

WACOSA 401(K) PROFIT SHARING PLAN
FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION
YEARS ENDED DECEMBER 31, 2019 AND 2018

**WACOSA 401(K) PROFIT SHARING PLAN
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INDEPENDENT AUDITORS' REPORT

Finance Committee
WACOSA
Waite Park, Minnesota

Report on the Financial Statements

We were engaged to audit the accompanying financial statements of WACOSA 401(k) Profit Sharing Plan (Plan), which comprise the statements of net assets available for benefits as of December 31, 2019 and 2018, and the related statements of changes in net assets available for benefits for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on conducting the audit in accordance with auditing standards generally accepted in the United States of America. Because of the matter described in the *Basis for Disclaimer of Opinion* paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

As permitted by 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974, the Plan administrator instructed us not to perform, and we did not perform, any auditing procedures with respect to the information summarized in Note 3, which was certified by Great-West Trust Company, LLC, the custodian, as of and for the years ended December 31, 2019 and 2018, except for comparing such information with the related information included in the financial statements. We have been informed by the Plan administrator that the custodian holds the Plan's investment assets and executes investment transactions. The Plan administrator has obtained certifications from the custodian as of and for the years ended December 31, 2019 and 2018, that the information provided to the Plan administrator by the custodian is complete and accurate.

Disclaimer of Opinion

Because of the significance of the matter described in the *Basis for Disclaimer of Opinion* paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on these financial statements.

Other Matter

The supplemental schedule of assets (held at end of year) as of December 31, 2019, is required by the Department of Labor's (DOL) Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 and is presented for the purpose of additional analysis and is not a required part of the financial statements. Because of the significance of the matter described in the *Basis for Disclaimer of Opinion* paragraph, we do not express an opinion on the supplemental schedule.

Report on Form and Content in Compliance With DOL Rules and Regulations

The form and content of the information included in the financial statements and supplemental schedule, other than that derived from the information certified by the custodian, have been audited by us in accordance with auditing standards generally accepted in the United States of America and, in our opinion, are presented in compliance with the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974.



CliftonLarsonAllen LLP

St. Cloud, Minnesota
June 24, 2020

**WACOSA 401(K) PROFIT SHARING PLAN
STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS
DECEMBER 31, 2019 AND 2018**

ASSETS	<u>2019</u>	<u>2018</u>
INVESTMENTS (at Fair Value)		
Mutual Funds	<u>\$ 2,309,901</u>	<u>\$ 1,712,088</u>
NET ASSETS AVAILABLE FOR BENEFITS	<u><u>\$ 2,309,901</u></u>	<u><u>\$ 1,712,088</u></u>

See accompanying Notes to Financial Statements.

**WACOSA 401(K) PROFIT SHARING PLAN
STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

	2019	2018
ADDITIONS:		
INVESTMENT INCOME (LOSS)		
Net Appreciation (Depreciation) in Fair Value of Investments	\$ 327,222	\$ (237,186)
Interest and Dividends	79,220	125,347
Total Investment Income (Loss)	406,442	(111,839)
CONTRIBUTIONS		
Employee Deferrals	191,594	139,982
Employer Match	63,514	39,628
Rollovers	-	37
Total Contributions	255,108	179,647
Total Additions	661,550	67,808
DEDUCTIONS:		
BENEFITS PAID TO PARTICIPANTS	51,691	15,579
ADMINISTRATIVE EXPENSES	12,046	5,657
Total Deductions	63,737	21,236
NET INCREASE	597,813	46,572
NET ASSETS AVAILABLE FOR BENEFITS:		
Beginning of Year	1,712,088	1,665,516
End of Year	\$ 2,309,901	\$ 1,712,088

See accompanying Notes to Financial Statements.

**WACOSA 401(K) PROFIT SHARING PLAN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 1 DESCRIPTION OF PLAN

The following description of the WACOSA 401(k) Profit Sharing Plan (the Plan) provides only general information. Participants should refer to the Plan document for a more complete description of the Plan's provisions.

General

The Plan is a defined contribution plan originally effective January 1, 1999. The Plan has been amended and restated throughout the years to comply with tax legislation. The Plan was most recently amended and restated effective January 1, 2015. The Plan covers employees of WACOSA (the Employer). The Plan excludes leased and reclassified employees, interns, clients or recipients of WACOSA's services, and contracted workers and volunteers. Employees are eligible to participate in the deferral portion of the Plan upon completion of one hour of service. Employees are eligible for the Employer contributions upon attainment of age 21 and completion of one year of service. Plan entry dates are the first day of each quarter. The Plan is subject to the Employee Retirement Income Security Act of 1974 (ERISA), as amended. The 401(k) Plan Fiduciary Committee is responsible for the oversight of the Plan. The 401(k) Plan Fiduciary Committee also determines the appropriateness of the Plan's investment offerings, monitors investment performance, and reports to the Finance Committee.

Contributions

The Plan includes a salary deferral arrangement allowed under Section 401(k) of the Internal Revenue Code (IRC). Eligible participants are permitted to elect to have a percentage, limited by Plan provisions, of their compensation contributed as pre-tax 401(k) contributions to the Plan. Participants who have attained age 50 before the end of the Plan year are eligible to make catch-up contributions.

The Employer may, at its discretion, elect to make a matching contribution to the Plan. For the years ended December 31, 2019 and 2018, the Employer matching contribution was 100% up to the first 2% of compensation deferred, and 100% up to the first 1.5% of compensation deferred, respectively.

Participants may also contribute amounts representing distributions from other qualified defined benefit or defined contribution plans or conduit IRAs. Participants direct the investment of contributions into various investment options offered by the Plan. Contributions are subject to certain Internal Revenue Service (IRS) limitations.

Participant Accounts

Each participant's account is credited with the participant's contribution; the Employer's matching contribution, and an allocation of Plan earnings or losses. Participant accounts are charged with an allocation of administrative expenses that are paid by the Plan. Allocations are based on participant earnings or account balances, or participant transactions, as defined. The benefit to which a participant is entitled is the benefit that can be provided by the participant's vested account.

**WACOSA 401(K) PROFIT SHARING PLAN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 1 DESCRIPTION OF PLAN (CONTINUED)

Vesting

Participants are immediately 100% vested in employee and Employer contributions plus actual earnings thereon.

Benefit Payments

Upon termination of service, death, disability, or retirement, a participant may elect to receive the value of the vested interest in their account in the form of a lump sum distribution or installments. The Plan allows for in-service distributions if a participant reaches age 65 and hardship distributions subject to Plan provisions. If a participant terminates employment and the participant's account balance does not exceed \$1,000, the Plan administrator will authorize the benefit payment without the participant's consent. If the participant's account balance is between \$1,000 and \$5,000, the Plan administrator may authorize that the balance be transferred into an individual retirement account in the participant's name.

Forfeited Accounts

Forfeited nonvested accounts are used to reduce future Employer contributions. Forfeited nonvested accounts as of December 31, 2019 and 2018 totaled \$2,196 and \$12, respectively. There were no forfeitures used to reduce Employer contributions for the Plan years ended December 31, 2019 and 2018.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Plan are prepared on the accrual basis of accounting.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

Investment Valuation and Income Recognition

The Plan's investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Plan's 401(k) Fiduciary Committee determines the Plan's valuation policies utilizing information provided by the trustee and custodian. See Note 4 for discussion of fair value measurements.

**WACOSA 401(K) PROFIT SHARING PLAN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment Valuation and Income Recognition (Continued)

Purchases and sales of securities are recorded on a trade-date basis. Investment income is recorded on the accrual basis. Net appreciation (depreciation) includes the Plan's gains and losses on investments bought and sold as well as held during the year.

Benefit Payments

Benefits are recorded when paid.

Administrative Expenses

The Plan's expenses are paid either by the Plan or the Employer, as provided by the Plan document. Expenses paid directly by the Employer are excluded from these financial statements. Fees related to the administration of benefit payments are charged directly to the participant's account and are included in administrative expenses. During 2018, asset management and recordkeeping fees were offset with revenue sharing credits to the extent available with the net amount included in administrative expenses. During 2019, in an effort to be more transparent with fees, a Plan expense account was established to accumulate amounts the Plan uses to fund administrative expenses including income from revenue sharing from the mutual funds. Revenue sharing income generally consists of 12(b)1 fees and sub-transfer agency fees and is used by the Plan to pay Plan expenses. Asset management and recordkeeping fees were funded from this account and were allocated to participant accounts for the year ended December 31, 2019. In addition, certain investment related expenses are included in net appreciation (depreciation) of fair value of investment presented in the accompanying statements of changes in net assets available for benefits.

Subsequent Events

The Plan has evaluated subsequent events through June 24, 2020, the date the financial statements were available to be issued.

NOTE 3 CERTIFICATION OF INVESTMENT INFORMATION

Great-West Trust Company, LLC, the custodian, has supplied the Plan administrator with a certification as to the completeness and accuracy of the investment information presented on the accompanying statements of net assets available for benefits as of December 31, 2019 and 2018, the statements of changes in net assets available for benefits for the years then ended, and the supplemental schedule of assets (held at end of year) as of December 31, 2019.

WACOSA 401(K) PROFIT SHARING PLAN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 4 FAIR VALUE OF INVESTMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, such as:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair market value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the valuation methodologies used at December 31, 2019 and 2018.

Mutual Funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Plan are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Plan are deemed to be actively traded.

**WACOSA 401(K) PROFIT SHARING PLAN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 4 FAIR VALUE OF INVESTMENTS (CONTINUED)

The following tables set forth by level, within the fair value hierarchy, the Plan's assets at fair value as of December 31:

		2019			
		Level 1	Level 2	Level 3	Total
Mutual Funds		\$ 2,309,901	\$ -	\$ -	\$ 2,309,901
		2018			
		Level 1	Level 2	Level 3	Total
Mutual Funds		\$ 1,712,088	\$ -	\$ -	\$ 1,712,088

NOTE 5 RISKS AND UNCERTAINTIES

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of the investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the statements of net assets available for benefits.

NOTE 6 PLAN TERMINATION

Although it has not expressed any intent to do so, the Employer has the right under the Plan to discontinue contributions at any time and to terminate the Plan subject to the provisions of ERISA. In the event of Plan termination, the participants would become 100% vested in their Employer contributions.

NOTE 7 PLAN TAX STATUS

The Plan is placing reliance on an opinion letter dated March 31, 2014 received from the IRS on the prototype plan indicating that the prototype plan is qualified under Section 401 of the IRC and is therefore, not subject to tax under current income tax law. The Plan has been amended since receiving the opinion letter. However, the Plan administrator believes that the Plan is designed and is currently being operated in compliance with the applicable requirements of the IRC and, therefore, believes that the Plan is qualified, and the related trust is tax exempt.

Accounting principles generally accepted in the United States of America require Plan management to evaluate tax positions taken by the Plan and recognize a tax liability (or asset) if the Plan has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

**WACOSA 401(K) PROFIT SHARING PLAN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 8 PARTY-IN-INTEREST TRANSACTIONS

The Plan investments are managed by Bremer Bank, National Association, the trustee. Great-West Trust Company, LLC, is the custodian of the Plan. Therefore, these investment transactions qualify as party-in-interest transactions.

NOTE 9 SUBSEQUENT EVENT

Subsequent to year-end, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. During the period from January 1, 2020 through June 24, 2020, both domestic and international equity markets have experienced significant declines. These losses are not reflected in the financial statements as of and for the year ended December 31, 2019.

WACOSA 401(K) PROFIT SHARING PLAN
E.I.N. 41-0871466 PLAN NO. 001
SCHEDULE H, LINE 4i—SCHEDULE OF ASSETS (HELD AT END OF YEAR)
DECEMBER 31, 2019

(a)	(b)	(c)	(d)	(e)
Identity of Issue, Borrower, Lessor or Similar Party	Description of Investment	Cost **	Current Value	
Federated	Federated Total Bond Fund		\$ 337,754	
Hartford	Hartford Midcap Fund		17,816	
American Funds	American Funds 2020 Target Date Fund		227,311	
American Funds	American Funds 2030 Target Date Fund		97,738	
American Funds	American Funds 2040 Target Date Fund		117,185	
American Funds	American Funds 2050 Target Date Fund		195,322	
American Funds	American Funds 2060 Target Date Fund		29,134	
BlackRock	BlackRock 40/60 Target Allocation Fund		8,336	
MFS Financial	MFS Core Equity Fund		261,676	
Federated	Federated Government Obligations Fund SS		60,763	
Franklin Templeton	Franklin Growth Fund		41,450	
* Great-West	S&P 500 Index Fund		461,755	
* Great-West	International Value Fund		85,589	
Janus	Janus Henderson Balanced Fund		60,006	
Fidelity	Fidelity Small Cap Value Fund		254,773	
MFS Financial	MFS Value Fund A		37,336	
Federated	Federated Government Income Trust SS		3,027	
Victory	Victory Sycamore Established Value Fund		12,930	
			\$ 2,309,901	

* Indicates Party-in-Interest

**Cost omitted for participant-directed accounts