Municipal Bonds: a market approach using quoted prices for similar securities in active markets; and
- Negotiable Certificates of Deposit: matrix pricing based on the securities' relationship to benchmark quoted prices.

2. Detailed Notes on All Funds

A. Assets (Continued)

2. Receivables

Receivables as of December 31, 2019, for the County's governmental activities, including the applicable allowances for uncollectible accounts, are as follows:

Accounts receivable, gross	$ 293,495
Less: allowance for uncollectible	(158,592)
Net Accounts Receivable	$ 134,903

Net receivables for governmental activities are collectible within the year.

Of the loans receivable, $369,638 are for economic development loans, of which $308,089 is not scheduled for collection in the subsequent year.

3. Capital Assets

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

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	$ 1,184,167	$ 141,633	$ 54,615	$ 1,271,185
Land – infrastructure right-of-way	1,779,146	-	-	1,779,146
Land improvements	251,088	-	-	251,088
Construction in progress	135,016	6,070,502	6,086,555	118,963
Total capital assets not depreciated	$ 3,349,417	$ 6,212,135	$ 6,141,170	$ 3,420,382
Capital assets depreciated				
Buildings	$ 19,087,790	$ -	$ -	$ 19,087,790
Building improvements	1,720,812	-	-	1,720,812
Other improvements	794,961	-	45,460	749,501
Machinery, furniture, and equipment	8,214,156	767,706	426,894	8,554,968
Infrastructure	106,912,686	6,086,555	882,653	112,116,588
Total capital assets depreciated	$ 136,730,405	$ 6,854,261	$ 1,355,007	$ 142,229,659

2. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

	Beginning Balance	Increase	Decrease	Ending Balance
Less: accumulated depreciation for				
Buildings	$ 3,312,616	$ 379,755	$ -	$ 3,692,371
Building improvements	855,684	34,416	-	890,100
Other improvements	171,030	15,596	9,092	177,534
Machinery, furniture, and equipment	4,797,481	535,443	400,893	4,932,031
Infrastructure	50,999,692	1,885,031	516,399	52,368,324
Total accumulated depreciation	$ 60,136,503	$ 2,850,241	$ 926,384	$ 62,060,360
Total capital assets depreciated, net	$ 76,593,902	$ 4,004,020	$ 428,623	$ 80,169,299
Governmental Activities Capital Assets, Net	$ 79,943,319	$ 10,216,155	$ 6,569,793	$ 83,589,681

Depreciation expense was charged to functions/programs as follows:

Governmental Activities	
General government	$ 104,714
Public safety	432,379
Highways and streets, including depreciation of infrastructure assets	2,222,632
Human services	8,666
Sanitation	21,408
Culture and recreation	8,784
Economic development	51,658
Total Depreciation Expense – Governmental Activities	$ 2,850,241

B. Interfund Receivables, Payables, and Transfers

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

1. Due To/From Other Funds

Receivable Fund	Payable Fund	Amount
General	Health and Human Services	$ 8,689

These balances reflect the interfund goods and services provided and not paid at year-end but expected to be paid in the subsequent year.

HOUSTON COUNTY
CALEDONIA, MINNESOTA

2. Detailed Notes on All Funds

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

2. Interfund Transfers

Interfund transfers for the year ended December 31, 2019, consisted of the following:

Fund From	Fund To	Amount	
Road and Bridge Fund	Capital Projects Fund	$ 200,000	Highway building construction

C. Liabilities

1. Construction Commitments

Houston County has active construction projects as of December 31, 2019. The projects include the following:

	Spent-to-Date	Remaining Commitment
Governmental Activities		
Roads and bridges	$ 8,275,127	$ 4,743

2. Capital Lease

The County has entered into a lease agreement as lessee for financing the acquisition of certain equipment. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date. The capital lease consists of the following at December 31, 2019.

Capital Lease	Final Maturity	Installment Amount	Payment Amount	Original Issue Amount	Outstanding Balance December 31, 2019
2019 Dodge Durango	2024	Yearly	$ 3,124	$ 31,236	$ 28,112
2019 Dodge Durango	2024	Yearly	3,409	34,091	30,682
2019 Jeep Compass	2024	Yearly	2,149	21,494	19,345
2019 Jeep Compass	2024	Yearly	2,149	21,494	19,345
2019 Jeep Compass	2024	Yearly	1,798	21,575	19,777
Total of Leases			$ 12,629	$ 129,890	$ 117,261

2. Detailed Notes on All Funds

C. Liabilities

2. Capital Lease (Continued)

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2019, were as follows:

Year Ending December 31		Governmental Activities
2020		25,978
2021		25,978
2022		25,978
2023		25,978
2024		13,349
Less: amount representing interest		(6,692)
Present Value of Minimum Lease Payments	$	110,569

The lease is paid from the General Fund.

3. Long-Term Debt

Loans Payable

In December 2016, Houston County received a grant of $192,000 from the Minnesota Department of Employment and Economic Development. The County used the grant to make an installment loan to fund an economic development project in the County. The County is entitled to 40 percent of the principal repaid, plus interest at two percent. The remaining $115,200, plus interest, is to be repaid to the state. Payments on the state loan began in January 2017 with monthly payments of $1,060 and will be made until December 2026. Total payments due from 2020 to 2026, including interest of $6,286 at December 31, 2019, are $91,069. The loan payments will be made from the General Fund.

HOUSTON COUNTY
CALEDONIA, MINNESOTA

2. Detailed Notes on All Funds

C. Liabilities

3. Long-Term Debt (Continued)

Bonds

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2019
2009C G.O. Jail Bonds	2025	$185,000 - $600,000	2.00 - 3.00	$ 7,250,000	$ 2,940,000
2010A G.O. Capital Improvement Plan Bonds	2022	$74,534 - $441,585	1.05 - 3.45	2,695,000	975,000
2017A G.O. Jail Bonds	2031	$65,000 - $1,315,000	2.00 - 3.00	9,380,000	9,315,000
Total General Obligation Bonds				$ 19,325,000	$ 13,230,000

Debt payments for the above debt are being made from the Debt Service Fund.

4. Debt Service Requirements

Debt service requirements at December 31, 2019, were as follows:

Year Ending December 31	General Obligation Bonds		Loans Payable	
	Principal	Interest	Principal	Interest
2020	$ 920,000	$ 384,347	$ 13,002	$ 1,838
2021	1,005,000	354,879	11,388	1,332
2022	985,000	323,968	11,618	1,102
2023	1,020,000	295,219	11,853	867
2024	1,045,000	265,000	12,092	628
2025 - 2029	5,700,000	820,662	24,830	519
2030 - 2031	2,555,000	77,775	-	-
Total	$ 13,230,000	$ 2,521,850	$ 84,783	$ 6,286

2. Detailed Notes on All Funds

C. Liabilities (Continued)

5. Changes in Long-Term Liabilities

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
2009B G.O. Capital Improvement Plan Bonds	$ 215,000	$ -	$ 215,000	$ -	$ -
2009C G.O. Jail Bonds	3,205,000	-	265,000	2,940,000	505,000
2010A G.O. Capital Improvement Plan Bonds	1,300,000	-	325,000	975,000	325,000
2017A G.O. Jail Bonds	9,380,000	-	65,000	9,315,000	90,000
Premium on bonds	502,654	-	43,281	459,373	-
Less: discount on bonds	(8,085)	-	(2,021)	(6,064)	-
Total bonds payable	$ 14,594,569	$ -	$ 911,260	$ 13,683,309	$ 920,000
Loans payable	95,689	-	10,906	84,783	13,002
Capital leases payable	-	121,730	11,161	110,569	23,398
Compensated absences	1,121,292	889,388	877,017	1,133,663	113,366
Long-Term Liabilities	$ 15,811,550	$ 1,011,118	$ 1,810,344	$ 15,012,324	$ 1,069,766

Compensated absences liabilities are generally liquidated by the General Fund and the Road and Bridge and Health and Human Services Special Revenue Funds.

D. Deferred Outflows/Inflows of Resources

1. Deferred Outflows of Resources

There were no deferred outflows of resources reported in the governmental funds for the year ended December 31, 2019.

2. Deferred Inflows of Resources

As of December 31, 2019, there were various components of unavailable revenue for the governmental funds as follows:

HOUSTON COUNTY
CALEDONIA, MINNESOTA

2. Detailed Notes on All Funds

D. Deferred Outflows/Inflows of Resources

2. Deferred Inflows of Resources (Continued)

	Unavailable Revenue
Delinquent property taxes	$ 111,045
Intergovernmental	1,023,327
Loans receivable	359,547
Other	66,592
Total Governmental Funds	$ 1,560,511

E. Pension Plans

1. Defined Benefit Pension Plans

a. Plan Description

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

The General Employees Plan (accounted for in the General Employees Fund) has multiple benefit structures with members belonging to the Coordinated Plan, the Basic Plan, or the Minneapolis Employees Retirement Fund. Coordinated Plan members are covered by Social Security, and Basic Plan and Minneapolis Employees Retirement Fund members are not. The Basic Plan was closed to new members in 1967. The Minneapolis Employees Retirement Fund was closed to new members during 1978 and merged into the General Employees Plan in 2015. All new members must participate in the Coordinated

2. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans

a. Plan Description (Continued)

Plan, for which benefits vest after five years of credited service. No Houston County employees belong to either the Basic Plan or the Minneapolis Employees Retirement Fund.

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

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

b. Benefits Provided

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

Beginning January 1, 2019, General Employees Plan benefit recipients will receive a post-retirement increase equal to 50 percent of the cost of living adjustment announced by the Social Security Administration, with a minimum increase of at least 1.00 percent and maximum of 1.50 percent. Recipients that

HOUSTON COUNTY
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2. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans

b. Benefits Provided (Continued)

have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under the Rule of 90 are exempt from the delay to normal retirement.

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

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

2. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans

b. Benefits Provided (Continued)

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

Benefits are based on a member's highest average salary for any 60 consecutive months of allowable service, age, and years of credit at termination of service.

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

For General Employees Plan members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90, and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66. For Police and Fire Plan and Correctional Plan members, normal retirement age is 55, and for members who were hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90. Disability benefits are available for vested members and are based on years of service and average high-five salary.

2. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans (Continued)

c. Contributions

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

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

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

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

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

General Employees Plan	$	494,277
Police and Fire Plan		181,624
Correctional Plan		89,606

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

2. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans (Continued)

d. Pension Costs

General Employees Plan

At December 31, 2019, the County reported a liability of $5,014,600 for its proportionate share of the General Employees Plan's net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2018, through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the County's proportion was 0.0907 percent. It was 0.0889 percent measured as of June 30, 2018.

The County recognized pension expense of $505,836 for its proportionate share of the General Employees Plan's pension expense.

The County also recognized $11,670 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's contribution to the General Employees Plan, which qualifies as a special funding situation. Legislation requires the State of Minnesota to contribute $16 million to the General Employees Plan annually.

The County's proportionate share of the net pension liability	$ 5,014,600
State of Minnesota's proportionate share of the net pension liability associated with the County	155,827
Total	$ 5,170,427

2. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs

General Employees Plan (Continued)

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	$ 142,118	$ -
Changes in actuarial assumptions	-	401,603
Difference between projected and actual investment earnings	-	497,642
Changes in proportion	74,892	313,898
Contributions paid to PERA subsequent to the measurement date	240,298	-
Total	$ 457,308	$ 1,213,143

The $240,298 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2020	$ (440,810)
2021	(490,064)
2022	(73,340)
2023	8,081

2. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs (Continued)

Police and Fire Plan

At December 31, 2019, the County reported a liability of $1,050,761 for its proportionate share of the Police and Fire Plan's net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2018, through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the County's proportion was 0.0987 percent. It was 0.0956 percent measured as of June 30, 2018. The County recognized pension expense of $132,105 for its proportionate share of the Police and Fire Plan's pension expense.

The County also recognized $13,324 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's on-behalf contribution to the Police and Fire Plan. Legislation requires the State of Minnesota to contribute $9 million to the Police and Fire Plan each year, starting in fiscal year 2014, until the plan is 90 percent funded, or until the State Patrol Plan is 90 percent funded, whichever occurs later. In addition, the state will pay direct state aid of $4.5 million on October 1, 2018, and October 1, 2019, and $9 million by October 1 of each subsequent year until full funding is reached or July 1, 2048, whichever is earlier.

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:

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2. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs

Police and Fire Plan (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 43,849	$ 167,050
Changes in actuarial assumptions	918,788	1,159,244
Difference between projected and actual investment earnings	-	204,799
Changes in proportion	42,685	156,664
Contributions paid to PERA subsequent to the measurement date	94,278	-
Total	$ 1,099,600	$ 1,687,757

The $94,278 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2020	$ (76,769)
2021	(156,940)
2022	(454,919)
2023	1,575
2024	4,618

2. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs (Continued)

Correctional Plan

At December 31, 2019, the County reported a liability of $63,549 for its proportionate share of the Correctional Plan's net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2018, through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the County's proportion was 0.4590 percent. It was 0.4845 percent measured as of June 30, 2018. The County recognized pension expense of $122,885 for its proportionate share of the Correctional Plan's pension expense.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 2,461	$ 10,660
Changes in actuarial assumptions	-	596,032
Difference between projected and actual investment earnings	-	90,032
Changes in proportion	36,531	10,982
Contributions paid to PERA subsequent to the measurement date	47,240	-
Total	$ 86,232	$ 707,706

HOUSTON COUNTY
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2. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs

Correctional Plan (Continued)

The $47,240 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2020	$ (330,534)
2021	(317,031)
2022	(21,765)
2023	616

Total Pension Expense

The total pension expense for all plans recognized by the County for the year ended December 31, 2019, was $760,826.

e. Actuarial Assumptions

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

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

2. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans

e. Actuarial Assumptions (Continued)

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

Actuarial assumptions used in the June 30, 2019, valuation were based on the results of actuarial experience studies. The experience study for the General Employees Plan was dated June 30, 2015. The experience study for the Police and Fire Plan was dated August 30, 2016. The experience study for the Correctional Plan was dated February 2012. The mortality assumption for the Correctional Plan is based on the Police and Fire Plan experience study. Inflation and investment assumptions for all plans were reviewed in the experience study report for the General Employees Plan dated June 27, 2019.

The long-term expected rate of return on pension plan investments is 7.50 percent. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	35.50%	5.10%
International equity	17.50	5.30
Fixed income	20.00	0.75
Private markets	25.00	5.90
Cash equivalents	2.00	0.00

2. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans (Continued)

f. Discount Rate

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

g. Changes in Actuarial Assumptions and Plan Provisions

The following changes in actuarial assumptions occurred in 2019:

General Employees Plan

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

Police and Fire Plan

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

Correctional Plan

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

2. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans (Continued)

h. Pension Liability Sensitivity

The following presents the County's proportionate share of the net pension liability calculated using the discount rate previously disclosed, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

	General Employees Plan		Proportionate Share of the Police and Fire Plan		Correctional Plan	
	Discount Rate	Net Pension Liability	Discount Rate	Net Pension Liability	Discount Rate	Net Pension Liability
1% Decrease	6.50%	$ 8,243,732	6.50%	$ 2,296,769	6.50%	$ 677,296
Current	7.50	5,014,600	7.50	1,050,761	7.50	63,549
1% Increase	8.50	2,348,309	8.50	20	8.50	(427,549)

i. Pension Plan Fiduciary Net Position

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

2. Defined Contribution Plan

Three Board members of Houston are covered by the Public Employees Defined Contribution Plan, a multiple-employer deferred compensation plan administered by PERA. The plan is established and administered in accordance with Minn. Stat. ch. 353D, which may be amended by the state legislature. The plan is a tax qualified plan under Section 401(a) of the Internal Revenue Code, and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

HOUSTON COUNTY
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2. Detailed Notes on All Funds

E. Pension Plans

2. Defined Contribution Plan (Continued)

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. For those qualified personnel who elect to participate, Minn. Stat. § 353D.03 specifies plan provisions, including the employee and employer contribution rates. An eligible elected official who decides to participate contributes five percent of salary, which is matched by the employer. Employee and employer contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives two percent of employer contributions and 0.25 percent of the assets in each member account annually.

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

	Employee	Employer
Contribution amount	$ 3,003	$ 3,003
Percentage of covered payroll	5.00%	5.00%

F. Other Postemployment Benefits (OPEB)

Plan Description

The County provides health insurance benefits for certain retired employees under a single-employer, defined benefit, self-insured health care plan, financed and administered by the Southeast Service Cooperative and Houston County. Blue Cross and Blue Shield of Minnesota (BCBSM), under contract with the Southeast Service Cooperative, is the Claims Administrator. The County provides benefits for retirees as required by Minn. Stat. § 471.61, subd. 2b. Active employees, who retire from the County when eligible to receive a retirement benefit from PERA (or a similar plan) and do not participate in any other health benefits program providing coverage similar to that herein described, are eligible to continue coverage with respect to both themselves and their eligible dependent(s) under the County's health benefits program.

2. Detailed Notes on All Funds

F. Other Postemployment Benefits (OPEB)

Plan Description (Continued)

Retirees are required to pay 100 percent of the total group rate. Since the premium is a blended rate determined on the entire active and retiree population, the retirees, whose costs are statistically higher than the group average, are receiving an implicit rate "subsidy." As of January 1, 2019, there was one retiree receiving health benefits from the County's health plan.

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

As of the January 1, 2019, actuarial valuation, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	1
Active plan participants	143
Total	144

Total OPEB Liability

The County's total OPEB liability of $473,687 was measured as of January 1, 2019, and was determined by an actuarial valuation as of that date.

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

Inflation	2.50 percent
Salary increases	3.00 percent, average wage inflation plus merit/productivity increases
Health care cost trend	6.50 percent, decreasing 5 percent over 6 years

The current year discount rate is 3.80 percent, which is a change from the prior year rate of 3.30 percent. For the current valuation, the discount rate was set by considering published rate information for 20-year high-quality, tax-exempt, general obligation municipal bonds as of the measurement date.

HOUSTON COUNTY
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2. Detailed Notes on All Funds

F. Other Postemployment Benefits (OPEB)

Total OPEB Liability (Continued)

Mortality rates are based on RP-2014 Mortality Tables (with Blue Collar adjustment for Police and Fire Personnel) with MP-2018 Generational Improvement Scale.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at December 31, 2018	$ 462,066
Changes for the year	
Service cost	$ 33,983
Interest	15,844
Assumption Changes	(12,316)
Differences between Expected and Actual Experience	6,213
Benefit payments	(32,103)
Net change	$ 11,621
Balance at December 31, 2019	$ 473,687

OPEB liability is liquidated by the General Fund, Road and Bridge Special Revenue Fund, and Health and Human Services Special Revenue Fund.

OPEB Liability Sensitivity

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

	Discount Rate	Total OPEB Liability
1% Decrease	2.80%	$ 509,097
Current	3.80	473,687
1% Increase	4.80	440,693

2. Detailed Notes on All Funds

F. Other Postemployment Benefits (OPEB)

OPEB Liability Sensitivity (Continued)

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

	Health Care Trend Rate	Total OPEB Liability
1% Decrease	5.50% Decreasing to 4.0%	$ 428,026
Current	6.50% Decreasing to 5.0%	473,687
1% Increase	7.50% Decreasing to 6.0%	527,243

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

For the year ended December 31, 2019, the County recognized OPEB expense of $24,471. The County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 5,177	$ -
Changes in actuarial assumptions	-	10,263
Contributions made subsequent to measurement date	24,339	-
Total	$ 29,516	$ 10,263

HOUSTON COUNTY
CALEDONIA, MINNESOTA

2. Detailed Notes on All Funds

F. Other Postemployment Benefits (OPEB)

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

The $24,339 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Year Ended December 31, 2020	OPEB Expense Amount
2020	$ (1,017)
2021	(1,017)
2022	(1,017)
2023	(1,017)
2024	(1,018)

Changes in Actuarial Assumptions

The following changes in actuarial assumptions occurred in 2019:

- The health care trend rates were changed to better anticipate short term and long term medical increases.
- The mortality tables were updated from the RP-2014 Mortality Tables (blue collar for public safety, white collar for others) with MP-2016 Generational Improvement Scale to the RP-2014 Mortality Tables (blue collar for public safety, white collar for others) with MP-2018 Generational Improvement Scale.
- The retirement and withdrawal tables for public safety employees were updated.
- The discount rate was changed from 3.30% to 3.80%.

3. Summary of Significant Contingencies and Other Items

A. Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters for which the County carries commercial insurance. The County has entered into a joint powers agreement with other Minnesota counties to form the Minnesota Counties Intergovernmental Trust (MCIT). The County is a member of both the MCIT Workers' Compensation and Property and Casualty Divisions. For other risk, the County carries commercial insurance. There were no significant reductions in insurance from the prior year. The amount of settlements did not exceed insurance coverage for the past three fiscal years.

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

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

The County has entered into a joint powers agreement with MCIT to authorize the Board to exercise the common powers of the participating governmental units in connection with certain matters pertaining to the administration and funding of group employee benefits and other financial risk management services. The County may choose to participate in any of the services offered. The County may withdraw from the pool at any time giving a 90-day written notice. There is no contingent liability after withdrawal.

3. Summary of Significant Contingencies and Other Items (Continued)

B. Contingent Liabilities

The County has entered into an agreement with the Minnesota Department of Agriculture and a local lending institution to jointly administer the Agricultural Best Management Loan Program to individuals to implement projects that prevent or mitigate nonpoint source water pollution. While the County is not liable for the repayment of the loans in any manner, it does have certain responsibilities under the agreement. The County has met those responsibilities for 2019.

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

C. Jointly-Governed Organizations

Houston County, in conjunction with other local governments, has formed joint powers boards to provide a variety of services. The County appoints at least one member to the following organizations:

The Southeast Minnesota Emergency Medical Services (SEEMS) Joint Powers Board consists of Dodge, Fillmore, Freeborn, Goodhue, Houston, Mower, Olmsted, Rice, Steele, Wabasha, and Winona Counties. The purpose of SEEMS is to ensure quality patient care is available throughout the 11-county area by maximizing the response capabilities of emergency medical personnel and to promote public education on injury prevention and appropriate response during a medical emergency. Each member county appoints one member to the Joint Powers Board. During the year, Houston County made no payments to the joint powers.

The Region One – Southeast Minnesota Homeland Security and Emergency Management Organization was established to provide for regional coordination of planning, training, purchase of equipment, and allocating emergency services and staff in order to better respond to emergencies and natural or other disasters within the region. There are 16 counties participating, with one member from each entity being represented on the Joint Powers Board. Houston County's responsibility does not extend beyond making this appointment.

3. Summary of Significant Contingencies and Other Items

C. Jointly-Governed Organizations (Continued)

The Minnesota Criminal Justice Data Communications Network Joint Powers Agreement exists to create access for the County Sheriff and County Attorney to systems and tools available from the State of Minnesota, Department of Public Safety, and the Bureau of Criminal Apprehension to carry out criminal justice. During the year, the County made no payments to the joint powers.

Houston County, in conjunction with other local governments, participates in the State of Minnesota's Sentence to Serve (STS) program. STS is a project of the State Department of Administration's Strive Toward Excellence in Performance (STEP) program. STEP's goal is a statewide effort to make positive improvements in public services. It gives the courts an alternative to jail or fines for the nonviolent offenders who can work on a variety of community or state projects. Private funding, funds from various foundations and initiative funds, as well as the Minnesota Departments of Corrections and Natural Resources, provide the funds needed to operate the STS program. Although Houston County has no operational or financial control over the STS program, Houston County paid $68,899 to the program during the year.

The Southeast Minnesota Immunization Connection (SEMIC) Joint Powers Board promotes an implementation and maintenance of a regional immunization information system to ensure age-appropriate immunizations through complete and accurate records. During the year, Houston County made payments of $69,965 to SEMIC.

The Southeast Service Cooperative delivers numerous services to support administrative and instructional functions to its members and to improve learning opportunities. During the year, Houston County made payments of $250 to the Cooperative.

The Workforce Development provides various job training services to several counties. During the year, Houston County paid $94,940 to the Workforce Development.

The Southeastern Minnesota Community Action Council (SEMCAC) provides various services on behalf of member counties to assist people to achieve or maintain independence and self-reliance through their own and community resources. SEMCAC provides services in Dodge, Fillmore, Freeborn, Houston, Mower, Steele, and Winona Counties. It also provides housing and redevelopment for Houston County through Bluff Country. During the year, Houston County paid $30,467 to SEMCAC.

HOUSTON COUNTY
CALEDONIA, MINNESOTA

3. Summary of Significant Contingencies and Other Items

C. Jointly-Governed Organizations (Continued)

Under Minnesota Joint Powers Law, Minn. Stat. § 471.59, Minnesota counties have created the Minnesota Counties Computer Cooperative (MCCC) to jointly provide for the establishment, operation, and maintenance of data processing systems, facilities, and management information systems. During the year, Houston County paid $143,240 to the MCCC.

D. Joint Ventures

Southeastern Minnesota Library

The Southeastern Minnesota Library provides regional library services to counties and cities in southeastern Minnesota. During the year, Houston County paid $157,190 to the Library.

Southeast Minnesota Regional Emergency Communications Board

The Southeast Minnesota Regional Emergency Communications Board (formerly known as Southeast Minnesota Regional Radio Board) was formed in 2008 under the authority of Minn. Stat. §§ 471.59 and 403.39. It is governed by a membership of 11 counties and one city. The Board consists of one County Commissioner from each member county and one City Council member from the member city. The Board was formulated to provide for the regional administration of enhancements to the Allied Radio Matrix Emergency Response (ARMER) system owned and operated by the State of Minnesota and to enhance and improve interoperable public safety communications along with coordination of 911 and public safety broadband data services within the region.

The financial activities of the Board are accounted for by Olmsted County as the fiscal agent. During 2019, Houston County paid $1,000 to the Board.

Southeast Minnesota Violent Crime Enforcement Team (SEMVCET)

Houston County and other regional counties and cities have formed the Southeast Minnesota Violent Crime Enforcement Team under the authority of Minn. Stat. § 471.59, to work cooperatively in the enforcement of controlled substance laws and crime-related offenses. The SEMVCET is governed by a governing board made up of members known as "Directors". The Chief Law Enforcement Officer from each member county and member city shall serve as a Director.

3. Summary of Significant Contingencies and Other Items

D. Joint Ventures

Southeast Minnesota Violent Crime Enforcement Team (SEMVCET) (Continued)

Olmsted County has been appointed as the fiscal agent for the SEMVCET. During 2019, Houston County paid $7,426 to the SEMVCET.

Family Services Collaborative

The Houston County Family Services Collaborative was established in 1995 under the authority of Minn. Stat. §§ 471.59 and 124D.23. The Collaborative includes Houston County, four Houston County school districts, and SEMCAC, each of which appoints members to the Collaborative's governing board. The purpose of the Collaborative is to provide a coordinated approach to support and nurture individuals and families through prevention and intervention so as to ensure success for every child.

Control of the Collaborative is vested in a Board of Directors. Houston County appoints two members to this Board. Houston County acts as fiscal agent for the Collaborative. The Collaborative is financed by state grants and appropriations from participating members. During 2019, Houston County provided no funding.

In the event of withdrawal from the Collaborative, the withdrawing party shall give a 30-day notice. The withdrawing party remains liable for fiscal obligations incurred prior to the effective date of withdrawal and shall not be entitled to any compensation as long as the Collaborative continues in existence. Should the Collaborative cease to exist, all property, real and personal, at the time of termination shall be distributed by the governing board.

Currently, the Collaborative does not prepare complete financial statements; therefore, the Collaborative does not have audited financial statements. Financial information can be obtained by contacting the following: Houston County PH & HS, Accounting Unit, 304 South Marshall Street, Caledonia, Minnesota 55921

4. Subsequent Events

On January 14, 2020, Houston County issued $3,136,451 in General Obligation Refunding Bonds, Series 2020A to refund the County's General Obligation Jail Bonds, Series 2009C and Capital Improvement Plan Bonds, Series 2010A.

4. Subsequent Events (Continued)

On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) to be a pandemic. Economic activity decreased in 2020, including gasoline sales taxes collected by the State of Minnesota used for funding County State Aid Highways (CSAH) revenue recorded in the County's Road and Bridge Special Revenue Fund. As a result, a decrease of approximately 15 percent of CSAH revenue is expected to be received for calendar year 2021.

The County received $2.26 million in funding under the federal Coronavirus Aid, Relief, and Economic Security (CARES) Act in July 2020. The CARES Act requires the County use the funding to cover eligible expenses incurred due to the COVID-19 public health emergency.

REQUIRED SUPPLEMENTARY INFORMATION

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HOUSTON COUNTY
CALEDONIA, MINNESOTA

EXHIBIT A-1

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
DECEMBER 31, 2019

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget
Revenues				
Taxes	$ 7,051,867	$ 6,975,561	$ 6,913,257	$ (62,304)
Licenses and permits	74,950	73,375	64,680	(8,695)
Intergovernmental	2,346,800	2,430,140	2,412,475	(17,665)
Charges for services	1,248,600	1,329,423	1,378,691	49,268
Fines and forfeits	7,700	7,200	5,514	(1,686)
Gifts and contributions	3,000	3,100	3,100	-
Investment earnings	173,500	230,950	453,231	222,281
Miscellaneous	222,293	213,391	129,289	(84,102)
Total Revenues	**$ 11,128,710**	**$ 11,263,140**	**$ 11,360,237**	**$ 97,097**
Expenditures				
Current				
General government				
Commissioners	$ 209,849	$ 202,640	$ 194,039	$ 8,601
Courts	142,800	142,800	126,056	16,744
Administrator	142,226	133,317	131,712	1,605
County auditor	129,434	129,434	126,051	3,383
Motor vehicle/license bureau	128,300	128,300	143,585	(15,285)
County treasurer	184,943	186,595	187,753	(1,158)
County assessor	429,269	408,849	405,787	3,062
Elections	11,350	11,350	32,055	(20,705)
Finance	190,535	189,535	167,936	21,599
Data processing	586,303	586,213	546,301	39,912
Fleet	-	-	70,199	(70,199)
Personnel	237,615	242,615	236,640	5,975
Attorney	612,042	605,486	603,623	1,863
Recorder	213,400	238,845	249,270	(10,425)
Surveyor	201,395	198,994	186,426	12,568
Planning and zoning	345,500	316,901	272,053	44,848
Buildings and plant	672,066	667,497	659,117	8,380
Veterans service	109,072	109,072	101,159	7,913
GIS	80,310	93,143	93,141	2
Other general government	366,745	365,945	288,214	77,731
Total general government	**$ 4,993,154**	**$ 4,957,531**	**$ 4,821,117**	**$ 136,414**

The notes to the required supplementary information are an integral part of this schedule.

HOUSTON COUNTY
CALEDONIA, MINNESOTA

EXHIBIT A-1
(Continued)

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
DECEMBER 31, 2019

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget
Expenditures				
Current (Continued)				
Public safety				
Sheriff	$ 1,990,815	$ 1,928,396	$ 1,996,884	$ (68,488)
Boat and water safety	19,081	19,081	12,116	6,965
Emergency services	45,372	45,422	37,936	7,486
Coroner	56,507	56,507	56,507	-
E-911 system	94,354	94,354	37,264	57,090
County jail	1,908,803	1,836,157	1,827,016	9,141
Community corrections	298,903	298,916	291,047	7,869
Total public safety	**$ 4,413,835**	**$ 4,278,833**	**$ 4,258,770**	**$ 20,063**
Sanitation				
Solid waste	$ 700,385	$ 706,376	$ 734,882	$ (28,506)
Recycling	258,909	258,222	221,393	36,829
Total sanitation	**$ 959,294**	**$ 964,598**	**$ 956,275**	**$ 8,323**
Health				
Transportation	$ 11,500	$ 11,500	$ 11,500	$ -
Health center (waivered services)	5,500	5,500	5,500	-
Total health	**$ 17,000**	**$ 17,000**	**$ 17,000**	**$ -**
Culture and recreation				
Historical society	$ 42,500	$ 42,500	$ 42,500	$ -
Parks	52,000	62,673	51,114	11,559
County/regional library	157,190	157,190	157,190	-
Other culture and recreation	100,000	119,979	152,769	(32,790)
Total culture and recreation	**$ 351,690**	**$ 382,342**	**$ 403,573**	**$ (21,231)**

The notes to the required supplementary information are an integral part of this schedule.

HOUSTON COUNTY
CALEDONIA, MINNESOTA

EXHIBIT A-1
(Continued)

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
DECEMBER 31, 2019

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget
Expenditures				
Current (Continued)				
Conservation of natural resources				
County extension	$ 183,792	$ 183,792	$ 183,802	$ (10)
Soil and water conservation	129,000	129,000	129,000	-
Agriculture society/County fair	24,000	24,000	24,000	-
Water planning	22,672	22,672	18,887	3,785
Total conservation of natural resources	$ 359,464	$ 359,464	$ 355,689	$ 3,775
Economic development				
Community development	$ 99,144	$ 82,858	$ 81,830	$ 1,028
Airport	309,362	309,362	191,921	117,441
Other economic development	9,352	9,352	9,351	1
Total economic development	$ 417,858	$ 401,572	$ 283,102	$ 118,470
Debt service				
Principal	$ -	$ -	$ 22,067	$ (22,067)
Interest	-	-	3,283	(3,283)
Total debt service	$ -	$ -	$ 25,350	$ (25,350)
Total Expenditures	$ 11,512,295	$ 11,361,340	$ 11,120,876	$ 240,464
Excess of Revenues Over (Under) Expenditures	$ (383,585)	$ (98,200)	$ 239,361	$ 337,561
Other Financing Sources (Uses)				
Proceeds from capital lease	$ -	$ -	$ 121,730	$ 121,730
Proceeds from sale of capital assets	-	-	68,723	68,723
Total Other Financing Sources (Uses)	$ -	$ -	$ 190,453	$ 190,453
Net Change in Fund Balance	$ (383,585)	$ (98,200)	$ 429,814	$ 528,014
Fund Balance – January 1, as restated (see Note 1.E.)	6,206,111	6,206,111	6,206,111	-
Fund Balance – December 31	$ 5,822,526	$ 6,107,911	$ 6,635,925	$ 528,014

The notes to the required supplementary information are an integral part of this schedule.

HOUSTON COUNTY
CALEDONIA, MINNESOTA

EXHIBIT A-2

BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
DECEMBER 31, 2019

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget
Revenues				
Taxes	$ 2,155,147	$ 2,155,147	$ 2,095,777	$ (59,370)
Licenses and permits	5,000	5,000	5,415	415
Intergovernmental	7,637,517	8,445,128	8,428,547	(16,581)
Charges for services	238,000	238,000	263,662	25,662
Investment earnings	26,900	26,900	38,434	11,534
Miscellaneous	9,962	9,962	9,001	(961)
Total Revenues	$ 10,072,526	$ 10,880,137	$ 10,840,836	$ (39,301)
Expenditures				
Current				
Transportation				
Administration	$ 298,785	$ 298,439	$ 297,735	$ 704
Maintenance	2,595,198	2,906,066	2,810,465	95,601
Construction	8,517,671	9,017,774	9,108,034	(90,260)
Equipment maintenance and shop	1,289,499	1,299,277	1,183,114	116,163
Total transportation	$ 12,701,153	$ 13,521,556	$ 13,399,348	$ 122,208
Intergovernmental				
Highways and streets	300,956	290,163	290,163	-
Total Expenditures	$ 13,002,109	$ 13,811,719	$ 13,689,511	$ 122,208
Excess of Revenues Over (Under) Expenditures	$ (2,929,583)	$ (2,931,582)	$ (2,848,675)	$ 82,907
Other Financing Sources (Uses)				
Transfers out	$ -	$ -	$ (200,000)	$ (200,000)
Proceeds from sale of capital assets	41,000	41,000	41,442	442
Total Other Financing Sources (Uses)	$ 41,000	$ 41,000	$ (158,558)	$ (199,558)
Net Change in Fund Balance	$ (2,888,583)	$ (2,890,582)	$ (3,007,233)	$ (116,651)
Fund Balance – January 1	9,973,172	9,973,172	9,973,172	-
Increase (decrease) in inventories	-	-	9,082	9,082
Fund Balance – December 31	$ 7,084,589	$ 7,082,590	$ 6,975,021	$ (107,569)

The notes to the required supplementary information are an integral part of this schedule.

HOUSTON COUNTY
CALEDONIA, MINNESOTA

EXHIBIT A-3

BUDGETARY COMPARISON SCHEDULE
HEALTH AND HUMAN SERVICES SPECIAL REVENUE FUND
DECEMBER 31, 2019

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 1,608,671	$ 1,608,671	$ 1,580,297	$ (28,374)
Intergovernmental	4,082,432	4,082,432	3,913,795	(168,637)
Charges for services	848,147	848,147	722,180	(125,967)
Investment earnings	10,000	10,000	15,993	5,993
Miscellaneous	136,700	136,700	284,047	147,347
Total Revenues	**$ 6,685,950**	**$ 6,685,950**	**$ 6,516,312**	**$ (169,638)**
Expenditures				
Current				
Human services				
Income maintenance	$ 1,931,596	$ 1,931,596	$ 2,028,394	$ (96,798)
Social services	3,529,109	3,529,109	3,622,256	(93,147)
Total human services	**$ 5,460,705**	**$ 5,460,705**	**$ 5,650,650**	**$ (189,945)**
Health				
Public health	1,290,292	1,290,292	1,125,647	164,645
Total Expenditures	**$ 6,750,997**	**$ 6,750,997**	**$ 6,776,297**	**$ (25,300)**
Net Change in Fund Balance	**$ (65,047)**	**$ (65,047)**	**$ (259,985)**	**$ (194,938)**
Fund Balance – January 1	**1,643,762**	**1,643,762**	**1,643,762**	**-**
Fund Balance – December 31	**$ 1,578,715**	**$ 1,578,715**	**$ 1,383,777**	**$ (194,938)**

The notes to the required supplementary information are an integral part of this schedule.

HOUSTON COUNTY
CALEDONIA, MINNESOTA

EXHIBIT A-4

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

	2019	2018
Total OPEB Liability		
Service cost	$ 33,983	$ 30,723
Interest	15,844	15,145
Differences between expected and actual experience	6,213	-
Changes of assumption or other inputs	(12,316)	-
Benefit payments	(32,103)	(23,849)
Net change in total OPEB liability	**$ 11,621**	**$ 22,019**
Total OPEB Liability – Beginning, as restated	**462,066**	**440,047**
Total OPEB Liability – Ending	**$ 473,687**	**$ 462,066**
Covered-employee payroll	$ 7,823,162	$ 8,044,084
Total OPEB liability (asset) as a percentage of covered-employee payroll	6.05%	5.74%

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

The notes to the required supplementary information are an integral part of this schedule.

HOUSTON COUNTY
CALEDONIA, MINNESOTA

EXHIBIT A-5

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

Measurement Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability Associated with Houston County (b)	Employer's Proportionate Share of the Net Pension Liability and the State's Related Share of the Net Pension Liability (Asset) (a + b)	Covered Payroll (c)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2019	0.0907 %	$ 5,014,600	$ 155,827	$ 5,170,427	$ 6,417,384	78.14 %	80.23 %
2018	0.0889	4,931,808	161,920	5,093,728	5,978,318	82.49	79.53
2017	0.0953	6,083,889	76,526	6,160,415	6,490,088	93.74	75.90
2016	0.1007	8,176,341	106,770	8,283,111	5,560,161	147.05	68.91
2015	0.0959	4,967,497	N/A	4,967,497	5,828,943	85.22	78.19

This schedule is intended to show information for ten years. Additional years will be displayed as they become available.
The measurement date for each year is June 30.
N/A – Not Applicable

The notes to the required supplementary information are an integral part of this schedule.

HOUSTON COUNTY
CALEDONIA, MINNESOTA

EXHIBIT A-6

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

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b - a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
2019	$ 494,277	$ 494,277	$ -	$ 6,590,363	7.50 %
2018	451,479	451,479	-	6,019,720	7.50
2017	475,785	475,785	-	6,343,799	7.50
2016	475,097	475,097	-	6,334,627	7.50
2015	420,031	420,031	-	5,600,413	7.50

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

The notes to the required supplementary information are an integral part of this schedule.

HOUSTON COUNTY
CALEDONIA, MINNESOTA

EXHIBIT A-7

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

Measurement Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	Covered Payroll (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2019	0.0987 %	$ 1,050,761	$ 1,041,876	100.85 %	89.26 %
2018	0.0960	1,018,998	1,007,966	101.09	88.84
2017	0.0970	1,309,615	1,026,852	127.54	85.43
2016	0.1040	4,173,700	968,970	430.74	63.88
2015	0.1000	1,136,234	920,237	123.47	86.61

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

The notes to the required supplementary information are an integral part of this schedule.

HOUSTON COUNTY
CALEDONIA, MINNESOTA

EXHIBIT A-8

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

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b - a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
2019	$ 181,624	$ 181,624	$ -	$ 1,071,529	16.95 %
2018	165,017	165,017	-	1,018,624	16.20
2017	161,164	161,164	-	994,840	16.20
2016	166,829	166,829	-	1,029,809	16.20
2015	152,447	152,447	-	941,029	16.20

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

The notes to the required supplementary information are an integral part of this schedule.

HOUSTON COUNTY
CALEDONIA, MINNESOTA

EXHIBIT A-9

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

Measurement Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	Covered Payroll (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2019	0.4590 %	$ 63,549	$ 979,064	6.49 %	98.17 %
2018	0.4800	79,686	989,429	8.05	97.64
2017	0.4900	1,396,505	1,111,491	125.64	67.89
2016	0.4500	1,643,914	821,174	200.19	58.16
2015	0.4300	66,478	776,864	8.56	96.95

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

The notes to the required supplementary information are an integral part of this schedule.

HOUSTON COUNTY
CALEDONIA, MINNESOTA

EXHIBIT A-10

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

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b - a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
2019	$ 89,606	$ 89,606	$ -	$ 1,024,075	8.75 %
2018	85,308	85,308	-	974,945	8.75
2017	86,822	86,822	-	992,251	8.75
2016	81,965	81,965	-	936,732	8.75
2015	69,914	69,914	-	799,026	8.75

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

The notes to the required supplementary information are an integral part of this schedule.

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

1. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds, except Capital Projects fund. All annual appropriations lapse at fiscal year-end.

On or before mid-June 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 Houston County Board of Commissioners 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 head 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, the Board made supplementary appropriations to the General Fund and Road and Bridge Special Revenue Fund.

2. Excess of Expenditures Over Budget

The Health and Human Services Special Revenue Fund expenditures of $6,776,297 exceeded the final budget of $6,750,997 by $25,300 due to the increased payout of estate recoveries.

3. Other Postemployment Benefits

In 2018, Houston County implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. See Note 2.F. in the notes to the financial statements for additional information regarding the County's other postemployment benefits.

HOUSTON COUNTY
CALEDONIA, MINNESOTA

4. Employer Contributions to Other Postemployment Benefits

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

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

- The health care trend rates were changed to better anticipate short term and long term medical increases.
- The mortality tables were updated from the RP-2014 Mortality Tables (blue collar for public safety, white collar for others) with MP-2016 Generational Improvement Scale to the RP-2014 Mortality Tables (blue collar for public safety, white collar for others) with MP-2018 Generational Improvement Scale.
- The retirement and withdrawal tables for public safety employees were updated.
- The discount rate was changed from 3.30% to 3.80%.

The following changes in actuarial methods and assumptions occurred in 2018:

- The actuarial cost method changed from the Projected Unit Credit to Entry Age, level percentage of pay.
- The discount rate used changed from 3.50 percent to 3.30 percent.

5. Defined Benefit Pension Plans – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

The following changes were reflected in the valuation performed on behalf of the Public Employees Retirement Association for the fiscal year June 30:

General Employees Retirement Plan

2019

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

5. Defined Benefit Pension Plans – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

General Employees Retirement Plan (Continued)

2018

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase rate was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter, to 1.25 percent per year.
- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Post-retirement benefit increases were changed from 1.00 percent per year with a provision to increase to 2.50 percent upon attainment of 90 percent funding to 50 percent of the Social Security cost of living adjustment, not less than 1.00 percent and not more than 1.50 percent, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to the Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

5. Defined Benefit Pension Plans – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

General Employees Retirement Plan (Continued)

2017

- The Combined Service Annuity (CSA) loads were changed from 0.80 percent for active members and 60 percent for vested and non-vested deferred members (30 percent for deferred Minneapolis Employees Retirement Fund members). The revised CSA loads are now 0.00 percent for active member liability, 15 percent for vested deferred member liability, and 3.00 percent for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year for all years to 1.00 percent per year through 2044 and 2.50 percent per year thereafter.
- Minneapolis Employees Retirement Fund plan provisions change the employer supplemental contribution to $21 million in calendar years 2017 and 2018 and returns to $31 million through calendar year 2031. The state's required contribution is $16 million in PERA's fiscal years 2018 and 2019 and returns to $6 million annually through calendar year 2031.

2016

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

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

Public Employees Police and Fire Plan

2019

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

2018

- The mortality projection scale was changed from MP-2016 to MP-2017.
- Post-retirement benefit increases changed to 1.00 percent for all years, with no trigger.
- An end date of July 1, 2048, was added to the existing $9.0 million state contribution. Additionally, annual state aid will equal $4.5 million in fiscal years 2019 and 2020, and $9.0 million thereafter, until the plan reaches 100 percent funding, or July 1, 2048, if earlier.
- Member contributions were changed effective January 1, 2019, and January 1, 2020, from 10.80 percent to 11.30 and 11.80 percent of pay, respectively. Employer contributions were changed effective January 1, 2019, and January 1, 2020, from 16.20 percent to 16.95 and 17.70 percent of pay, respectively. Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

HOUSTON COUNTY
CALEDONIA, MINNESOTA

5. Defined Benefit Pension Plans – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

Public Employees Police and Fire Plan (Continued)

2017

- The assumed salary increases were changed as recommended in the June 30, 2016, experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates.
- The assumed rates of retirement were changed, resulting in fewer retirements.
- The CSA load was 30 percent for vested and non-vested, deferred members. The CSA load has been changed to 33 percent for vested members and 2.00 percent for non-vested members.
- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality table assumed for healthy retirees.
- The assumed termination rates were decreased to 3.00 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- The assumed percentage of married female members was decreased from 65 percent to 60 percent.
- The assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.
- The assumed percentage of female members electing joint and survivor annuities was increased.

5. Defined Benefit Pension Plans – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

Public Employees Police and Fire Plan

2017 (Continued)

- The assumed post-retirement benefit increase rate was changed from 1.00 percent for all years to 1.00 percent per year through 2064 and 2.50 percent thereafter.

- The single discount rate was changed from 5.60 percent per annum to 7.50 percent per annum.

2016

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2037 and 2.50 percent per year thereafter, to 1.00 percent for all future years.

- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was changed from 7.90 percent to 5.60 percent.

- The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

Public Employees Local Government Correctional Service Retirement Plan

2019

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

2018

- The single discount rate was changed from 5.96 percent per annum to 7.50 percent per annum.

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

5. Defined Benefit Pension Plans – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

Public Employees Local Government Correctional Service Retirement Plan

2018 (Continued)

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

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.

- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.

- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.

- Post-retirement benefit increases were changed from 2.50 percent per year with a provision to reduce to 1.00 percent if the funding status declines to a certain level, to 100 percent of the Social Security cost of living adjustment, not less than 1.00 percent and not more than 2.50 percent, beginning January 1, 2019. If the funding status declines to 85 percent for two consecutive years, or 80 percent for one year, the maximum increase will be lowered to 1.50 percent.

- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017

- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016 and is applied to healthy and disabled members. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the RP-2014 disabled annuitant mortality table (with future mortality improvement according to Scale MP-2016).

5. Defined Benefit Pension Plans – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

Public Employees Local Government Correctional Service Retirement Plan

2017 (Continued)

- The CSA load was 30 percent for vested and non-vested, deferred members. The CSA load has been changed to 35 percent for vested members and 1.00 percent for non-vested members.

- The single discount rate was changed from 5.31 percent per annum to 5.96 percent per annum.

2016

- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was changed from 7.90 percent to 5.31 percent.

- The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

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SUPPLEMENTARY INFORMATION

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HOUSTON COUNTY
CALEDONIA, MINNESOTA

NONMAJOR GOVERNMENTAL FUND

The Debt Service Fund is used to account for all financial resources restricted for payment of principal, interest, and related costs of long-term bonded debt.

The Capital Projects Fund is used to account for financial resources committed for the land acquisition and Highway Department complex construction.

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HOUSTON COUNTY
CALEDONIA, MINNESOTA

EXHIBIT B-1

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2019

	Debt Service Fund	Capital Projects Fund	Total Nonmajor Governmental Funds (Exhibit 3)
Assets			
Cash and pooled investments	$ 1,548,734	$ 30,738	$ 1,579,472
Taxes receivable			
Delinquent	17,833	-	17,833
Total Assets	**$ 1,566,567**	**$ 30,738**	**$ 1,597,305**
Deferred Inflows of Resources and Fund Balances			
Deferred Inflows of Resources			
Unavailable revenue	$ 12,593	$ -	$ 12,593
Fund Balances			
Restricted for			
Debt service	$ 1,553,974	$ -	$ 1,553,974
Assigned			
Capital projects	-	30,738	30,738
Total Fund Balances	**$ 1,553,974**	**$ 30,738**	**$ 1,584,712**
Total Deferred Inflows of Resources and Fund Balances	**$ 1,566,567**	**$ 30,738**	**$ 1,597,305**

HOUSTON COUNTY
CALEDONIA, MINNESOTA

EXHIBIT B-2

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2019

	Debt Service Fund	Capital Projects Fund	Total Nonmajor Governmental Funds (Exhibit 5)
Revenues			
Taxes	$ 1,319,667	$ -	$ 1,319,667
Intergovernmental	55,912	-	55,912
Total Revenues	**$ 1,375,579**	**$ -**	**$ 1,375,579**
Expenditures			
Current			
General government	$ -	$ 4,681	$ 4,681
Capital outlay			
Highways and streets	-	164,581	164,581
Debt service			
Principal	870,000	-	870,000
Interest	410,691	-	410,691
Administrative - fiscal charges	4,700	-	4,700
Total Expenditures	**$ 1,285,391**	**$ 169,262**	**$ 1,454,653**
Excess of Revenues Over (Under) Expenditures	**$ 90,188**	**$ (169,262)**	**$ (79,074)**
Other Financing Sources (Uses)			
Transfer in	-	200,000	200,000
Net Change in Fund Balance	**$ 90,188**	**$ 30,738**	**$ 120,926**
Fund Balance - January 1	**1,463,786**	**-**	**1,463,786**
Fund Balance - December 31	**$ 1,553,974**	**$ 30,738**	**$ 1,584,712**

HOUSTON COUNTY
CALEDONIA, MINNESOTA

EXHIBIT B-3

BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
DECEMBER 31, 2019

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 1,329,852	$ 1,329,852	$ 1,319,667	$ (10,185)
Intergovernmental	53,902	53,902	55,912	2,010
Total Revenues	$ 1,383,754	$ 1,383,754	$ 1,375,579	$ (8,175)
Expenditures				
Debt service				
Principal	$ 966,000	$ 966,000	$ 870,000	$ 96,000
Interest	417,754	417,754	410,691	7,063
Administrative (fiscal) charges	-	-	4,700	(4,700)
Total Expenditures	$ 1,383,754	$ 1,383,754	$ 1,285,391	$ 98,363
Net Change in Fund Balance	$ -	$ -	$ 90,188	$ 90,188
Fund Balance – January 1	1,463,786	1,463,786	1,463,786	-
Fund Balance – December 31	$ 1,463,786	$ 1,463,786	$ 1,553,974	$ 90,188

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FIDUCIARY FUNDS

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HOUSTON COUNTY
CALEDONIA, MINNESOTA

AGENCY FUNDS

Agency funds are used to account for assets held by a governmental unit as an agent for individuals, private organizations, other governmental units, and other funds.

The Crooked Creek Watershed Fund accounts for reimbursements to the Watershed District for operations and the collection of assessments to pay the Watershed District's bonded debt and interest.

The Health Fund is used to account for employees' pre-tax health benefits.

The Revolving Fund accounts for the transfer of County collections to the state (mortgage registry tax, game and fish license sales, motor vehicle license sales, state deed tax sales, and state revenue taxes) and the apportionment of state-aid payments for police and fire departments to cities and towns.

The Soil and Water Conservation Fund accounts for the assets of the Root River Soil and Water Conservation District held by the County.

The School Districts Fund accounts for property taxes collected and remitted by the County to the various school districts in the County.

The Family Collaborative Fund accounts for monies received and expended by the Family Services Collaborative.

The Sheriff's Holding Accounts reflect funds on deposit for inmates of the Houston County Jail, bail money on deposit for out of county warrants and civil execution sales, as well as being a holding account for foreclosure sales and redemptions.

The Taxes and Penalties Fund accounts for the collection and distribution of miscellaneous agency property taxes (current and delinquent) and prepaid taxes.

The Towns and Cities Fund accounts for the taxes and other amounts received by the County for the various towns and cities.

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HOUSTON COUNTY
CALEDONIA, MINNESOTA

EXHIBIT C-1

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
DECEMBER 31, 2019

	Balance January 1	Additions	Deductions	Balance December 31
CROOKED CREEK WATERSHED				
Assets				
Cash and pooled investments	$ 1,191	$ 51,393	$ 51,844	$ 740
Liabilities				
Due to other governments	$ 1,191	$ 51,393	$ 51,844	$ 740
HEALTH				
Assets				
Cash and pooled investments	$ 29,199	$ 72,563	$ 61,521	$ 40,241
Liabilities				
Accounts payable	$ 29,199	$ 72,563	$ 61,521	$ 40,241
REVOLVING				
Assets				
Cash and pooled investments	$ 8,612	$ 4,322,551	$ 4,265,360	$ 65,803
Liabilities				
Due to other governments	$ 8,612	$ 4,322,551	$ 4,265,360	$ 65,803

HOUSTON COUNTY
CALEDONIA, MINNESOTA

EXHIBIT C-1
(Continued)

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
DECEMBER 31, 2019

	Balance January 1	Additions	Deductions	Balance December 31
SOIL AND WATER CONSERVATION				
Assets				
Cash and pooled investments	$ 1,035,632	$ 614,286	$ 661,886	$ 988,032
Liabilities				
Due to other governments	$ 1,035,632	$ 614,286	$ 661,886	$ 988,032
SCHOOL DISTRICTS				
Assets				
Cash and pooled investments	$ 147,513	$ 6,500,661	$ 6,512,662	$ 135,512
Liabilities				
Due to other governments	$ 147,513	$ 6,500,661	$ 6,512,662	$ 135,512
FAMILY COLLABORATIVE				
Assets				
Cash and pooled investments	$ 74,269	$ 88,783	$ 87,901	$ 75,151
Liabilities				
Due to other governments	$ 74,269	$ 88,783	$ 87,901	$ 75,151

HOUSTON COUNTY
CALEDONIA, MINNESOTA

EXHIBIT C-1
(Continued)

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
DECEMBER 31, 2019

	Balance January 1	Additions	Deductions	Balance December 31
SHERIFF'S HOLDING ACCOUNTS				
Assets				
Cash and pooled investments	$ -	$ 384,057	$ 370,647	$ 13,410
Liabilities				
Accounts payable	$ -	$ 384,057	$ 370,647	$ 13,410
TAXES AND PENALTIES				
Assets				
Cash and pooled investments	$ 126,056	$ 500,921	$ 526,764	$ 100,213
Liabilities				
Accounts payable	$ 126,056	$ 500,921	$ 526,764	$ 100,213
TOWNS AND CITIES				
Assets				
Cash and pooled investments	$ 156,691	$ 8,304,032	$ 8,302,306	$ 158,417
Liabilities				
Due to other governments	$ 156,691	$ 8,304,032	$ 8,302,306	$ 158,417

HOUSTON COUNTY
CALEDONIA, MINNESOTA

EXHIBIT C-1
(Continued)

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
DECEMBER 31, 2019

	Balance January 1	Additions	Deductions	Balance December 31
TOTAL ALL AGENCY FUNDS				
Assets				
Cash and pooled investments	$ 1,579,163	$ 20,839,247	$ 20,840,891	$ 1,577,519
Liabilities				
Accounts payable	$ 155,255	$ 957,541	$ 958,932	$ 153,864
Due to other governments	1,423,908	19,881,706	19,881,959	1,423,655
Total Liabilities	$ 1,579,163	$ 20,839,247	$ 20,840,891	$ 1,577,519

OTHER SCHEDULES

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HOUSTON COUNTY
CALEDONIA, MINNESOTA

EXHIBIT D-1

SCHEDULE OF INTERGOVERNMENTAL REVENUE
GOVERNMENTAL FUNDS
DECEMBER 31, 2019

Appropriations and Shared Revenue		
State		
Highway users tax	$	8,029,441
PERA contribution		24,994
PERA rate reimbursement		23,851
Disparity reduction aid		128,271
Police aid		118,311
County program aid		986,897
Aquatic invasive species aid		22,829
SCORE		68,727
Riparian protection aid		52,537
Market value credit – agricultural		346,590
Enhanced 911		92,829
Total appropriations and shared revenue	**$**	**9,895,277**
Reimbursement for Services		
State		
Minnesota Department of Human Services	**$**	**1,017,903**
Payments		
Local		
Arlin Falck Foundation	$	22,200
Southeast Service Cooperative		3,000
Payments in lieu of taxes		363,553
Total payments	**$**	**388,753**
Grants		
State		
Minnesota Department/Board of		
Public Safety	$	33,231
Health		181,791
Natural Resources		163,957
Human Services		775,091
Veterans Affairs		10,000
Corrections		56,185
Transportation		163,002
Water and Soil Resources		64,009
Pollution Control Agency		42,884
Peace Officer Standards and Training Board		11,930
Total state	**$**	**1,502,080**

HOUSTON COUNTY
CALEDONIA, MINNESOTA

EXHIBIT D-1
(Continued)

SCHEDULE OF INTERGOVERNMENTAL REVENUE
GOVERNMENTAL FUNDS
DECEMBER 31, 2019

Grants (Continued)		
Federal		
Department of		
Agriculture	$	248,042
Justice		1,095
Transportation		127,460
Education		1,835
Health and Human Services		1,620,416
Homeland Security		5,000
Environmental Protection Agency		2,868
Total federal	**$**	**2,006,716**
Total state and federal grants	**$**	**3,508,796**
Total Intergovernmental Revenue	**$**	**14,810,729**

HOUSTON COUNTY
CALEDONIA, MINNESOTA

EXHIBIT D-2

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2019

Federal Grantor / Pass-Through Agency / Program or Cluster Title	Federal CFDA Number	Pass-Through Grant Numbers	Expenditures
U.S. Department of Agriculture			
Passed Through Minnesota Department of Health			
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	32573	$ 92,708
Passed Through Minnesota Department of Human Services			
SNAP Cluster			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	192MN101S2514	160,533
Total U.S. Department of Agriculture			$ 253,241
U.S. Department of Justice			
Direct			
Bulletproof Vest Partnership Program	16.607		$ 1,095
U.S. Department of Transportation			
Passed Through Minnesota Department of Transportation			
Airport Improvement Program	20.106	3-27-0016-07-18	$ 135,420
Passed Through Minnesota Department of Public Safety			
Highway Safety Cluster			
State and Community Highway Safety	20.600	A-ENFRC19-2019-HOUSTONSO-042	3,451
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	A-ENFRC19-2019-HOUSTONSO-042	5,401
Highway Safety Cluster			
National Priority Safety Programs	20.616	A-ENFRC19-2019-HOUSTONSO-042	2,541
Total U.S. Department of Transportation			$ 146,813
U.S. Environmental Protection Agency			
Passed Through Southeast Minnesota Water Resources Board			
Nonpoint Source Implementation Grants	66.460	3000031078-153784	$ 2,868
U.S. Department of Education			
Passed Through Minnesota Department of Health			
Special Education – Grants for Infants and Families	84.181	75371	$ 2,208
U.S. Department of Health and Human Services			
Passed Through Minnesota Department of Health			
Public Health Emergency Preparedness	93.069	127924	$ 20,183
Immunization Cooperative Agreements	93.268	12-700-00072	12,750
PPHF Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by Prevention and Public Health Funds	93.539	105166	17,081
TANF Cluster			
Temporary Assistance for Needy Families	93.558	12-700-00072	24,605
(Total Temporary Assistance for Needy Families 93.558 $160,357)			
Medicaid Cluster			
Medical Assistance Program	93.778	105166	48,611
(Total Medical Assistance Program 93.778 $728,606)			
Maternal and Child Health Services Block Grant to the States	93.994	12-700-00072	20,798

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

HOUSTON COUNTY
CALEDONIA, MINNESOTA

EXHIBIT D-2
(Continued)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2019

Federal Grantor / Pass-Through Agency / Program or Cluster Title	Federal CFDA Number	Pass-Through Grant Numbers	Expenditures
U.S. Department of Health and Human Services (Continued)			
Passed Through Minnesota Department of Human Services			
Promoting Safe and Stable Families	93.556	G-1801MNFPSS	2,401
TANF Cluster			
Temporary Assistance for Needy Families	93.558	1901MNTANF	134,402
(Total Temporary Assistance for Needy Families 93.558 $160,357)			
Child Support Enforcement	93.563	1901MNCEST	253,463
Child Support Enforcement	93.563	1901MNCSES	74,379
(Total Child Support Enforcement 93.563 $327,842)			
Refugee and Entrant Assistance - State Administered Programs	93.566	1901MNRCMA	197
CCDF Cluster			
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	G1901MNCCDF	4,960
Community-Based Child Abuse Prevention Grants	93.590	G-1801MNBCAP	2,424
Stephanie Tubbs Jones Child Welfare Services Program	93.645	G-1801MNCWSS	1,961
Foster Care – Title IV-E	93.658	1901MNFOST	303,472
Social Services Block Grant	93.667	G-1901MNSOSR	91,481
John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674	G-1901MNCILP	5,798
Children's Health Insurance Program	93.767	1905MN5021	146
Medicaid Cluster			
Medical Assistance Program	93.778	1905MN5ADM	674,844
Medical Assistance Program	93.778	1905MN5MAP	5,151
(Total Medical Assistance Program 93.778 $728,606)			
Total U.S. Department of Health and Human Services			$ 1,699,107
U.S. Department of Homeland Security			
Passed Through Minnesota Department of Natural Resources			
Boating Safety Financial Assistance	97.012	HOUSTON FBP-102119	$ 5,000
Total Federal Awards			$ 2,110,332

The County did not pass through any federal awards to subrecipients during the year ended December 31, 2019.

Totals by Cluster

Total expenditures for SNAP Cluster	$ 160,533
Total expenditures for Highway Safety Cluster	5,992
Total expenditures for TANF Cluster	159,007
Total expenditures for CCDF Cluster	4,960
Total expenditures for Medicaid Cluster	728,606

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

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

1. Summary of Significant Accounting Policies

A. Reporting Entity

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

B. Basis of Presentation

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

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

2. De Minimis Cost Rate

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

3. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue (Exhibit D-1)	$ 2,006,716
Unavailable in 2018, recognized as revenue in 2019	
Airport Improvement Program	(25,681)
Promoting Safe and Stable Families	(1,005)
Temporary Assistance for Needy Families	(21,165)
Stephanie Tubbs Jones Child Welfare Services Program	(739)
Community-Based Child Abuse Prevention Grants	(654)
Chafee Foster Care Independence Program	(1,274)
Grants received more than 60 days after year-end, unavailable in 2019	
Children's Health Insurance Program	27
Airport Improvement Program	43,590
Special Supplemental Nutrition Program for Women, Infants, and Children	5,199
Special Education – Grants for Infants and Families	373
Temporary Assistance for Needy Families	30,568
Public Health Emergency Preparedness	5,534
Promoting Safe and Stable Families	40
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	317
State and Community Highway Safety	1,444
Stephanie Tubbs Jones Child Welfare Services Program	121
Foster Care Title IV-E	61,335
John H. Chafee Foster Care Program for Successful Transition to Adulthood	3,876
Maternal and Child Health Services Block Grant to the States	1,710
Expenditures per Schedule of Expenditures of Federal Awards (Exhibit D-2)	$ 2,110,332

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STATE OF MINNESOTA
OFFICE OF THE STATE AUDITOR

JULIE BLAHA
STATE AUDITOR

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Independent Auditor's Report

Board of County Commissioners
Houston County
Caledonia, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Houston County, Minnesota, 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 September 3, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Houston County's internal control over financial reporting 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

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

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2019-002 to be a material weakness and item 2019-001 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Houston 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*.

Minnesota Legal Compliance

In connection with our audit, nothing came to our attention that caused us to believe that Houston County failed to comply with the provisions of the contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, and miscellaneous provisions sections of the *Minnesota Legal Compliance Audit Guide for Counties*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters, except as described in the Schedule of Findings and Questioned Costs as items 2019-003 and 2019-004. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the County's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

Houston County's Response to Findings

Houston County's responses to the internal control and legal compliance findings identified in our audit are described in the Corrective Action Plan. 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 them.

Purpose of This Report

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

/s/Julie Blaha

JULIE BLAHA
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

September 3, 2020

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JULIE BLAHA
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REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Independent Auditor's Report

Board of County Commissioners
Houston County
Caledonia, Minnesota

Report on Compliance for the Major Federal Program

We have audited Houston County's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on the County's major federal program for the year ended December 31, 2019. Houston County's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility
Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility
Our responsibility is to express an opinion on compliance for Houston County's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Houston County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the County's compliance.

Opinion on the Major Federal Program
In our opinion, Houston County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2019.

Report on Internal Control Over Compliance

Management of Houston County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

/s/Julie Blaha *SS/Greg Hierlinger*

JULIE BLAHA
STATE AUDITOR

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

September 3, 2020

HOUSTON COUNTY
CALEDONIA, MINNESOTA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2019

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: **Unmodified**

Internal control over financial reporting:
- Material weaknesses identified? **Yes**
- Significant deficiencies identified? **Yes**

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

Federal Awards

Internal control over the major program:
- Material weaknesses identified? **No**
- Significant deficiencies identified? **No**

Type of auditor's report issued on compliance for the major federal program: **Unmodified**

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? **No**

The major federal program is:

Medicaid Cluster
Medical Assistance Program CFDA No. 93.778

The threshold for distinguishing between Types A and B programs was $750,000.

Houston County qualified as a low-risk auditee? **Yes**

II. FINDINGS RELATED TO FINANCIAL STATEMENTS AUDITED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Finding Number: 2019-001

Prior Year Finding Number: 2018-001

Repeat Finding Since: 2018

Segregation of Duties/Vendor Setup

Criteria: Internal controls should be designed to provide for an adequate segregation of duties so that no one individual has the ability to both process disbursements and set up new vendors. Procedures should include someone independent of the vendor payment process to review, verify, and approve new vendors on a timely basis.

Condition: Personnel responsible for adding a new vendor or changing an existing vendor file to the accounting system are also responsible for processing payments to vendors. Procedures were previously established to have personnel independent of the vendor maintenance process review a listing of new or changes to vendors quarterly. At the time of review, the previously established procedures disclosed this independent review was not performed for 2019.

Context: Segregation of duties between processing vendor payments and establishing a new vendor or making changes to an existing vendor on the accounting system is limited due to the number of office personnel within the County. Departments are provided general ledger reports for review on a monthly basis.

Effect: Inadequate segregation of duties could adversely affect the County's ability to prevent, or detect and correct, misstatements in a timely manner.

Cause: Due to abrupt personnel changes, the vendor review was not performed.

Recommendation: We recommend the County re-evaluate the current procedures established for review of new or changes to vendors to determine if there should be any changes in the procedures currently performed. If current procedures are determined to be adequate, the procedures should be performed in a timely manner.

HOUSTON COUNTY
CALEDONIA, MINNESOTA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2019

View of Responsible Official: Concur

Finding Number: 2019-002

Prior Year Finding Number: N/A

Repeat Finding Since: N/A

Audit Adjustment

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

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

Context: The County provides trial balances which convert the cash basis general ledger to the modified accrual basis necessary for preparing fund level and government-wide financial statements. The inability to detect significant misstatements in the financial statements increases the likelihood the financial statements would not be fairly presented. The adjustment was found in the audit; however, independent external auditors cannot be considered part of the County's internal control.

Effect: The following audit adjustment was reviewed and approved by the appropriate County staff and is reflected in the financial statements: in the Road and Bridge Special Revenue Fund, due from other governments and deferred inflows of resources–unavailable revenue was decreased by $702,467 due to error in recording of a receivable.

Cause: Error occurred during the financial statement process that was not discovered during review.

Recommendation: We recommend County staff review the County's financial statement closing procedures, trial balances, and journal entries in detail to ensure the County's financial statements are presented in accordance with accounting principles generally accepted in the United States of America.

View of Responsible Official: Concur

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

None.

IV. OTHER FINDINGS AND RECOMMENDATIONS

MINNESOTA LEGAL COMPLIANCE

Finding Number: 2019-003

Prior Year Finding Number: 2018-004

Repeat Finding Since: 2018

Publication Requirements

Criteria: Minnesota statutes contain requirements for publishing County Board budgets, financial statements, and claims paid.

Condition: The County was not in compliance with the following State of Minnesota legal requirements:

- Pursuant to Minn. Stat. § 375.169, a summary budget statement is to be published annually upon the adoption of the County budget in a form prescribed by the State Auditor in the County's official newspaper or qualified newspaper of general circulation. The County's 2019 budget was not published in the County's official newspaper or qualified newspaper of general circulation.

HOUSTON COUNTY
CALEDONIA, MINNESOTA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2019

- Pursuant to Minn. Stat. § 375.17, the County is to annually publish its financial statements. The County did not publish the financial statements or a summary of the statements in a qualified form prescribed by the Office of the State Auditor for 2019.

- Pursuant to Minn. Stat. § 375.12, County Board minutes must be published within 30 days of the meeting and include an individualized, itemized list of County Board-approved payments over $2,000. For claims $2,000 or less, the total number of claims and total amount shall be stated. The County can publish summaries of the minutes, meeting the requirement of Minn. Stat. § 331A.01. However, the County must still publish claims as required by Minn. Stat. § 375.12. Houston County does not publish an itemized list of County Board-approved payments over $2,000 with the total number of claims and total amount for payments under $2,000, as provided by Minn. Stat. § 375.12.

Context: The County includes the financial statements and preliminary budget information on the County website. Claims are published in total by fund with the Board minute publication.

Effect: The County is not in compliance with Minn. Stat. §§§ 375.169, 375.17, and 375.12.

Cause: The County Board does not wish to incur the additional cost of publication and continues to make the information physically available at the County Government Center for public inspection.

Recommendation: We recommend the County publish a summary budget statement and financial statements annually in the County's official newspaper, in accordance with Minn. Stat. §§ 375.169 and 375.17. We also recommend the County comply with Minn. Stat. § 375.12 and publish an itemized list of County Board-approved payments over $2,000 with the total number of claims and total amount for payments under $2,000.

View of Responsible Official: Acknowledged

Finding Number: 2019-004

Prior Year Finding Number: N/A

Repeat Finding Since: N/A

HOUSTON COUNTY
CALEDONIA, MINNESOTA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2019

Collateral Assignments

Criteria: Minnesota Statutes, section 118A.03, subdivision 4, states that, "[a]ny collateral pledged shall be accompanied by a written assignment to the government entity from the financial institution. The written assignment shall recite that, upon default, the financial institution shall release to the government entity on demand, free of exchange or any other charges, the collateral pledged." Finally, to be enforceable under federal law (12 U.S.C. § 1823(e)), this written assignment must be approved by the depository's board of directors or loan committee and must be an official record of the depository.

Condition: Two of the County's depositories have not provided written assignment for the collateral pledged to secure the County deposits.

Context: To secure deposits in excess of the available federal deposit insurance, the depository has pledged securities from their investment portfolio as collateral. Absent from the pledging documents, however, is a written assignment of the collateral to the County.

Effect: Without an approved written assignment of the pledged collateral, the County does not have a perfected security interest in the pledged collateral. Deposits held in excess of federal deposit insurance are at risk of loss should a depository fail.

Cause: The County Treasurer asserted a copy of the agreements were not maintained and the depository banks did not have current assignments.

Recommendation: We recommend the County require that its depositories provide written assignments for all collateral pledged. The assignments should include the statutory language required by Minn. Stat. § 118A.03, subd. 4, and should be approved by each bank's board of directors or loan committee, with the County receiving documentation of that approval.

View of Responsible Official: Concur

V. PREVIOUSLY REPORTED ITEMS RESOLVED

2008-002 Segregation of Duties – County Departments
2018-002 Suspension and Debarment Uniform Guidance Policies and Procedures

HOUSTON COUNTY
Historic Courthouse
304 South Marshall Street
Caledonia, Minnesota 55921

REPRESENTATION OF HOUSTON COUNTY
CALEDONIA, MINNESOTA

CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED DECEMBER 31, 2019

Finding Number: 2019-001
Finding Title: Segregation of Duties/Vendor Setup

Name of Contact Person Responsible for Corrective Action:

Carol Lapham, Finance Director

Corrective Action Planned:

The Auditor-Treasurer will begin the review that in the past was performed by the former auditor.

Anticipated Completion Date:

12/31/2020

Finding Number: 2019-002
Finding Title: Audit Adjustment

Name of Contact Person Responsible for Corrective Action:

Carol Lapham, Finance Director

Corrective Action Planned:

Documentation supporting the cash basis to modified accrual basis will be reviewed to ensure that entries are appropriate.

Anticipated Completion Date:

12/31/2020

Finding Number: 2019-003
Finding Title: Publication Requirements

Name of Contact Person Responsible for Corrective Action:

Carol Lapham, Finance Director

Corrective Action Planned:

Houston County will meet all publication requirements as per MN Statutes.

Anticipated Completion Date:

12/31/2020

Finding Number: 2019-004
Finding Title: Collateral Assignments

Name of Contact Person Responsible for Corrective Action:

Donna Trehus, Auditor/Treasurer

Corrective Action Planned:

Houston County will require written collateral assignments that comply with MN Statute 118A.03, subdivision 4 and 12 U.S.C. 1823(e).

Anticipated Completion Date:

12/31/2020

HOUSTON COUNTY
Historic Courthouse
304 South Marshall Street
Caledonia, Minnesota 55921

REPRESENTATION OF HOUSTON COUNTY
CALEDONIA, MINNESOTA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2019

Finding Number: 2008-002
Finding Title: Segregation of Duties - County Departments

Summary of Condition: Several of the County's departments which collect fees lack proper segregation of duties. These departments generally have one staff person who is responsible for billing, collecting, recording, and depositing receipts, as well as reconciling bank accounts. Specifically, this issue was noted in review of the Environmental Services Department and the Recorder's Office.

Summary of Corrective Action Previously Reported: Staffing levels in cash collecting departments have not changed and the County Board is aware of this and is evaluating possible restructuring or cross departmental collaborations that will allow segregation of duties. Cash audits of departments will also be researched as a possible oversight tool.

Status: Corrected. Corrective action was taken.

Was corrective action taken significantly different than the action previously reported?
Yes ______ No __X__

Finding Number: 2018-001
Finding Title: Segregation of Duties/Vendor Setup

Summary of Condition: Personnel responsible for adding a new vendor or changing an existing vendor file to the accounting system are also responsible for processing payments to vendors. Procedures were previously established to have personnel independent of the vendor maintenance process review a listing of new or changes to vendors quarterly. The previously established procedures disclosed this independent review was not performed for 2018.

Summary of Corrective Action Previously Reported: The Auditor-Treasurer will begin the review that in the past was performed by the former auditor.

Status: Not Corrected. Every effort will be made to have the review performed.

Was corrective action taken significantly different than the action previously reported?
Yes ______ No __X__

Finding Number: 2018-002
Finding Title: Suspension, and Debarment Policies and Procedures
Program: Medical Assistance (CFDA No. 93.778)

Summary of Condition: The County's written policies and procedures do not include a reference to suspension and debarment, its requirements, and what the County deems to be sufficient documentation that should be maintained to support compliance with the requirements.

Summary of Corrective Action Previously Reported: Houston County will update the Federal Procurement policy as referenced in the Schedule of Findings. The procurement policy update has been discussed as part of the Finance Committee.

Status: Corrected. Corrective action was taken.

Was corrective action taken significantly different than the action previously reported?
Yes ______ No __X__

Finding Number: 2018-003
Finding Title: Procurement
Program: Medical Assistance (CFDA No. 93.778)

Summary of Condition: Two of the three procurement transactions over $3,000 tested for compliance with federal regulations did not have adequate documentation of the history of procurement. These procurements also did not provide documentation for full and open competition as there was no support for solicitation of proposals or noncompetitive proposals, quotes, or bids.

Summary of Corrective Action Previously Reported: The County will review and comply with federal regulations regarding procurement and maintain appropriate documentation. The County's procurement policy will be updated to reflect the new requirements and appropriate procedures and processes to ensure compliance with Federal Regulations.

Status: Not Corrected. County staff will be instructed and reminded of the necessary procedures and documentation required for procurement.

Was corrective action taken significantly different than the action previously reported?
Yes ______ No __X__

Finding Number: 2018-004
Finding Title: Publication Requirements

Summary of Condition: The County was not in compliance with the following publication statutes: Minn. Stat. § 375.169, Minn. Stat. § 375.17, and Minn. Stat. § 375.12.

Summary of Corrective Action Previously Reported: Houston County will meet all publication requirements as per MN Statutes.

Status: Not Corrected. The County will comply with publication statutes and will also verify posting to the County website.

Was corrective action taken significantly different than the action previously reported?
Yes ______ No __X__

APPENDIX B

FORM OF LEGAL OPINION

(See following pages)

Houston County
Caledonia, Minnesota

[Purchaser]
[City, State]

Re: $[PAR] General Obligation State Aid Bonds, Series 2021A
Houston County, Minnesota

Ladies and Gentlemen:

As Bond Counsel in connection with the authorization, issuance and sale by Houston County, Minnesota (the "County"), of the obligations described above, dated, as originally issued, as of February [__], 2021 (the "Bonds"), we have examined certified copies of certain proceedings taken, and certain affidavits and certificates furnished, by the County in the authorization, sale and issuance of the Bonds, including the form of the Bonds. As to questions of fact material to our opinion, we have assumed the authenticity of and relied upon the proceedings, affidavits and certificates furnished to us without undertaking to verify the same by independent investigation. From our examination of such proceedings, affidavits and certificates and on the basis of existing law, it is our opinion that:

1. The Bonds are valid and binding general obligations of the County, enforceable in accordance with their terms.

2. The principal of and interest on the Bonds are payable primarily from allotments to be received by the County from its account in the County State Aid Highway Fund of the State of Minnesota, which have been pledged to the payment of the Bonds, but if necessary for payment thereof, ad valorem taxes are required by law to be levied on all taxable property within the corporate limits of the County without limitation as to rate or amount.

3. Interest on the Bonds (a) is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and (b) is not an item of tax preference for purposes of the federal alternative minimum tax imposed by Section 55 of the Code.

4. Interest on the Bonds (a) is excluded from taxable net income of individuals, estates, and trusts for Minnesota income tax purposes and (b) is not an item of tax preference for purposes of the Minnesota alternative minimum tax imposed on individuals, estates, and trusts.

5. The Bonds are "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code.

The opinions expressed in paragraphs 1 and 2 above are subject, as to enforceability, to the effect of any state or federal laws relating to bankruptcy, insolvency, reorganization, moratorium or creditors' rights and the application of equitable principles, whether considered at law or in equity.

The opinions expressed in paragraphs 3, 4, and 5 above are subject to the compliance by the County with certain requirements of the Code that must be satisfied subsequent to the issuance of the Bonds. Noncompliance with these requirements could result in the inclusion of interest on the Bonds in gross income for federal income tax purposes and taxable net income of individuals, estates, and trusts for Minnesota income tax purposes or the Bonds failing to be qualified tax-exempt obligations, retroactive to the date of issuance of the Bonds.

Except as stated herein, we express no opinion regarding federal, state, or other tax consequences to the owner of the Bonds. We note, however, that notwithstanding the opinion expressed in paragraph 4 above, interest on the Bonds is included in net income of corporations and financial institutions for purposes of the Minnesota franchise tax.

In providing this opinion, we have relied upon representations of the County and its officers as to (i) the intended application of the proceeds of the Bonds, (ii) the nature, use, cost, and economic life of the facilities financed by the Bonds, and (iii) other matters relating to the exemption of the interest on the Bonds from federal income taxation.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may occur after the date hereof and which may be retroactive

Dated this [__] day of February, 2021.

Very truly yours,

APPENDIX C

BOOK-ENTRY-ONLY SYSTEM

1. The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the securities (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for [each issue of] the Securities, [each] in the aggregate principal amount of such issue, and will be deposited with DTC. [If, however, the aggregate principal amount of [any] issue exceeds $500 million, one certificate will be issued with respect to each $500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.]

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. [Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.]

6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to County as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the County or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the County or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to [Tender/Remarketing] Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to [Tender/Remarketing] Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to [Tender/Remarketing] Agent's DTC account.

10. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to the County or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

11. The County may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

12. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the County believes to be reliable, but the County takes no responsibility for the accuracy thereof.

APPENDIX D

FORM OF CONTINUING DISCLOSURE COVENANTS
(EXCERPTS FROM SALE RESOLUTION)

(See following pages)

FORM OF CONTINUING DISCLOSURE

Continuing Disclosure. (a) Purpose and Beneficiaries. To provide for the public availability of certain information relating to the Bonds and the security therefor and to permit the Purchaser and other participating underwriters in the primary offering of the Bonds to comply with amendments to Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934 (17 C.F.R. § 240.15c2-12), relating to continuing disclosure (as in effect and interpreted from time to time, the Rule), which will enhance the marketability of the Bonds, the County hereby makes the following covenants and agreements for the benefit of the Owners (as hereinafter defined) from time to time of the Outstanding Bonds. The County is the only obligated person in respect of the Bonds within the meaning of the Rule for purposes of identifying the entities in respect of which continuing disclosure must be made. If the County fails to comply with any provisions of this section, any person aggrieved thereby, including the Owners of any Outstanding Bonds, may take whatever action at law or in equity may appear necessary or appropriate to enforce performance and observance of any agreement or covenant contained in this section, including an action for a writ of mandamus or specific performance. Direct, indirect, consequential and punitive damages shall not be recoverable for any default hereunder to the extent permitted by law. Notwithstanding anything to the contrary contained herein, in no event shall a default under this section constitute a default under the Bonds or under any other provision of this resolution. As used in this section, Owner or Bondowner means, in respect of a Bond, the registered owner or owners thereof appearing in the bond register maintained by the Registrar or any Beneficial Owner (as hereinafter defined) thereof, if such Beneficial Owner provides to the Registrar evidence of such beneficial ownership in form and substance reasonably satisfactory to the Registrar. As used herein, Beneficial Owner means, in respect of a Bond, any person or entity which (i) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, such Bond (including persons or entities holding Bonds through nominees, depositories or other intermediaries), or (ii) is treated as the owner of the Bond for federal income tax purposes.

(b) Information To Be Disclosed. The County will provide, in the manner set forth in subsection (c) hereof, either directly or indirectly through an agent designated by the County, the following information at the following times:

(1) on or before twelve (12) months after the end of each fiscal year of the County, commencing with the fiscal year ending December 31, 2020, the following financial information and operating data in respect of the County (the Disclosure Information):

(A) the audited financial statements of the County for such fiscal year, prepared in accordance with generally accepted accounting principles in accordance with the governmental accounting standards promulgated by the Governmental Accounting Standards Board or as otherwise provided under Minnesota law, as in effect from time to time, or, if and to the extent such financial statements have not been prepared in accordance with such generally accepted accounting principles for reasons beyond the reasonable control of the County, noting the discrepancies therefrom and the effect thereof, and certified as to accuracy and completeness in all material respects by the fiscal officer of the County; and

(B) to the extent not included in the financial statements referred to in paragraph (A) hereof, the information for such fiscal year or for the period most recently available of the type contained in the Official Statement under headings: "VALUATIONS – Current Property Valuations," "DEBT – Direct Debt," "TAX RATES, LEVIES AND COLLECTIONS – Tax Levies and Collections" and "GENERAL INFORMATION – US Census Data – Population Trend" and "– Employment/Unemployment Data," which information may be unaudited.

Notwithstanding the foregoing paragraph, if the audited financial statements are not available by the date specified, the County shall provide on or before such date unaudited financial statements in the format required for the audited financial statements as part of the Disclosure Information and, within 10 days after the receipt thereof, the County shall provide the audited financial statements. Any or all of the Disclosure Information may be incorporated by reference, if it is updated as required hereby, from other documents, including official statements, which have been submitted to the Municipal Securities Rulemaking Board (MSRB) through its Electronic Municipal Market Access System (EMMA) or to the SEC. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The County shall clearly identify in the Disclosure Information each document so incorporated by reference. If any part of the Disclosure Information can no longer be generated because the operations of the County have materially changed or been discontinued, such Disclosure Information need no longer be provided if the County includes in the Disclosure Information a statement to such effect; provided, however, if such operations have been replaced by other County operations in respect of which data is not included in the Disclosure Information and the County determines that certain specified data regarding such replacement operations would be a Material Fact (as defined in paragraph (2) hereof), then, from and after such determination, the Disclosure Information shall include such additional specified data regarding the replacement operations. If the Disclosure Information is changed or this section is amended as permitted by this paragraph (b)(1) or subsection (d), then the County shall include in the next Disclosure Information to be delivered hereunder, to the extent necessary, an explanation of the reasons for the amendment and the effect of any change in the type of financial information or operating data provided.

(2) In a timely manner not in excess of ten business days after the occurrence of the event, notice of the occurrence of any of the following events (each a Material Fact):

(A) Principal and interest payment delinquencies;
(B) Non-payment related defaults, if material;
(C) Unscheduled draws on debt service reserves reflecting financial difficulties;
(D) Unscheduled draws on credit enhancements reflecting financial difficulties;
(E) Substitution of credit or liquidity providers, or their failure to perform;
(F) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;
(G) Modifications to rights of security holders, if material;
(H) Bond calls, if material, and tender offers;
(I) Defeasances;
(J) Release, substitution, or sale of property securing repayment of the securities, if material;
(K) Rating changes;
(L) Bankruptcy, insolvency, receivership or similar event of the obligated person;

(M) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

(N) Appointment of a successor or additional trustee or the change of name of a trustee, if material;

(O) Incurrence of a financial obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material; and

(P) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the obligated person, any of which reflect financial difficulties.

For purposes of the events identified in paragraphs (O) and (P) above, the term "financial obligation" means (i) a debt obligation; (ii) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) a guarantee of (i) or (ii). The term "financial obligation" shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

As used herein, for those events that must be reported if material, an event is "material" if it is an event as to which a substantial likelihood exists that a reasonably prudent investor would attach importance thereto in deciding to buy, hold or sell a Bond or, if not disclosed, would significantly alter the total information otherwise available to an investor from the Official Statement, information disclosed hereunder or information generally available to the public. Notwithstanding the foregoing sentence, an event is also "material" if it is an event that would be deemed material for purposes of the purchase, holding or sale of a Bond within the meaning of applicable federal securities laws, as interpreted at the time of discovery of the occurrence of the event.

For the purposes of the event identified in (L) hereinabove, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(3) In a timely manner, notice of the occurrence of any of the following events or conditions:

(A) the failure of the County to provide the Disclosure Information required under paragraph (b)(1) at the time specified thereunder;

(B) the amendment or supplementing of this section pursuant to subsection (d), together with a copy of such amendment or supplement and any explanation provided by the County under subsection (d)(2);

(C) the termination of the obligations of the County under this section pursuant to subsection (d);

(D) any change in the accounting principles pursuant to which the financial statements constituting a portion of the Disclosure Information are prepared; and

(E) any change in the fiscal year of the County.

(c) Manner of Disclosure.

(1) The County agrees to make available to the MSRB through EMMA, in an electronic format as prescribed by the MSRB, the information described in subsection (b).

(2) All documents provided to the MSRB pursuant to this subsection (c) shall be accompanied by identifying information as prescribed by the MSRB from time to time.

(d) Term; Amendments; Interpretation.

(1) The covenants of the County in this section shall remain in effect so long as any Bonds are Outstanding. Notwithstanding the preceding sentence, however, the obligations of the County under this section shall terminate and be without further effect as of any date on which the County delivers to the Registrar an opinion of Bond Counsel to the effect that, because of legislative action or final judicial or administrative actions or proceedings, the failure of the County to comply with the requirements of this section will not cause participating underwriters in the primary offering of the Bonds to be in violation of the Rule or other applicable requirements of the Securities Exchange Act of 1934, as amended, or any statutes or laws successory thereto or amendatory thereof.

(2) This section (and the form and requirements of the Disclosure Information) may be amended or supplemented by the County from time to time, without notice to (except as provided in paragraph (c)(3) hereof) or the consent of the Owners of any Bonds, by a resolution of this Board filed in the office of the recording officer of the County accompanied by an opinion of Bond Counsel, who may rely on certificates of the County and others and the opinion may be subject to customary qualifications, to the effect that: (i) such amendment or supplement (a) is made in connection with a change in circumstances that arises from a change in law or regulation or a change in the identity, nature or status of the County or the type of operations conducted by the County, or (b) is required by, or better complies with, the provisions of paragraph (b)(5) of the Rule; (ii) this section as so amended or supplemented would have complied with the requirements of paragraph (b)(5) of the Rule at the time of the primary offering of the Bonds, giving effect to any change in circumstances applicable under clause (i)(a) and assuming that the Rule as in effect and interpreted at the time of the amendment or supplement was in effect at the time of the primary offering; and (iii) such amendment or supplement does not materially impair the interests of the Bondowners under the Rule.

If the Disclosure Information is so amended, the County agrees to provide, contemporaneously with the effectiveness of such amendment, an explanation of the reasons for the amendment and the effect, if any, of the change in the type of financial information or operating data being provided hereunder.

(3) This section is entered into to comply with the continuing disclosure provisions of the Rule and should be construed so as to satisfy the requirements of paragraph (b)(5) of the Rule.

APPENDIX E

TERMS OF PROPOSAL

$3,090,000* GENERAL OBLIGATION STATE AID BONDS, SERIES 2021A
HOUSTON COUNTY, MINNESOTA

Proposals for the purchase of $3,090,000* General Obligation State Aid Bonds, Series 2021A (the "Bonds") of Houston County, Minnesota (the "County") will be received at the offices of Ehlers and Associates, Inc. ("Ehlers"), 3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105, municipal advisors to the County, until 12:00 P.M. (Noon), Central Time, and **ELECTRONIC PROPOSALS** will be received via **PARITY**, in the manner described below, until 12:00 P.M. (Noon) Central Time, on January 25, 2021, at which time they will be opened, read and tabulated. The proposals will be presented to the Board of Commissioners for consideration for award by resolution at a meeting to be held at 9:00 A.M., Central Time, on January 26, 2021. The proposal offering to purchase the Bonds upon the terms specified herein and most favorable to the County will be accepted unless all proposals are rejected.

PURPOSE

The Bonds are being issued pursuant to Minnesota Statutes, Section 162.181 and Chapter 475, by the County, to finance the construction of county highway improvements. The Bonds will be general obligations of the County for which the County will pledge its full faith, credit and taxing powers.

DATES AND MATURITIES

The Bonds will be dated February 24, 2021, will be issued as fully registered Bonds in the denomination of $5,000 each, or any integral multiple thereof, and will mature on April 1 as follows:

Year	Amount*	Year	Amount*	Year	Amount*
2023	$195,000	2028	$200,000	2033	$210,000
2024	195,000	2029	200,000	2034	215,000
2025	195,000	2030	205,000	2035	220,000
2026	195,000	2031	205,000	2036	225,000
2027	195,000	2032	210,000	2037	225,000

ADJUSTMENT OPTION

* The County reserves the right to increase or decrease the principal amount of the Bonds on the day of sale, in increments of $5,000 each. Increases or decreases may be made in any maturity. If any principal amounts are adjusted, the purchase price proposed will be adjusted to maintain the same gross spread per $1,000.

TERM BOND OPTION

Proposals for the Bonds may contain a maturity schedule providing for any combination of serial bonds and term bonds, subject to mandatory redemption, so long as the amount of principal maturing or subject to mandatory redemption in each year conforms to the maturity schedule set forth above. All dates are inclusive.

INTEREST PAYMENT DATES AND RATES

Interest will be payable on April 1 and October 1 of each year, commencing October 1, 2021, to the registered owners of the Bonds appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board. **The rate for any maturity may not be more than 1.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2023 maturity, then the lowest rate that may be proposed for any later maturity is 3.50%.)** All Bonds of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

BOOK-ENTRY-ONLY FORMAT

Unless otherwise specified by the purchaser, the Bonds will be designated in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds, and will be responsible for maintaining a book-entry system for recording the interests of its participants and the transfers of interests between its participants. The participants will be responsible for maintaining records regarding the beneficial interests of the individual purchasers of the Bonds. So long as Cede & Co. is the registered owner of the Bonds, all payments of principal and interest will be made to the depository which, in turn, will be obligated to remit such payments to its participants for subsequent disbursement to the beneficial owners of the Bonds.

PAYING AGENT

The County has selected Bond Trust Services Corporation, Roseville, Minnesota, to act as paying agent (the "Paying Agent"). Bond Trust Services Corporation and Ehlers are affiliate companies. The County will pay the charges for Paying Agent services. The County reserves the right to remove the Paying Agent and to appoint a successor.

OPTIONAL REDEMPTION

At the option of the County, the Bonds maturing on or after April 1, 2031 shall be subject to optional redemption prior to maturity on April 1, 2030 or any date thereafter, at a price of par plus accrued interest.

Redemption may be in whole or in part of the Bonds subject to prepayment. If redemption is in part, the selection of the amounts and maturities of the Bonds to be redeemed shall be at the discretion of the County. If only part of the Bonds having a common maturity date are called for redemption, then the County or Paying Agent, if any, will notify DTC of the particular amount of such maturity to be redeemed. DTC will determine by lot the amount of each participant's interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interest in such maturity to be redeemed.

Notice of redemption shall be sent by mail not more than 60 days and not less than 30 days prior to the date fixed for redemption to the registered owner of each Bond to be redeemed at the address shown on the registration books.

DELIVERY

On or about February 24, 2021, the Bonds will be delivered without cost to the winning bidder at DTC. On the day of closing, the County will furnish to the winning bidder the opinion of bond counsel hereinafter described, an arbitrage certification, and certificates verifying that no litigation in any manner questioning the validity of the Bonds is then pending or, to the best knowledge of officers of the County, threatened. Payment for the Bonds must be received by the County at its designated depository on the date of closing in immediately available funds.

LEGAL OPINION

An opinion in substantially the form attached hereto as Appendix B will be furnished by Dorsey & Whitney LLP ("Bond Counsel"), Minneapolis, Minnesota, bond counsel to the County.

SUBMISSION OF PROPOSALS

Proposals must not be for less than $3,052,920 plus accrued interest on the principal sum of $3,090,000 from date of original issue of the Bonds to date of delivery. Prior to the time established above for the opening of proposals, interested parties may submit a proposal as follows:

1) Electronically to bondsale@ehlers-inc.com; or

2) Electronically via **PARITY** in accordance with this Terms of Proposal until 12:00 P.M. (Noon) Central Time, but no proposal will be received after the time for receiving proposals specified above. To the extent any instructions or directions set forth in **PARITY** conflict with this Terms of Proposal, the terms of this Terms of Proposal shall control. For further information about **PARITY**, potential bidders may contact Ehlers or i-Deal LLC at 1359 Broadway, 2nd Floor, New York, New York 10018, Telephone (212) 849-5021.

Proposals must be submitted to Ehlers via one of the methods described above and must be received prior to the time established above for the opening of proposals. Each proposal must be unconditional except as to legality. Neither the County nor Ehlers shall be responsible for any failure to receive a facsimile submission.

A good faith deposit ("Deposit") in the amount of $61,800 shall be made by the winning bidder by wire transfer of funds. Such Deposit shall be received by Ehlers no later than two hours after the proposal opening time. Wire transfer instructions will be provided to the winning bidder by Ehlers after the tabulation of proposals. The County reserves the right to award the Bonds to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received by such time. In the event the Deposit is not received as provided above, the County may award the Bonds to the bidder submitting the next best proposal provided such bidder agrees to such award. The Deposit will be retained by the County as liquidated damages if the proposal is accepted and the Purchaser fails to comply therewith.

The County and the winning bidder who chooses to so wire the Deposit hereby agree irrevocably that Ehlers shall be the escrow holder of the Deposit wired to such account subject only to these conditions and duties: 1) All income earned thereon shall be retained by the escrow holder as payment for its expenses; 2) If the proposal is not accepted, Ehlers shall, at its expense, promptly return the Deposit amount to the winning bidder; 3) If the proposal is accepted, the Deposit shall be returned to the winning bidder at the closing; 4) Ehlers shall bear all costs of maintaining the escrow account and returning the funds to the winning bidder; 5) Ehlers shall not be an insurer of the Deposit amount and shall have no liability hereunder except if it willfully fails to perform or recklessly disregards, its duties specified herein; and 6) FDIC insurance on deposits within the escrow account shall be limited to $250,000 per bidder.

No proposal can be withdrawn after the time set for receiving proposals unless the meeting of the County scheduled for award of the Bonds is adjourned, recessed, or continued to another date without award of the Bonds having been made.

AWARD

The Bonds will be awarded to the bidder offering the lowest interest rate to be determined on a True Interest Cost (TIC) basis. The County's computation of the interest rate of each proposal, in accordance with customary practice, will be controlling. In the event of a tie, the sale of the Bonds will be awarded by lot. The County reserves the right to reject any and all proposals and to waive any informality in any proposal.

BOND INSURANCE

If the Bonds are qualified for any bond insurance policy, the purchase of such policy shall be at the sole option and expense of the winning bidder. Any cost for such insurance policy is to be paid by the winning bidder, except that, if the County requested and received a rating on the Bonds from a rating agency, the County will pay that rating fee. Any rating agency fees not requested by the County are the responsibility of the winning bidder.

Failure of the municipal bond insurer to issue the policy after the Bonds are awarded to the winning bidder shall not constitute cause for failure or refusal by the winning bidder to accept delivery of the Bonds.

CUSIP NUMBERS

The County will assume no obligation for the assignment or printing of CUSIP numbers on the Bonds or for the correctness of any numbers printed thereon, but will permit such numbers to be printed at the expense of the winning bidder, if the winning bidder waives any delay in delivery occasioned thereby.

QUALIFIED TAX-EXEMPT OBLIGATIONS

The County will designate the Bonds as qualified tax-exempt obligations for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

CONTINUING DISCLOSURE

In order to assist the Underwriters in complying with the provisions of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 the County will enter into an undertaking for the benefit of the holders of the Bonds. A description of the details and terms of the undertaking is set forth in Appendix D of the Preliminary Official Statement.

ESTABLISHMENT OF ISSUE PRICE AT TIME OF AWARD

In order to establish the issue price of the Bonds for federal income tax purposes, the County requires bidders to agree to the following, and by submitting a proposal, each bidder agrees to the following.

If a proposal is submitted by a potential underwriter, the bidder confirms that (i) the underwriters have offered or reasonably expect to offer the Bonds to the public on or before the date of the award at the offering price (the "initial offering price") for each maturity as set forth in the proposal and (ii) the bidder, if it is the winning bidder, shall require any agreement among underwriters, selling group agreement, retail distribution agreement or other agreement relating to the initial sale of the Bonds to the public to which it is a party to include provisions requiring compliance by all parties to such agreements with the provisions contained herein. For purposes hereof, Bonds with a separate CUSIP number constitute a separate "maturity", and the public does not include underwriters (including members of a selling group or retail distribution group) or persons related to underwriters.

If, however, a proposal is submitted for the bidder's own account in a capacity other than as an underwriter of the Bonds, and the bidder has no current intention to sell, reoffer, or otherwise dispose of the Bonds, the bidder shall notify the County to that effect at the time it submits its proposal and shall provide a certificate to that effect in place of the certificate otherwise required below.

If the winning bidder intends to act as an underwriter, the County shall advise the winning bidder at or prior to the time of award whether (i) the competitive sale rule or (ii) the "hold-the-offering price" rule applies.

If the County advises the Purchaser that the requirements for a competitive sale have been satisfied and that the competitive sale rule applies, the Purchaser will be required to deliver to the County at or prior to closing a certification, in a form reasonably acceptable to bond counsel, as to the reasonably expected initial offering price as of the award date.

If the County advises the Purchaser that the requirements for a competitive sale have not been satisfied and that the hold-the-offering price rule applies, the Purchaser shall (1) upon the request of the County confirm that the underwriters did not offer or sell any maturity of the Bonds to any person at a price higher than the initial offering price of that maturity during the period starting on the award date and ending on the earlier of (a) the close of the fifth business day after the sale date or (b) the date on which the underwriters have sold at least 10% of that maturity to the public at or below the initial offering price; and (2) at or prior to closing, deliver to the County a certification as to such matters, in a form reasonably acceptable to bond counsel, together with a copy of the pricing wire.

Any action taken or documentation to be received by the County pursuant hereto may be taken or received on behalf of the County by Ehlers & Associates, Inc.

Bidders should prepare their proposals on the assumption that the Bonds will be subject to the "hold-the-offering-price" rule. Any proposal submitted pursuant to the Terms of Proposal shall be considered a firm offer for the purchase of the Bonds, and Bonds submitted will not be subject to cancellation or withdrawal.

PRELIMINARY OFFICIAL STATEMENT

Bidders may obtain a copy of the Preliminary Official Statement relating to the Bonds prior to the proposal opening by request from Ehlers at www.ehlers-inc.com by connecting to the Bond Sales link. The Syndicate Manager will be provided with an electronic copy of the Final Official Statement within seven business days of the proposal acceptance. Up to 10 printed copies of the Final Official Statement will be provided upon request. Additional copies of the Final Official Statement will be available at a cost of $10.00 per copy.

Information for bidders and proposal forms may be obtained from Ehlers at 3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105, Telephone (651) 697-8500.

By Order of the Board of Commissioners

Houston County, Minnesota

PROPOSAL FORM

The Board of Commissioners
Houston County, Minnesota

January 25, 2021

RE: **$3,090,000* General Obligation State Aid Bonds, Series 2021A (the "Bonds")**
DATED: **February 24, 2021**

For all or none of the above Bonds, in accordance with the Terms of Proposal and terms of the Global Book-Entry System (unless otherwise specified by the Purchaser) as stated in this Official Statement, we will pay you $__________________ (not less than $3,052,920) plus accrued interest to date of delivery for fully registered Bonds bearing interest rates and maturing in the stated years as follows:

______	% due	2023	______	% due	2028	______	% due	2033
______	% due	2024	______	% due	2029	______	% due	2034
______	% due	2025	______	% due	2030	______	% due	2035
______	% due	2026	______	% due	2031	______	% due	2036
______	% due	2027	______	% due	2032	______	% due	2037

* The County reserves the right to increase or decrease the principal amount of the Bonds on the day of sale, in increments of $5,000 each. Increases or decreases may be made in any maturity. If any principal amounts are adjusted, the purchase price proposed will be adjusted to maintain the same gross spread per $1,000.

The rate for any maturity may not be more than 1.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2023 maturity, then the lowest rate that may be proposed for any later maturity is 3.50%.) All Bonds of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

A good faith deposit ("Deposit") in the amount of $61,800 shall be made by the winning bidder by wire transfer of funds. Such Deposit shall be received by Ehlers no later than two hours after the proposal opening time. Wire transfer instructions will be provided to the winning bidder by Ehlers after the tabulation of proposals. The County reserves the right to award the Bonds to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received by such time. In the event the Deposit is not received as provided above, the County may award the Bonds to the bidder submitting the next best proposal provided such bidder agrees to such award. The Deposit will be retained by the County as liquidated damages if the proposal is accepted and the Purchaser fails to comply therewith. We agree to the conditions and duties of Ehlers and Associates, Inc., as escrow holder of the Deposit, pursuant to the Terms of Proposal. This proposal is for prompt acceptance and is conditional upon delivery of said Bonds to The Depository Trust Company, New York, New York, in accordance with the Terms of Proposal. Delivery is anticipated to be on or about February 24, 2021.

This proposal is subject to the County's agreement to enter into a written undertaking to provide continuing disclosure under Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 as described in the Preliminary Official Statement for the Bonds.

We have received and reviewed the Official Statement, and any addenda thereto, and have submitted our requests for additional information or corrections to the Final Official Statement. As Syndicate Manager, we agree to provide the County with the reoffering price of the Bonds within 24 hours of the proposal acceptance.

This proposal is a firm offer for the purchase of the Bonds identified in the Terms of Proposal, on the terms set forth in this proposal form and the Terms of Proposal, and is not subject to any conditions, except as permitted by the Terms of Proposal.

By submitting this proposal, we confirm that we are an underwriter and have an established industry reputation for underwriting new issuances of municipal bonds. YES: ____ NO: ____.

If the competitive sale requirements are <u>not</u> met, we elect to use either the: _____10% test, or the _____hold-the-offering-price rule to determine the issue price of the Bonds.

Account Manager: ______________________ By: ______________________
Account Members:

Award will be on a true interest cost basis. According to our computations (the correct computation being controlling in the award), the total dollar interest cost (including any discount or less any premium) computed from February 24, 2021 of the above proposal is $_______________and the true interest cost (TIC) is __________%.

The foregoing offer is hereby accepted by and on behalf of the Board of Commissioners of Houston County, Minnesota, on January 26, 2021.

By: ______________________ By: ______________________

Title: ______________________ Title: ______________________