

State of Minnesota



Office of the State Auditor

Julie Blaha
State Auditor

**Mille Lacs County
Milaca, Minnesota**

Year Ended December 31, 2020

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.

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Mille Lacs County Milaca, Minnesota

Year Ended December 31, 2020



Office of the State Auditor

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

**MILLE LACS COUNTY
MILACA, MINNESOTA**

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MILACA, MINNESOTA**

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MILACA, MINNESOTA**

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**MILLE LACS COUNTY
MILACA, MINNESOTA**

**ORGANIZATION
2020**

Office	Name	Term	
		From	To
Commissioners			
1st District	Genny Reynolds	January 2021	January 2025
2nd District	Tim Wilhelm	January 2019	January 2023
3rd District	Phil Peterson	January 2021	January 2025
4th District	Roger Tellinghuisen ¹	January 2019	January 2023
5th District	David Oslin	January 2021	January 2025
Elected			
Attorney	Joe Walsh	January 2019	January 2023
Sheriff	Don Lorge	January 2019	January 2023
Appointed			
County Administrator	Pat Oman	October 2015	Indefinite ²
County Assessor	Al Heim	January 2017	December 2021 ³
County Auditor-Treasurer	Eric Bartusch	December 2019	Indefinite ⁴
County Engineer	Jesse Dehn	January 2020	March 2020
Interim County Engineer	Holly Wilson	March 2020	July 2020
County Engineer	Neal Knopik	July 2020	September 2021
Community and Veteran Service Director	Beth Crook	January 2014	Indefinite
Director of County Probation	Ben Davis	August 2015	Indefinite
Land Services Director	Michele McPherson	March 2009	Indefinite ²
Medical Examiner	Dr. Quinn Strobl	January 2020	December 2020

¹Board Chair

²Resigned in February, 2021

³Resigned in December, 2020

⁴Resigned in July, 2021

**INDEPENDENT AUDITOR'S REPORT**

Board of County Commissioners
Mille Lacs County
Milaca, 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 Mille Lacs County, Minnesota, as of and for the year ended December 31, 2020, 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 Mille Lacs County, Minnesota, as of December 31, 2020, and the respective changes in financial position and, where applicable, cash flows 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 Principle

As discussed in Note 1.E to the financial statements, in 2020, the County adopted new accounting guidance by implementing the provisions of Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, which represents a change in accounting principles. 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 GASB, 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 Mille Lacs 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 December 15, 2021, on our consideration of Mille Lacs 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 Mille Lacs 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 Mille Lacs 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) is presented for purposes of additional analysis, 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), and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the SEFA is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

/s/Julie Blaha

/s/Dianne Syverson

JULIE BLAHA
STATE AUDITOR

DIANNE SYVERSON, CPA
DEPUTY STATE AUDITOR

December 15, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

**MILLE LACS COUNTY
MILACA, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020
(Unaudited)**

Mille Lacs County's Management's Discussion and Analysis (MD&A) provides an overview of the County's financial activities for the fiscal year ended December 31, 2020. We encourage readers to consider the information presented here in conjunction with the County's basic financial statements following this section. All amounts, unless otherwise indicated, are expressed in whole dollars.

FINANCIAL HIGHLIGHTS

- Governmental activities' total net position is \$66,210,436, of which \$67,523,456 is the net investment in capital assets, and \$10,385,469 is restricted to specific purposes/uses by the County.
- The net cost of Mille Lacs County's governmental activities for the year ended December 31, 2020, was \$24,423,909; the net cost was funded by general revenues and other items totaling \$22,969,787.
- At the close of 2020, Mille Lacs County's governmental funds reported combined ending fund balances of \$13,581,390, a decrease of \$5,197,927 from the previous year-end balance. At the end of the year, Mille Lacs County's assigned and unassigned fund balance totaled \$7,659,599, which is available for spending at the County Board's discretion.

OVERVIEW OF THE FINANCIAL STATEMENTS

Mille Lacs County's MD&A serves as an introduction to the basic financial statements. The 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); certain budgetary comparison schedules; the Schedules of Proportionate Share of Net Pension Liability and Schedules of Contributions for the Public Employees Retirement Association of Minnesota (PERA) General Employees Retirement Plan, Public Employees Police and Fire Plan, and Public Employees Local Government Correctional Service Retirement Plan; and the Schedule of Changes in Total OPEB Liability and Related Ratios – Other Postemployment Benefits 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 inter-related.

Management’s Discussion and Analysis (Required Supplementary Information)

Government-Wide Financial Statements	Fund Financial Statements
Notes to the Financial Statements	

Required Supplementary Information (Other than Management’s Discussion and Analysis)
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Mille Lacs County presents two government-wide financial statements: the Statement of Net Position and the Statement of Activities. These two government-wide financial statements provide information about the activities of the County as a whole and present a longer-term view of Mille Lacs County’s finances. The County’s fund financial statements follow these two government-wide financial statements. For governmental activities, these statements tell how Mille Lacs County financed its services 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/major funds. The remaining statements provide financial information about activities for which the County acts solely as a trustee or agent for the benefit of those outside of the government.

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

The Statement of Net Position and the Statement of Activities report information about Mille Lacs County as a whole and about its activities in a way that helps the reader determine whether Mille Lacs County’s financial condition has improved or declined as a result of the current 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.

These two statements consider all of Mille Lacs County’s current year revenues and expenses, regardless of when the County receives the revenue or pays the expenditure, and report the County’s net position and changes in it. You can think of the County’s net position—the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources—as one way to measure Mille Lacs 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 general economic conditions of the state and County, to assess the overall health of Mille Lacs County.

Governmental activities—Mille Lacs County reports its basic services in the “Governmental Activities” column of these statements. The activities reported by the County include general government, public safety, highways and streets, sanitation, human services, health, culture and recreation, conservation of natural resources, economic development, and interest expense on long-term debt. Mille Lacs County finances the majority of these activities with local property taxes, state-paid aids, fees, charges for services, and federal and state grants.

Fund Financial Statements

Mille Lacs County’s fund financial statements provide detailed information about the significant funds—not the County as a whole. Significant governmental, proprietary, and fiduciary funds may be established by the County to meet requirements of a specific state law; to help control and manage money for a particular purpose/project; or to show that it is meeting specific legal responsibilities and obligations when expending property tax revenues, grants, and/or other funds designated for a specific purpose.

Governmental funds—Most of Mille Lacs County’s basic services are reported in governmental funds, which focus on how money flows in and out of those funds and the balances left at year-end that are available for spending. These funds are reported in the financial statements using modified accrual accounting, which measures cash and other financial assets that the County can readily convert 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 determine whether financial resources are available that can be spent in the near future to finance various programs within Mille Lacs County. 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 statement following each governmental fund financial statement.

Proprietary funds—The County maintains one proprietary fund type, an internal service fund, which is an accounting device used to accumulate and allocate costs internally. Mille Lacs County uses an internal service fund to account for its self-insurance activities. These services benefit governmental functions and have been allocated to governmental activities in the government-wide financial statements.

Reporting the County’s Fiduciary Responsibilities

Mille Lacs County is the trustee, or fiduciary, over assets that can be used only for the trust beneficiaries based on the trust arrangement. The County reports all of its fiduciary activities in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position. These activities have been excluded from the County’s other financial statements because the County cannot use these assets to finance its operations. Mille Lacs County is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

THE COUNTY AS A WHOLE

The analysis that follows focuses on the net position (Table 1) and changes in net position (Table 2) of the County's governmental activities.

**Table 1
Net Position**

	<u>2020</u>	<u>2019</u>
Assets		
Current and other assets	\$ 22,690,146	\$ 26,993,034
Capital assets	<u>83,384,788</u>	<u>82,076,523</u>
Total Assets	\$ 106,074,934	\$ 109,069,557
Deferred Outflows of Resources		
Deferred pension outflows	\$ 3,023,062	\$ 4,041,273
Deferred OPEB outflows	<u>222,878</u>	<u>116,474</u>
Total Deferred Outflows of Resources	\$ 3,245,940	\$ 4,157,747
Liabilities		
Long-term liabilities outstanding	\$ 36,992,866	\$ 34,882,402
Other liabilities	<u>3,030,892</u>	<u>4,029,603</u>
Total Liabilities	\$ 40,023,758	\$ 38,912,005
Deferred Inflows of Resources		
Deferred pension inflows	\$ 3,024,862	\$ 6,578,619
Deferred OPEB inflows	<u>61,818</u>	<u>72,122</u>
Total Deferred Inflows of Resources	\$ 3,086,680	\$ 6,650,741
Net Position		
Net investment in capital assets	\$ 67,523,456	\$ 66,727,276
Restricted	10,385,469	8,366,286
Unrestricted	<u>(11,698,489)</u>	<u>(7,429,004)</u>
Total Net Position	\$ <u>66,210,436</u>	\$ <u>67,664,558</u>

A large portion of Mille Lacs County's net position, \$67,523,456 (101.98 percent), reflects the County's investment in capital assets, less any related debt used to acquire those assets. The County uses these capital assets to provide services to citizens. However, it should be noted that these assets are not available for future spending or for liquidating any remaining debt. The portion of the County's net position subject to external restrictions on how they are used is \$10,385,469 (15.69 percent). The unrestricted net position is (\$11,698,489), or (17.67 percent), for 2020.

Table 2
Changes in Net Position

	2020	2019
Program revenues		
Fees, charges, fines, and other	\$ 3,473,637	\$ 3,400,258
Operating grants and contributions	18,412,906	13,653,662
Capital grants and contributions	-	365,495
General revenues		
Property taxes	17,331,832	16,282,009
Other	5,637,955	5,059,221
	\$ 44,856,330	\$ 38,760,645
Expenses		
General government	\$ 13,301,377	\$ 9,740,462
Public safety	9,962,163	10,681,033
Highways and streets	7,953,043	5,737,277
Sanitation	276,899	136,568
Human services	11,307,178	10,819,215
Health	938,797	901,957
Culture and recreation	456,628	413,567
Conservation of natural resources	1,402,703	1,065,743
Economic development	106,224	226,581
Interest	605,440	741,360
	\$ 46,310,452	\$ 40,463,763
Change in Net Position	\$ (1,454,122)	\$ (1,703,118)
Net Position – January 1	67,664,558	69,367,676
Net Position – December 31	\$ 66,210,436	\$ 67,664,558

Governmental Activities

Revenues for Mille Lacs County's governmental activities for the year ended December 31, 2020, were \$44,856,330. The County's cost for all governmental activities for the year ended December 31, 2020, was \$46,310,452. The net position for the County's governmental activities decreased by \$1,454,122 in 2020.

As shown in the Statement of Activities, the amount that Mille Lacs County taxpayers ultimately financed for these governmental activities through local property taxation was \$17,331,832, because \$3,473,637 of the costs were paid by those who directly benefited from the programs, and \$18,412,906 was paid by other governments and organizations that subsidized certain programs with grants and contributions. Mille Lacs County paid for the remaining “public benefit” portion of governmental activities with \$2,654,559 in grants and contributions not restricted to specific programs and \$2,983,396 in other revenues, such as investment income, gravel tax, mortgage registry and state deed tax, wheelage tax, and local option sales tax.

County Revenues for Fiscal Year 2020

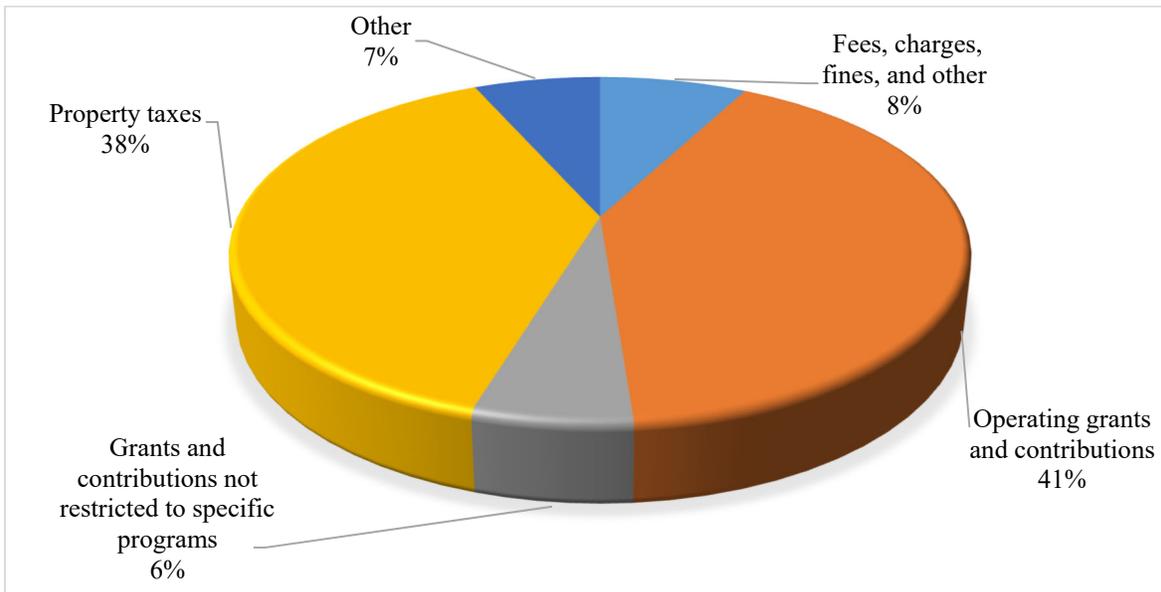
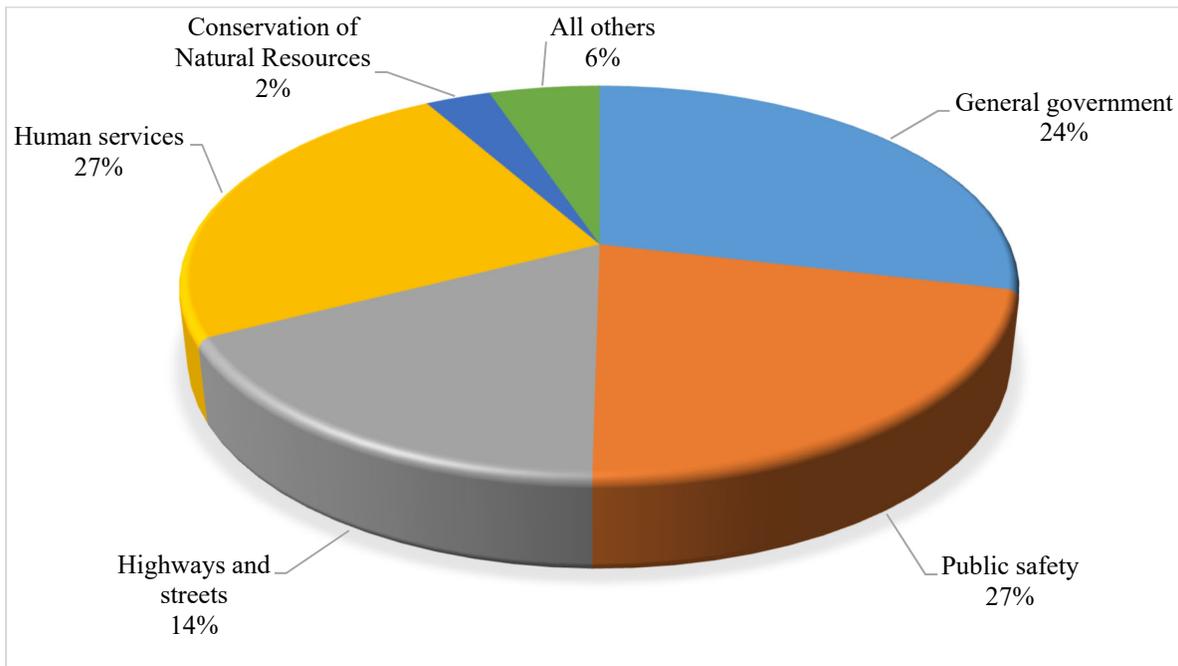


Table 3 presents the cost of each of Mille Lacs County’s four largest program functions as well as each function’s net cost (total cost, less revenues generated by the activities). The net cost shows the financial burden placed on Mille Lacs County’s taxpayers by each of these functions.

**Table 3
Governmental Activities**

	2020	
	Total Cost of Services	Net Cost of Services
Program expenses		
General government	\$ 13,301,377	\$ (8,231,456)
Public safety	9,962,163	(8,510,613)
Highways and streets	7,953,043	(1,261,160)
Human services	11,307,178	(4,477,519)
All others	3,786,691	(1,943,161)
Total Program Expenses	\$ 46,310,452	\$ (24,423,909)

County Expenses for Fiscal Year 2020



FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

Governmental Funds

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

At the end of the current fiscal year, governmental funds reported combined ending fund balances of \$13,581,390, a decrease of \$5,197,927 in comparison with the prior year. Of the combined ending fund balances, \$8,098,342 represents unrestricted (committed, assigned, and unassigned) fund balance, which is available for spending at the County's discretion. The remainder of fund balance, \$5,483,048, is not available for general spending due to restrictions for specific purposes or is considered nonspendable.

The General Fund is the main operating fund of the County. At the end of 2020, the General Fund's fund balance was \$2,176,061, of which \$7,641 was committed, assigned, or unassigned. As a measure of the General Fund's liquidity, it may be useful to compare unrestricted fund balance to total expenditures. The General Fund's unrestricted fund balance represents 0.35 percent of total General Fund expenditures. During 2020, the ending fund balance decreased by \$1,062,706.

The Road and Bridge Special Revenue Fund had total fund balance of (\$734,833) at the end of 2020. The fund balance decreased \$1,423,942 during 2020, which can be attributed to an increase in highway construction projects and delay in submitting for reimbursement from the County State Aid Highway funding system.

The Community and Veteran Services Special Revenue Fund had total fund balance of \$6,479,910 at the end of 2020. The fund balance decreased by \$1,803,966, in part, due to higher state revenue and more services rendered than the prior year and transfers out to other funds.

The Debt Service Fund had total fund balance of \$2,615,429 at the end of 2020. The fund balance increased \$1,032,719 during 2020 due, in part, to an increase in Local Option Sales Tax Revenue.

The Capital Projects Fund had total fund balance of \$2,620,920 at the end of 2020. The fund balance decreased \$1,670,299 during 2020 due to the transfer of funds to the Road and Bridge Special Revenue Fund for highways and streets construction projects.

General Fund Budgetary Highlights

The Mille Lacs County Board of Commissioners, over the course of a budget year, may amend/revise the County's General Fund budget. Budget amendments/revisions fall into one of three categories: new information changing original budget estimations, greater than anticipated revenues or costs, and final agreement reached on employee contracts.

In 2020, the General Fund's actual revenues exceeded expected revenues by \$4,277,383, and actual expenditures were more than budgeted expenditures by \$6,154,305. Two significant variances of \$2,961,478 and \$2,140,863 occurred in general administration and in other general government, respectively, where the actual expenditures were more than the amount budgeted. The variance in other general government expenditures was primarily due to legal fees.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2020, Mille Lacs County had \$83,384,788 invested in a broad range of capital assets, net of depreciation. This investment in capital assets includes land, land improvements, buildings, highways and streets, equipment, and software (see Table 4).

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

	2020	2019
Land	\$ 3,028,726	\$ 3,028,726
Construction in progress	15,431,662	12,771,958
Land improvements	208,659	233,133
Buildings	15,055,130	15,789,938
Machinery and equipment	3,046,509	3,371,207
Infrastructure	46,604,286	46,863,012
Software	9,816	18,549
Total	\$ 83,384,788	\$ 82,076,523

Debt Administration

At December 31, 2020, Mille Lacs County had \$19,315,000 in bonds and notes outstanding, compared with \$20,205,000 as of December 31, 2019, a decrease of 4.4 percent, as shown in Table 5.

Table 5
Outstanding Debt at Year-End

Bonds and Notes Payable	Governmental Activities		Percent (%) Change
	2020	2019	
2010B Taxable Capital Improvement Bonds – Recovery Zone Economic Development Bonds	\$ 795,000	\$ 920,000	(13.6)
2014 G.O. Capital Improvement Plan Refunding Bonds	4,380,000	4,805,000	(8.8)
2018A G.O. Capital Improvement Plan Bonds	8,975,000	9,315,000	(3.7)
2019A G.O. Capital Improvement Plan Bonds	2,970,000	2,970,000	-
2019B G.O. Drainage Bonds	1,195,000	1,195,000	-
2019A G.O. Capital Equipment Notes	1,000,000	1,000,000	-
Total	\$ 19,315,000	\$ 20,205,000	(4.4)

Other long-term obligations include compensated absences, the net pension liability, and the other postemployment benefits liability. Mille Lacs County's notes to the financial statements provide detailed information about the County's long-term liabilities.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The County's elected and appointed officials considered many factors when setting the fiscal year 2021 budget and tax rates.

- Major revenue sources for the County are state-paid aids, credits, and grants. The County is anticipating no significant changes to these programs in 2021.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

Mille Lacs County's financial report provides citizens, taxpayers, customers, investors, and creditors with a general overview of Mille Lacs County's finances and shows the County's accountability for the money it receives and spends. If you have questions about this report, or need additional financial information, contact Pat Oman, Mille Lacs County Administrator, (320-983-8218), Mille Lacs County Courthouse, 635 – 2nd Street Southeast, Milaca, Minnesota 56353.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

MILLE LACS COUNTY
MILACA, MINNESOTA

EXHIBIT 1

STATEMENT OF NET POSITION
GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2020

Assets

Cash and pooled investments	\$	14,776,515
Petty cash and change funds		850
Departmental cash		22,347
Taxes receivable		
Delinquent		552,112
Special assessments receivable		
Delinquent		7,205
Accounts receivable (net)		210,685
Accrued interest receivable		6,462
Due from other governments		6,888,154
Inventories		225,816
Capital assets		
Non-depreciable		18,460,388
Depreciable – net of accumulated depreciation		64,924,400
		<hr/>
Total Assets	\$	106,074,934

Deferred Outflows of Resources

Deferred pension outflows	\$	3,023,062
Deferred other postemployment benefits outflows		222,878
		<hr/>
Total Deferred Outflows of Resources	\$	3,245,940

Liabilities

Accounts payable	\$	850,188
Salaries payable		1,011,235
Claims payable		13,364
Contracts payable		747,518
Due to other governments		147,829
Accrued interest payable		260,758
Long-term liabilities		
Due within one year		1,491,782
Due in more than one year		20,681,694
Other postemployment benefits liability		2,474,126
Net pension liability		12,345,264
		<hr/>
Total Liabilities	\$	40,023,758

MILLE LACS COUNTY
MILACA, MINNESOTA

EXHIBIT 1
(Continued)

STATEMENT OF NET POSITION
GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2020

Deferred Inflows of Resources

Deferred pension inflows	\$	3,024,862
Deferred other postemployment benefits inflows		<u>61,818</u>
Total Deferred Inflows of Resources	\$	<u>3,086,680</u>

Net Position

Net investment in capital assets	\$	67,523,456
Restricted for		
General government		233,050
Public safety		1,024,672
Highway and streets		5,187,734
Conservation of natural resources		643,080
Economic development		517,603
Sanitation		163,901
Debt service		2,615,429
Unrestricted		<u>(11,698,489)</u>
Total Net Position	\$	<u>66,210,436</u>

**MILLE LACS COUNTY
MILACA, MINNESOTA**

EXHIBIT 2

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>Program Revenues</u>			Net (Expense) Revenue and Changes in Net Position
	<u>Expenses</u>	<u>Fees, Charges, Fines, and Other</u>	<u>Operating Grants and Contributions</u>	
<u>Functions/Programs</u>				
Governmental activities				
General government	\$ 13,301,377	\$ 792,671	\$ 4,277,250	\$ (8,231,456)
Public safety	9,962,163	640,814	810,736	(8,510,613)
Highways and streets	7,953,043	148,047	6,543,836	(1,261,160)
Sanitation	276,899	326,299	74,660	124,060
Human services	11,307,178	1,225,314	5,604,345	(4,477,519)
Health	938,797	129,568	724,459	(84,770)
Culture and recreation	456,628	-	111,356	(345,272)
Conservation of natural resources	1,402,703	210,924	226,303	(965,476)
Economic development	106,224	-	19,824	(86,400)
Interest expense on long-term debt	605,440	-	20,137	(585,303)
Total Governmental Activities	<u>\$ 46,310,452</u>	<u>\$ 3,473,637</u>	<u>\$ 18,412,906</u>	<u>\$ (24,423,909)</u>
General Revenues				
Property taxes				\$ 17,331,832
Gravel tax				49,514
Mortgage registry and deed tax				324,534
Wheelage tax				265,376
Local option sales tax				1,944,873
Payments in lieu of tax				22,173
Grants and contributions not restricted to specific programs				2,654,559
Unrestricted investment earnings				87,235
Miscellaneous				285,501
Gain on sale of capital assets				4,190
Total general revenues				<u>\$ 22,969,787</u>
Change in net position				\$ (1,454,122)
Net Position – January 1				<u>67,664,558</u>
Net Position – December 31				<u>\$ 66,210,436</u>

FUND FINANCIAL STATEMENTS

GOVERNMENTAL FUNDS

**MILLE LACS COUNTY
MILACA, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2020**

	General	Road and Bridge
<u>Assets</u>		
Cash and pooled investments	\$ 3,469,023	\$ -
Petty cash and change funds	800	-
Departmental cash	22,347	-
Taxes receivable		
Delinquent	366,210	10,648
Special assessments receivable		
Delinquent	7,205	-
Accounts receivable (net)	4,828	15,873
Accrued interest receivable	6,462	-
Due from other funds	103,018	-
Due from other governments	307,905	5,414,816
Inventories	-	225,816
Advances to other funds	59,497	-
	\$ 4,347,295	\$ 5,667,153
Total Assets	\$ 4,347,295	\$ 5,667,153
 <u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>		
Liabilities		
Accounts payable	\$ 735,808	\$ 84,972
Salaries payable	619,814	70,729
Contracts payable	-	747,518
Due to other funds	144,712	92,047
Due to other governments	134,274	611
Advances from other funds	-	-
	\$ 1,634,608	\$ 995,877
Total Liabilities	\$ 1,634,608	\$ 995,877
Deferred Inflows of Resources		
Unavailable revenue	\$ 536,626	\$ 5,406,109

EXHIBIT 3

<u>Community and Veteran Services</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Ditch</u>	<u>Total</u>
\$ 5,637,666	\$ 2,465,068	\$ 2,620,920	\$ 487,346	\$ 14,680,023
50	-	-	-	850
-	-	-	-	22,347
149,152	25,605	497	-	552,112
-	-	-	-	7,205
189,984	-	-	-	210,685
-	-	-	-	6,462
144,712	-	-	-	247,730
1,015,072	150,361	-	-	6,888,154
-	-	-	-	225,816
-	-	-	-	59,497
<u>\$ 7,136,636</u>	<u>\$ 2,641,034</u>	<u>\$ 2,621,417</u>	<u>\$ 487,346</u>	<u>\$ 22,900,881</u>
\$ 25,462	\$ -	\$ -	\$ 3,946	\$ 850,188
320,692	-	-	-	1,011,235
-	-	-	-	747,518
10,971	-	-	-	247,730
12,944	-	-	-	147,829
-	-	-	59,497	59,497
<u>\$ 370,069</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 63,443</u>	<u>\$ 3,063,997</u>
<u>\$ 286,657</u>	<u>\$ 25,605</u>	<u>\$ 497</u>	<u>\$ -</u>	<u>\$ 6,255,494</u>

**MILLE LACS COUNTY
MILACA, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2020**

	General	Road and Bridge
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u> (Continued)		
Fund Balances		
Nonspendable		
Inventories	\$ -	\$ 225,816
Advances to other funds	59,497	-
Restricted for		
Debt service	-	-
Law library	163,171	-
Recorder's technology and equipment	41,046	-
Administering the carrying of weapons	195,731	-
Law enforcement	129,630	-
Enhanced 911 system	129,478	-
DARE program	59,242	-
Prisoner account	510,591	-
Prosecutorial purposes	28,833	-
Aquatic invasive species	169,697	-
Ditch maintenance and repairs	-	-
SCORE	163,901	-
Economic development	517,603	-
Committed to		
Gravel pit restoration	-	438,743
Assigned to		
General government	-	-
Public safety	7,641	-
Community and veteran services programs	-	-
Capital projects	-	-
Unassigned	-	(1,399,392)
Total Fund Balances	\$ 2,176,061	\$ (734,833)
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 4,347,295	\$ 5,667,153

EXHIBIT 3
(Continued)

<u>Community and Veteran Services</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Ditch</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ 225,816
-	-	-	-	59,497
-	2,615,429	-	-	2,615,429
-	-	-	-	163,171
-	-	-	-	41,046
-	-	-	-	195,731
-	-	-	-	129,630
-	-	-	-	129,478
-	-	-	-	59,242
-	-	-	-	510,591
-	-	-	-	28,833
-	-	-	-	169,697
-	-	-	473,383	473,383
-	-	-	-	163,901
-	-	-	-	517,603
-	-	-	-	438,743
-	-	-	-	-
-	-	-	-	7,641
6,479,910	-	-	-	6,479,910
-	-	2,620,920	-	2,620,920
-	-	-	(49,480)	(1,448,872)
<u>\$ 6,479,910</u>	<u>\$ 2,615,429</u>	<u>\$ 2,620,920</u>	<u>\$ 423,903</u>	<u>\$ 13,581,390</u>
<u>\$ 7,136,636</u>	<u>\$ 2,641,034</u>	<u>\$ 2,621,417</u>	<u>\$ 487,346</u>	<u>\$ 22,900,881</u>

**MILLE LACS COUNTY
MILACA, MINNESOTA**

EXHIBIT 4

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION—GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2020**

Fund balances – total governmental funds (Exhibit 3)		\$ 13,581,390
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.		83,384,788
Deferred outflows of resources resulting from pension obligations are not available resources and, therefore, are not reported in governmental funds.		3,023,062
Deferred outflows of resources resulting from the other postemployment benefits liability are not available resources and, therefore, are not reported in the governmental funds.		222,878
Revenues in the statement of activities that do not provide current financial resources are not reported in the governmental funds.		6,255,494
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
General obligation bonds	\$ (17,120,000)	
Special assessment bonds	(1,195,000)	
Unamortized premium on bonds	(601,360)	
Capital notes	(1,000,000)	
Unamortized premium on notes	(74,194)	
Compensated absences	(2,182,922)	
Net pension liability	(12,345,264)	
Other postemployment benefits liability	<u>(2,474,126)</u>	(36,992,866)
Deferred inflows resulting from pension obligations are not due and payable in the current period and, therefore, are not reported in the governmental funds.		(3,024,862)
Deferred inflows of resources resulting from the other postemployment benefits liability are not due and payable in the current period and, therefore, are not reported in the governmental funds.		(61,818)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the governmental funds.		(260,758)
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.		<u>83,128</u>
Net Position of Governmental Activities (Exhibit 1)		<u>\$ 66,210,436</u>

**MILLE LACS COUNTY
MILACA, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020**

	General	Road and Bridge
Revenues		
Taxes	\$ 11,854,049	\$ 746,050
Special assessments	139,109	-
Licenses and permits	389,516	16,925
Intergovernmental	7,570,961	6,149,391
Charges for services	766,917	102,976
Fines and forfeits	76,503	-
Gifts and contributions	2,330	-
Investment earnings	96,733	-
Miscellaneous	628,122	74,028
	\$ 21,524,240	\$ 7,089,370
Expenditures		
Current		
General government	\$ 12,123,320	\$ -
Public safety	10,430,971	-
Highways and streets	-	9,731,135
Sanitation	276,899	-
Human services	-	-
Health	-	-
Culture and recreation	157,327	-
Conservation of natural resources	1,054,081	-
Economic development	107,760	-
Intergovernmental		
Highways and streets	-	298,064
Culture and recreation	299,301	-
Capital outlay		
Highways and streets	-	-
Debt service		
Principal	-	-
Interest	-	-
Administrative (fiscal) charges	-	-
	\$ 24,449,659	\$ 10,029,199
Excess of Revenues Over (Under) Expenditures	\$ (2,925,419)	\$ (2,939,829)

EXHIBIT 5

<u>Community and Veteran Services</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Ditch</u>	<u>Total</u>
\$ 4,475,139	\$ 2,724,415	\$ 441	\$ -	\$ 19,800,094
-	-	-	152,902	292,011
-	-	-	-	406,441
6,696,789	20,137	-	-	20,437,278
767,666	-	-	-	1,637,559
-	-	-	-	76,503
20,300	-	-	-	22,630
-	-	-	-	96,733
587,216	-	-	-	1,289,366
\$ 12,547,110	\$ 2,744,552	\$ 441	\$ 152,902	\$ 44,058,615
\$ 196,362	\$ -	\$ -	\$ -	\$ 12,319,682
-	-	-	-	10,430,971
-	-	-	-	9,731,135
-	-	-	-	276,899
11,365,214	-	-	-	11,365,214
934,212	-	-	-	934,212
-	-	-	-	157,327
-	-	-	407,616	1,461,697
-	-	-	-	107,760
-	-	-	-	298,064
-	-	-	-	299,301
-	-	267,323	-	267,323
-	890,000	-	-	890,000
-	659,727	-	-	659,727
-	30,648	-	-	30,648
\$ 12,495,788	\$ 1,580,375	\$ 267,323	\$ 407,616	\$ 49,229,960
\$ 51,322	\$ 1,164,177	\$ (266,882)	\$ (254,714)	\$ (5,171,345)

**MILLE LACS COUNTY
MILACA, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020**

	General	Road and Bridge
Other Financing Sources (Uses)		
Transfers in	\$ 2,002,335	\$ 1,549,894
Transfers out	(144,712)	(2,335)
Proceeds from sale of capital assets	5,090	-
	\$ 1,862,713	\$ 1,547,559
Net Change in Fund Balance	\$ (1,062,706)	\$ (1,392,270)
Fund Balance – January 1	3,238,767	689,109
Increase (decrease) in inventories	-	(31,672)
Fund Balance – December 31	\$ 2,176,061	\$ (734,833)

EXHIBIT 5
(Continued)

<u>Community and Veteran Services</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Ditch</u>	<u>Total</u>
\$ 144,712	\$ 15,019	\$ -	\$ -	\$ 3,711,960
(2,000,000)	(146,477)	(1,403,417)	(15,019)	(3,711,960)
-	-	-	-	5,090
<u>\$ (1,855,288)</u>	<u>\$ (131,458)</u>	<u>\$ (1,403,417)</u>	<u>\$ (15,019)</u>	<u>\$ 5,090</u>
\$ (1,803,966)	\$ 1,032,719	\$ (1,670,299)	\$ (269,733)	\$ (5,166,255)
8,283,876	1,582,710	4,291,219	693,636	18,779,317
-	-	-	-	(31,672)
<u>\$ 6,479,910</u>	<u>\$ 2,615,429</u>	<u>\$ 2,620,920</u>	<u>\$ 423,903</u>	<u>\$ 13,581,390</u>

**MILLE LACS COUNTY
MILACA, MINNESOTA**

EXHIBIT 6

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES—GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020**

Net change in fund balance – total governmental funds (Exhibit 5) \$ (5,166,255)

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 unavailable revenue.

Unavailable revenue – December 31	\$ 6,255,494	
Unavailable revenue – January 1	<u>(5,546,697)</u>	708,797

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 and other related capital asset adjustments	\$ 4,588,518	
Net book value of assets sold or disposed of	(900)	
Current year depreciation	<u>(3,279,353)</u>	1,308,265

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.

Principal repayments		
General obligation bonds		890,000

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 the governmental funds.

Change in accrued interest payable	\$ 28,718	
Change in compensated absences	(151,857)	
Change in other postemployment benefits liability	(292,880)	
Change in net pension liability	(1,474,439)	
Change in deferred pension outflows	(1,018,211)	
Change in deferred pension inflows	3,553,757	
Change in deferred other postemployment benefits outflows	106,404	
Change in deferred other postemployment benefits inflows	10,304	
Change in inventories	(31,672)	
Current year amortization of premium on bonds issued	<u>56,217</u>	786,341

The increase or decrease in net position of the internal service fund is reported in the statement of activities as governmental activities.		<u>18,730</u>
--	--	---------------

Change in Net Position of Governmental Activities (Exhibit 2) \$ (1,454,122)

SELF-INSURANCE INTERNAL SERVICE FUND

MILLE LACS COUNTY
MILACA, MINNESOTA

EXHIBIT 7

STATEMENT OF FUND NET POSITION
SELF-INSURANCE INTERNAL SERVICE FUND
DECEMBER 31, 2020

	<u>Governmental Activities</u>
<u>Assets</u>	
Cash and pooled investments	\$ 96,492
<u>Liabilities</u>	
Claims payable	<u>13,364</u>
<u>Net Position</u>	
Unrestricted	<u><u>\$ 83,128</u></u>

MILLE LACS COUNTY
MILACA, MINNESOTA

EXHIBIT 8

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
SELF-INSURANCE INTERNAL SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>Governmental Activities</u>
Operating Revenues	
Insurance fees	\$ 170,772
Operating Expenses	
Insurance	<u>152,042</u>
Operating Income (Loss)	\$ 18,730
Net Position – January 1	<u>64,398</u>
Net Position – December 31	<u><u>\$ 83,128</u></u>

**MILLE LACS COUNTY
MILACA, MINNESOTA**

EXHIBIT 9

**STATEMENT OF CASH FLOWS
SELF-INSURANCE INTERNAL SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2020
Increase (Decrease) in Cash and Cash Equivalents**

	Governmental Activities
Cash Flows From Operating Activities	
Insurance fees	\$ 170,772
Insurance	(164,274)
	6,498
Net Cash Provided by (Used in) Operating Activities	\$ 6,498
Cash and Cash Equivalents at January 1	89,994
Cash and Cash Equivalents at December 31	\$ 96,492
 Reconciliation of operating income (loss) to net cash provided by (used in) operating activities	
Operating income (loss)	\$ 18,730
 Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities	
Increase (decrease) in claims payable	(12,232)
	6,498
Net Cash Provided by (Used in) Operating Activities	\$ 6,498

FIDUCIARY FUNDS

**MILLE LACS COUNTY
MILACA, MINNESOTA**

EXHIBIT 10

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2020**

	Private-Purpose Trust Funds	Custodial Funds
<u>Assets</u>		
Cash and pooled investments	\$ 54,307	\$ 1,442,589
Interest receivable	1,587	-
Due from other governments	-	12,910
Accounts receivable for other governments, net	-	82,469
Taxes receivable for other governments	-	501,022
	\$ 55,894	\$ 2,038,990
<u>Liabilities</u>		
Due to other governments	-	525,230
<u>Net Position</u>		
Restricted for individuals, organizations, and other governments	\$ 55,894	\$ 1,513,760

**MILLE LACS COUNTY
MILACA, MINNESOTA**

EXHIBIT 11

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020**

	Private-Purpose Trust Funds	Custodial Funds
<u>Additions</u>		
Contributions from individuals	\$ 266,043	\$ 403,213
Contributions from entities	-	109,812
Interest earnings	1,802	106
Property tax collections for other governments	-	17,244,708
Tax forfeited land sales	-	202,090
Federal/State revenue	-	438,307
Other taxes collected for other governments	-	147,382
Fees collected for other governments	-	180,366
	\$ 267,845	\$ 18,725,984
<u>Deductions</u>		
Beneficiary payments to individuals	\$ 255,159	\$ 394,384
Payments of property tax to other governments	-	16,747,982
Payments to state	-	121,298
Payments to other individuals/entities	-	400,270
	\$ 255,159	\$ 17,663,934
Change in Net Position	\$ 12,686	\$ 1,062,050
Net Position – January 1, as restated (Note 1.E)	43,208	451,710
Net Position – December 31	\$ 55,894	\$ 1,513,760

**MILLE LACS COUNTY
MILACA, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2020**

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, 2020. The Governmental Accounting Standards Board (GASB) is responsible for establishing generally accepted accounting principles 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

Mille Lacs County was established May 23, 1857, and is an organized county having the powers, duties, and privileges granted counties by Minn. Stat. ch. 373. The County is governed by a five-member Board of Commissioners elected from districts within the County. The Board is organized with a chair and vice chair elected at the annual meeting in January of each year. The County Administrator, who is an appointed officer, serves as the Clerk of the Board of Commissioners but does not vote in its decisions.

For financial reporting purposes, Mille Lacs County has included all funds, organizations, account groups, agencies, boards, commissions, and authorities, and has considered all potential component units for which the County is financially accountable, and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause Mille Lacs County's financial statements to be misleading or incomplete. The GASB has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the County to impose its will on that organization; or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the County.

As required by GAAP, these financial statements present Mille Lacs County (the primary government) and its component unit for which the County is financially accountable.

**MILLE LACS COUNTY
MILACA, MINNESOTA**

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity (Continued)

Blended Component Unit

The Mille Lacs County Housing and Redevelopment Authority (HRA), a blended component unit of Mille Lacs County, is governed by a five-member Board consisting of the Mille Lacs County Board of Commissioners and has the power to levy taxes, issue bonds, and enter into contracts. The HRA was established to assist with the implementation of a redevelopment plan to promote economic development within Mille Lacs County. Although it is legally separate from the County, the activity of the HRA is included in the Mille Lacs County General Fund because the HRA's governing body is the same as the governing body of the County, and Mille Lacs County has operational responsibility for the HRA. Separate financial statements are not prepared for the HRA. The Mille Lacs County HRA had no financial activity in 2020.

Joint Ventures

The County participates in several joint ventures described in Note 4.D.

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, which normally are supported by taxes and intergovernmental revenue, are reported in a single column.

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

**MILLE LACS COUNTY
MILACA, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

1. Government-Wide Statements (Continued)

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.

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, proprietary, and fiduciary—are presented. The emphasis of governmental fund financial statements is on major individual governmental funds, with each displayed as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor funds. The single internal service fund is reported in the proprietary fund financial statements.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

The principal operating revenue of the County's internal service fund is insurance fees, and the principal operating expense is insurance payments. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**MILLE LACS COUNTY
MILACA, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

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 is used to account for revenues and expenditures of the County Highway Department, which is responsible for the construction and maintenance of roads, bridges, and other projects affecting County roadways.

The Community and Veteran Services Special Revenue Fund is used to account for economic assistance and community social services programs.

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, principal, interest, and related costs of the County's general long-term debt.

The Capital Projects Fund is used to account for the financial resources to be used for capital acquisition, construction, or improvement of capital assets, exclusive of infrastructure (roads, bridges, etc.).

Additionally, the County reports the following fund types:

The Self-Insurance Internal Service Fund accounts for the County's self-insurance activities.

The Private-Purpose Trust Funds are used to account for resources legally held in trust for the benefit of individuals, private organizations, or other governments.

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

**MILLE LACS COUNTY
MILACA, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. 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. Mille Lacs County considers all revenues as available if collected within 60 days after the end of the current period. Property and other taxes, licenses and permits, 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 Auditor-Treasurer to increase earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2020. All investments are measured at the net asset value per share. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments of governmental and fiduciary funds are credited to the General Fund. Other funds received investment earnings based on other statutes, grant agreements, contracts, and bond covenants. Pooled investment earnings for 2020 were \$96,733.

**MILLE LACS COUNTY
MILACA, MINNESOTA**

1. Summary of Significant Accounting Policies

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

1. Deposits and Investments (Continued)

Cash and cash equivalents are identified only for the purpose of the statement of cash flows for the proprietary fund. Pooled investments, which have the characteristics of demand deposits, are considered to be cash and cash equivalents on the statement of cash flows.

Mille Lacs County invests in an external investment pool, the Minnesota Association of Governments Investing for Counties (MAGIC) Fund, which is created under a joint powers agreement pursuant to Minn. Stat. § 471.59. The investment in the pool is measured at the net asset value per share provided by the pool.

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 in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources. This treatment is available for the General Fund only.

Property taxes are levied as of January 1 on property values assessed as of January 1 of the previous year. The tax levy notice is mailed in March with the first half payment due May 15 and the second half payment due October 15. Unpaid taxes at December 31 become liens on the respective property and are classified in the financial statements as delinquent taxes receivable. Special assessments receivable consist of delinquent special assessments payable in the years 2014 through 2020.

Accounts receivable include an allowance for doubtful accounts. Total accounts receivable for the year ended December 31, 2020, were \$2,679,648 for governmental activities, and \$7,135,676 for fiduciary funds. The allowance for doubtful accounts was \$2,468,963 for governmental activities, and \$7,053,207 for fiduciary funds resulting in a net effect of \$210,685 and \$82,469, respectively.

**MILLE LACS COUNTY
MILACA, MINNESOTA**

1. Summary of Significant Accounting Policies

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

3. Inventories and Prepaid Items

All inventories are valued at cost using the first in/first out method. Inventories in governmental funds are recorded as expenditures when purchased rather than when consumed. Reported inventories are equally offset by nonspendable fund balance to indicate that they do not constitute available spendable resources. 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. The County had no prepaid items for the year ended December 31, 2020.

4. Capital Assets

Capital assets, including property, plant, equipment, and infrastructure assets (for example, roads, bridges, and similar items), are reported in the government-wide financial statements. The County defines capital assets as assets with an initial, individual cost of more than \$5,000 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 at the date of donation.

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

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

<u>Assets</u>	<u>Years</u>
Land improvements	20 - 35
Buildings	25 - 40
Machinery and equipment	3 - 15
Infrastructure	15 - 75
Software	5

**MILLE LACS COUNTY
MILACA, MINNESOTA**

1. Summary of Significant Accounting Policies

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

5. Unearned Revenue

Governmental funds and government-wide financial statements report unearned revenue in connection with resources that have been received, but not yet earned. The County had no unearned revenue for the year ended December 31, 2020.

6. Compensated Absences

The liability for compensated absences reported in the financial statements consists of unpaid, accumulated annual vacation and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. 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. Compensated absences are accrued when incurred in the government-wide financial statements. The government-wide statement of net position reports both current and noncurrent portions of compensated absences. The current portion consists of an amount based on a three-year average of terminated employees. The noncurrent portion consists of the remaining amount of vacation and vested sick leave. Compensated absences are liquidated by the General Fund, the Road and Bridge Special Revenue Fund, and the Community and Veteran Services Special Revenue Fund.

7. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. 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. Bond issuance costs are expensed entirely in the year the debt was issued.

**MILLE LACS COUNTY
MILACA, MINNESOTA**

1. Summary of Significant Accounting Policies

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

7. Long-Term Obligations (Continued)

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.

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expenditure/expense) until then. The County reports deferred outflows of resources only under the full accrual basis of accounting associated with pension plans and other postemployment benefits (OPEB) and, accordingly, 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) until that time. The County has three types of deferred inflows. The governmental funds report unavailable revenue from delinquent property taxes and special assessments receivable, and grants receivable. Unavailable revenue arises only under the modified accrual basis of accounting and, accordingly, is reported only in the governmental funds balance sheet. Unavailable revenue is deferred and recognized as an inflow of resources in the period that the amounts become available. The County also reports deferred inflows of resources associated with pension 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.

**MILLE LACS COUNTY
MILACA, MINNESOTA**

1. Summary of Significant Accounting Policies

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

9. Pension Plan

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

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.

**MILLE LACS COUNTY
MILACA, MINNESOTA**

1. Summary of Significant Accounting Policies

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

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 imposed by law through constitutional provisions or enabling legislation.

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

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

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.

**MILLE LACS COUNTY
MILACA, MINNESOTA**

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)

The County has adopted a minimum fund balance policy for the General Fund, the Road and Bridge Special Revenue Fund, and the Community and Veteran Services Special Revenue Fund. All three funds are heavily reliant on property tax revenues to fund current operations. However, current property tax revenues are not available for distribution until June. Therefore, the County Board has determined it needs to maintain a minimum unrestricted (committed, assigned, and unassigned) fund balance in these funds to meet operating needs until those tax revenues are distributed. The County Board has set the minimum year-end unrestricted fund balance amounts as follows: for the General Fund, 30 to 40 percent of the following year's operating budget; for the Road and Bridge Special Revenue Fund, 25 to 35 percent of the following year's operating budget; and for the Community and Veteran Services Special Revenue Fund, 35 to 45 percent of the following year's operating budget.

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

12. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make 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.

**MILLE LACS COUNTY
MILACA, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

E. Change in Accounting Principles

During the year ended December 31, 2020, the County adopted new accounting guidance by implementing the provisions of GASB Statement No. 84, Fiduciary Activities, which establishes criteria for identifying and reporting fiduciary activities. The implementation of this statement has resulted in changing the presentation of the financial statements by recording the Social Welfare Private Purpose Trust Fund that was not previously reported, and including accruals and ending net position to custodial funds not previously required. Beginning net position has been restated to reflect this change.

	Social Welfare Private Purpose Trust Fund	Custodial Funds
Net Position, January 1, 2020, as previously reported	\$ -	\$ -
Change in accounting principles	25,757	451,710
Net Position, January 1, 2020, as restated	\$ 25,757	\$ 451,710

2. Stewardship, Compliance, and Accountability

A. Deficit Fund Equity

The Ditch Special Revenue Fund had a positive fund balance of \$423,903 as of December 31, 2020, although four individual ditch systems had deficit fund balances. These deficits will be eliminated with future special assessment levies against the benefited properties. The following is a summary of the individual ditch systems:

6 ditches with positive fund balances	\$ 473,383
4 ditches with deficit fund balances	(49,480)
Total Fund Balance	\$ 423,903

The Road and Bridge Special Revenue fund had a negative fund balance of \$734,833 as of December 31, 2020. This deficit will be eliminated with future highway user tax allotments and property taxes levied by the County.

**MILLE LACS COUNTY
MILACA, MINNESOTA**

2. Stewardship, Compliance, and Accountability (Continued)

B. Tax Abatements

The County is subject to tax abatements granted by cities within the County, pursuant to Minn. Stat. §§ 469.174 to 469.1794, through a pay-as-you-go note program. Tax increment financing (TIF) can be used to encourage private development, redevelopment, renovation and renewal, growth in low-to-moderate-income housing, and economic development within a city. TIF captures the increase in tax capacity and property taxes (of all taxing jurisdictions, including the County) from development or redevelopment to provide funding for the related project.

The pay-as-you-go note provides for payment to the developer of a percentage of all tax increment received in the prior six months. The payment reimburses the developer for certain public improvements. During 2020, there were six pay-as-you-go notes within the County. The TIF funds collected during 2020 totaled \$137,892. The County's portion of the captured tax capacity and related property taxes was approximately 43 percent, or \$59,293.

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

Reconciliation of Mille Lacs County's total cash and investments to the basic financial statements follows:

Government-wide statement of net position	
Governmental activities	
Cash and pooled investments	\$ 14,776,515
Petty cash and change funds	850
Departmental cash	22,347
Statement of fiduciary net position	
Cash and pooled investments	
Private-Purpose Trust Funds	54,307
Custodial Funds	1,442,589
	<hr/>
Total Cash and Investments	\$ 16,296,608

**MILLE LACS COUNTY
MILACA, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

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 deposits with insurance, surety bond, or collateral. The market value of collateral pledged shall be at least ten percent more than the amount on deposit at the close of the financial institution's banking day, not covered by insurance or bonds.

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

In accordance with Minnesota statutes, the County maintains deposits at depository banks authorized by the Board. The carrying amount of the County's deposits with financial institutions was \$8,051,599 as of December 31, 2020; the bank balance was \$7,955,779.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits may not be returned to it. It is the County's policy to minimize custodial credit risk by obtaining collateral for all uninsured amounts on deposit. As of December 31, 2020, \$4,239,807 of the County's deposits were exposed to custodial credit risk.

**MILLE LACS COUNTY
MILACA, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

b. Investments

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

- (1) securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as “high risk” by Minn. Stat. § 118A.04, subd. 6;
- (2) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;
- (3) general obligations of the State of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;
- (4) 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. The County does not have a policy regarding interest rate risk.

**MILLE LACS COUNTY
MILACA, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Credit Risk

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

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities in the possession of an outside party. It is the County's policy to minimize investment custodial credit risk by permitting brokers that obtain investments for the County to hold them only to the extent there is Securities Investor Protection Corporation (SIPC) insurance and excess SIPC coverage available. At December 31, 2020, none of the County's investments were subject to custodial credit risk.

Concentration of Credit Risk

The concentration of credit risk is the risk of loss that may be caused by the County's investment in a single issuer. It is the County's policy that U.S. Treasury securities, U.S. agency securities, and obligations backed by U.S. Treasury and/or U.S. agency securities may be held without limit.

**MILLE LACS COUNTY
MILACA, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

The following table presents the County’s deposit and investment balances at December 31, 2020, and information relating to potential investment risks:

Investment Type	Credit Risk		Concentration Risk	Interest Rate Risk	Carrying (Fair) Value
	Credit Rating	Rating Agency	Over 5 Percent of Portfolio	Maturity Date	
Investment pools/mutual funds					
MAGIC Fund	N/R	N/A	100.0%	N/A	\$ 8,221,812
Deposits					8,051,599
Petty cash and change funds					850
Departmental cash					22,347
Total Cash and Investments					<u>\$ 16,296,608</u>

N/A – Not Applicable
N/R – Not Rated

c. Fair Value Measurements

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

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

**MILLE LACS COUNTY
MILACA, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

c. Fair Value Measurements (Continued)

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

	<u>Investments Measured at NAV</u>
	<u>As of December 31, 2020</u>
Investments MAGIC Portfolio	<u>\$ 8,221,812</u>

2. Receivables

Property taxes and special assessments which remain unpaid at December 31 are delinquent. No allowance for uncollectible receivables has been provided because such amounts are not expected to be material.

The governmental funds reported accounts receivable of \$210,685, of which \$41,266 is expected to be collected beyond one year. Fiduciary funds reported receivables of \$82,469, all of which is expected to be collected beyond one year.

**MILLE LACS COUNTY
MILACA, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets (Continued)

3. Capital Assets

Capital asset activity for the year ended December 31, 2020, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 3,028,726	\$ -	\$ -	\$ 3,028,726
Construction in progress	12,771,958	4,124,585	1,464,881	15,431,662
Total capital assets not depreciated	\$ 15,800,684	\$ 4,124,585	\$ 1,464,881	\$ 18,460,388
Capital assets depreciated				
Land improvements	\$ 968,190	\$ -	\$ -	\$ 968,190
Buildings	26,141,767	-	-	26,141,767
Machinery and equipment	10,394,476	463,933	55,732	10,802,677
Infrastructure	73,483,425	1,464,881	-	74,948,306
Software	271,558	-	-	271,558
Total capital assets depreciated	\$ 111,259,416	\$ 1,928,814	\$ 55,732	\$ 113,132,498
Less: accumulated depreciation for				
Land improvements	\$ 735,057	\$ 24,474	\$ -	\$ 759,531
Buildings	10,351,829	734,808	-	11,086,637
Machinery and equipment	7,023,269	787,731	54,832	7,756,168
Infrastructure	26,620,413	1,723,607	-	28,344,020
Software	253,009	8,733	-	261,742
Total accumulated depreciation	\$ 44,983,577	\$ 3,279,353	\$ 54,832	\$ 48,208,098
Total capital assets depreciated, net	\$ 66,275,839	\$ (1,350,539)	\$ 900	\$ 64,924,400
Governmental Activities Capital Assets, Net	\$ 82,076,523	\$ 2,774,046	\$ 1,465,781	\$ 83,384,788

**MILLE LACS COUNTY
MILACA, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

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

Governmental Activities		
General government	\$	875,239
Public safety		268,925
Highways and streets, including depreciation of infrastructure assets		2,100,696
Human services		26,741
Conservation of natural resources		<u>7,752</u>
Total Depreciation Expense – Governmental Activities	\$	<u><u>3,279,353</u></u>

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2020, was as follows:

1. Due To/From Other Funds

	Receivable	Payable
Major governmental funds		
General Fund	\$ 103,018	\$ 144,712
Road and Bridge Special Revenue Fund	-	92,047
Community and Veteran Services Special Revenue Fund	<u>144,712</u>	<u>10,971</u>
Total Due To/From Other Funds	<u><u>\$ 247,730</u></u>	<u><u>\$ 247,730</u></u>

The interfund balances above represent General Fund amounts due to Community and Veterans Services Special Revenue Fund for Coronavirus Relief Fund expenditure reimbursement, Road and Bridge Special Revenue Fund amounts due to the General Fund to cover negative cash at year end, and Community and Veteran Services Special Revenue Fund amounts due to the General Fund for miscellaneous reimbursements.

**MILLE LACS COUNTY
MILACA, MINNESOTA**

3. Detailed Notes on All Funds

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

2. Advances From/To Other Funds

The General Fund advanced \$59,497 to the Ditch Special Revenue Fund for cash flow purposes.

3. Transfers

Interfund transfers at December 31, 2020, were as follows:

	Transfers In	Description
Transfers to General Fund from		
Community and Veterans Services Fund	\$ 2,000,000	Excess fund balance
Road and Bridge Fund	2,335	Reimburse Surveyor costs
Total transfers to General Fund	\$ 2,002,335	
Transfers to Road and Bridge Fund from		
Debt Service Fund	\$ 146,477	Reimburse salaries with local option sales tax
Capital Projects Fund	1,403,417	Reimburse project costs with bond proceeds
Total transfers to Road and Bridge Fund	\$ 1,549,894	
Transfer to Community and Veterans Services Fund from		
General Fund	\$ 144,712	Coronavirus Relief Fund expenditures
Transfer to Debt Service Fund from		
Ditch Fund	\$ 15,019	Bond proceeds Ditch 3
Total Interfund Transfers	\$ 3,711,960	

C. Liabilities and Deferred Inflows of Resources

1. Construction and Other Commitments

The County has active construction projects as of December 31, 2020. The remaining commitment for highway projects are state-funded and, therefore, not obligations of the County at December 31, 2020.

**MILLE LACS COUNTY
MILACA, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources (Continued)

2. Deferred Inflows of Resources – Unavailable Revenue

Unavailable revenue consists of taxes, special assessments, investment earnings, and state grants and allotments and federal grants receivable not collected soon enough after year-end to pay liabilities of the current period. Deferred inflows of resources at December 31, 2020, are summarized by fund:

	Taxes	Special Assessments	Grants and Highway Allotments	Other	Total
Major governmental funds					
General	\$ 366,210	\$ 7,205	\$ -	\$ 163,211	\$ 536,626
Special Revenue					
Road and Bridge	10,648	-	5,395,461	-	5,406,109
Community and Veteran Services	149,152	-	137,505	-	286,657
Debt Service	25,605	-	-	-	25,605
Capital Projects	497	-	-	-	497
Total	<u>\$ 552,112</u>	<u>\$ 7,205</u>	<u>\$ 5,532,966</u>	<u>\$ 163,211</u>	<u>\$ 6,255,494</u>

3. Long-Term Debt

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2020
General obligation bonds					
2010B Taxable Capital Improvement Bonds – Recovery Zone Economic Development Bonds	02/01/2026	\$125,000 - \$140,000	3.30 - 4.45	\$ 920,000	\$ 795,000
2014 G.O. Capital Improvement Plan Refunding Bonds	02/01/2029	\$395,000 - \$540,000	2.50 - 3.00	6,015,000	4,380,000
2018A G.O. Capital Improvement Plan Bonds	02/01/2039	\$340,000 - \$630,000	3.00 - 3.50	9,315,000	8,975,000
2019A G.O. Capital Improvement Plan Bonds	02/01/2035	\$150,000 - \$245,000	3.00 - 4.00	2,970,000	2,970,000
Total General Obligation Bonds				\$ 19,220,000	\$ 17,120,000
Special assessment bonds with government commitment					
2019B G.O. Drainage Bonds	02/01/2042	\$45,000 - \$65,000	3.00	1,195,000	1,195,000
2019A G.O. Capital Equipment Notes	02/01/2025	\$185,000 - \$215,000	4.00	1,000,000	1,000,000
Total				<u>\$ 21,415,000</u>	<u>\$ 19,315,000</u>

**MILLE LACS COUNTY
MILACA, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources (Continued)

4. Debt Service Requirements

Debt service requirements at December 31, 2020, were as follows:

Year Ending December 31	General Obligation Bonds		Taxable General Obligation Bonds	
	Principal	Interest	Principal	Interest
2021	\$ 935,000	\$ 502,725	\$ 125,000	\$ 30,189
2022	970,000	472,626	130,000	25,372
2023	1,000,000	442,625	130,000	20,238
2024	1,030,000	412,838	135,000	14,836
2025	1,055,000	381,632	135,000	9,132
2026 - 2030	5,240,000	1,397,240	140,000	3,115
2031 - 2035	3,705,000	730,396	-	-
2036 - 2040	2,390,000	171,151	-	-
Total	<u>\$ 16,325,000</u>	<u>\$ 4,511,233</u>	<u>\$ 795,000</u>	<u>\$ 102,882</u>

Year Ending December 31	Special Assessment Bonds		Notes	
	Principal	Interest	Principal	Interest
2021	\$ 45,000	\$ 35,175	\$ 185,000	\$ 36,300
2022	45,000	33,825	190,000	28,800
2023	45,000	32,475	200,000	21,000
2024	45,000	31,125	210,000	12,800
2025	50,000	29,700	215,000	4,300
2026 - 2030	255,000	125,925	-	-
2031 - 2035	305,000	83,925	-	-
2036 - 2040	280,000	40,050	-	-
2041 - 2042	125,000	3,825	-	-
Total	<u>\$ 1,195,000</u>	<u>\$ 416,025</u>	<u>\$ 1,000,000</u>	<u>\$ 103,200</u>

**MILLE LACS COUNTY
MILACA, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources

4. Debt Service Requirements (Continued)

As part of the American Recovery and Reinvestment Act of 2009 (ARRA), Mille Lacs County issued \$920,000 of Recovery Zone Economic Development Bonds (RZEDBs), which were issued for the Historical Courthouse Square remodel project. The Series 2010B Bonds are direct pay tax credit RZEDBs, in which the County will receive a payment from the federal government equal to 45 percent of the amount of interest payable on each interest payment date. The County has complied with all requirements of the ARRA to be eligible for the RZEDB interest credit. Pursuant to the requirements of the Balanced Budget and Emergency Deficit Control Act of 1985, the refundable credit has been decreased by 6.8 percent from sequestration through September 30, 2016, and 6.9 percent for the remainder of the year. The Series 2010B Bonds were issued as taxable obligations, which the County will elect to irrevocably designate as qualified RZEDBs. The entire County has been designated as a recovery zone pursuant to a resolution adopted by the Board of Commissioners of the County on July 20, 2010.

Taking into consideration the aforementioned RZEDB interest credit, as of December 31, 2020, the County's net annual debt service requirements to amortize all taxable general obligation bonds outstanding, including interest of \$59,781 on the governmental activities debt, is as follows:

Year Ending December 31	Principal	Interest	Federal Subsidy	Net Interest	Total Payment
2021	\$ 125,000	\$ 30,189	\$ (12,648)	\$ 17,541	\$ 142,541
2022	130,000	25,372	(10,629)	14,743	144,743
2023	130,000	20,238	(8,479)	11,759	141,759
2024	135,000	14,836	(6,215)	8,621	143,621
2025	135,000	9,132	(3,825)	5,307	140,307
2026 - 2027	140,000	3,115	(1,305)	1,810	141,810
Total	<u>\$ 795,000</u>	<u>\$ 102,882</u>	<u>\$ (43,101)</u>	<u>\$ 59,781</u>	<u>\$ 854,781</u>

**MILLE LACS COUNTY
MILACA, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources (Continued)

5. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2020, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General obligation bonds	\$ 17,090,000	\$ -	\$ 765,000	\$ 16,325,000	\$ 935,000
Taxable general obligation bonds	920,000	-	125,000	795,000	125,000
Special assessments bonds with government commitment	1,195,000	-	-	1,195,000	45,000
Capital equipment notes	1,000,000	-	-	1,000,000	185,000
Add: premium on bonds and notes	731,771	-	56,217	675,554	-
Compensated absences	2,031,065	151,857	-	2,182,922	201,782
Long-Term Liabilities	\$ 22,967,836	\$ 151,857	\$ 946,217	\$ 22,173,476	\$ 1,491,782

D. Other Postemployment Benefits (OPEB)

1. Plan Description

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

The plan offers medical and dental coverage. The County provides benefits for retirees as required by Minn. Stat. § 471.61, subd. 2b; retirees are required to pay the same premium rate as County employees. Since the premium is determined on the entire active and retiree population, the retirees are receiving an implicit rate subsidy.

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

**MILLE LACS COUNTY
MILACA, MINNESOTA**

3. Detailed Notes on All Funds

D. Other Postemployment Benefits (OPEB)

1. Plan Description (Continued)

As of the January 1, 2020, actuarial valuation, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	3
Active plan participants	240
Total	243

2. Total OPEB Liability

The County's total OPEB liability of \$2,474,126 was measured as of January 1, 2020, and was determined by an actuarial valuation as of that date. The OPEB liability is liquidated through the General Fund, the Road and Bridge Special Revenue Fund, and the Community and Veteran Services Special Revenue Fund.

The total OPEB liability in the fiscal year-end December 31, 2020, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Actuarial cost method	Entry Age Normal Percent of Pay
Inflation	2.50 percent
Salary increases	Service grade table
Health care cost trend	6.50 percent as of January 1, 2020 grading to 5.00 percent over 6 years and then 4.00 percent over the next 48 years

The current year discount rate is 2.90 percent. For the current valuation, the discount rate is equal to the 20-Year municipal bond yield.

Mortality rates used are recent tables developed and recommended by the Society of Actuaries, (SOA) Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Safety) with MP-2019 Generational Improvement Scale.

**MILLE LACS COUNTY
MILACA, MINNESOTA**

3. Detailed Notes on All Funds

D. Other Postemployment Benefits (OPEB)

2. Total OPEB Liability (Continued)

Retirement and withdrawal assumptions used are similar to those used to value pension liabilities for Minnesota public employees. The state pension plans base their assumptions on periodic experience studies.

3. Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at December 31, 2019	\$ 2,181,246
Changes for the year	
Service cost	\$ 190,162
Interest	87,921
Assumption changes	104,889
Differences between expected and actual experience	26,382
Benefit payments	(116,474)
Net change	\$ 292,880
Balance at December 31, 2020	\$ 2,474,126

4. OPEB Liability Sensitivity

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

	Discount Rate	Total OPEB Liability
1% Decrease	1.90%	\$ 2,671,672
Current	2.90	2,474,126
1% Increase	3.90	2,289,132

**MILLE LACS COUNTY
MILACA, MINNESOTA**

3. Detailed Notes on All Funds

D. Other Postemployment Benefits (OPEB)

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

	Health Care Trend Rate	Total OPEB Liability
1% Decrease	5.50% Decreasing to 4.50%	\$ 2,227,825
Current	6.50% Decreasing to 5.50%	2,474,126
1% Increase	7.50% Decreasing to 6.50%	2,764,487

5. OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the year ended December 31, 2020, the County recognized OPEB expense of \$284,189. 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 experience	\$ 23,084	\$ -
Changes in actuarial assumptions	91,777	61,818
Contributions paid to OPEB plan subsequent to measurement date	108,017	-
Total	\$ 222,878	\$ 61,818

The \$108,017 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, 2021. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

**MILLE LACS COUNTY
MILACA, MINNESOTA**

3. Detailed Notes on All Funds

D. Other Postemployment Benefits (OPEB)

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

Year Ended December 31	OPEB Expense Amount
2021	\$ 6,106
2022	6,106
2023	6,106
2024	6,106
2025	6,106
Thereafter	22,513

6. Changes in Actuarial Assumptions

The following changes in actuarial assumptions occurred in 2020:

- The health care trend rates were changed to better anticipate short-term and long-term medical increases.
- The mortality tables were updated from RP-2014 Mortality Tables (Blue Collar for Public Safety, White Collar for Other) with MP-2017 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Safety) with MP-2019 Generational Improvement Scale.
- The salary increase rates were changed from a flat 3.00 percent per year for all employees to rates which vary by service and contract group.
- The discount rate was changed from 3.80 percent to 2.90 percent.

**MILLE LACS COUNTY
MILACA, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

E. Pension Plans

Defined Benefit Pension Plans

1. Plan Description

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

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

**MILLE LACS COUNTY
MILACA, MINNESOTA**

3. Detailed Notes on All Funds

E. Pension Plans

Defined Benefit Pension Plans

1. Plan Description (Continued)

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

2. Benefits Provided

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

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

**MILLE LACS COUNTY
MILACA, MINNESOTA**

3. Detailed Notes on All Funds

E. Pension Plans

Defined Benefit Pension Plans

2. Benefits Provided (Continued)

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

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

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

**MILLE LACS COUNTY
MILACA, MINNESOTA**

3. Detailed Notes on All Funds

E. Pension Plans

Defined Benefit Pension Plans

2. Benefits Provided (Continued)

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

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

3. Contributions

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the state legislature. General Employees Plan members were required to contribute 6.50 percent of their annual covered salary in 2020. Police and Fire Plan members were required to contribute 11.80 percent of their annual covered salary in 2020. Correctional Plan members were required to contribute 5.83 percent of their annual covered salary in 2020.

**MILLE LACS COUNTY
MILACA, MINNESOTA**

3. Detailed Notes on All Funds

E. Pension Plans

Defined Benefit Pension Plans

3. Contributions (Continued)

In 2020, 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	17.70
Correctional Plan	8.75

The Police and Fire Plan member and employer contribution rates increased 0.50 percent and 0.75 percent, respectively, from 2019.

The County's contributions for the year ended December 31, 2020, to the pension plans were:

General Employees Plan	\$	845,084
Police and Fire Plan		486,505
Correctional Plan		168,744

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

4. Pension Costs

General Employees Plan

At December 31, 2020, the County reported a liability of \$8,897,258 for its proportionate share of the General Employees Plan's net pension liability. The net pension liability was measured as of June 30, 2020, 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, 2019, through June 30, 2020, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2020, the County's proportion was 0.1484 percent. It was

**MILLE LACS COUNTY
MILACA, MINNESOTA**

3. Detailed Notes on All Funds

E. Pension Plans

Defined Benefit Pension Plans

4. Pension Costs

General Employees Plan (Continued)

0.1478 percent measured as of June 30, 2019. The County recognized pension expense of \$605,974 for its proportionate share of the General Employees Plan's pension expense.

The County also recognized \$23,881 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's expense related to its 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 until September 15, 2031.

The County's proportionate share of the net pension liability	\$	8,897,258
State of Minnesota's proportionate share of the net pension liability associated with the County		274,403
Total	\$	9,171,661

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	\$ 80,715	\$ 33,663
Changes in actuarial assumptions	-	326,808
Difference between projected and actual investment earnings	184,990	-
Changes in proportion	185,800	-
Contributions paid to PERA subsequent to the measurement date	444,686	-
Total	\$ 896,191	\$ 360,471

**MILLE LACS COUNTY
MILACA, MINNESOTA**

3. Detailed Notes on All Funds

E. Pension Plans

Defined Benefit Pension Plans

4. Pension Costs

General Employees Plan (Continued)

The \$444,686 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, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31</u>	<u>Pension Expense Amount</u>
2021	\$ (354,559)
2022	53,234
2023	177,398
2024	214,961

Police and Fire Plan

At December 31, 2020, the County reported a liability of \$3,210,909 for its proportionate share of the Police and Fire Plan's net pension liability. The net pension liability was measured as of June 30, 2020, 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, 2019, through June 30, 2020, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2020, the County's proportion was 0.2493 percent. It was 0.2428 percent measured as of June 30, 2019. The County recognized pension expense of \$515,880 for its proportionate share of the Police and Fire Plan's pension expense.

**MILLE LACS COUNTY
MILACA, MINNESOTA**

3. Detailed Notes on All Funds

E. Pension Plans

Defined Benefit Pension Plans

4. Pension Costs

Police and Fire Plan (Continued)

The State of Minnesota also contributed \$13.5 million to the Police and Fire Plan in the plan fiscal year ended June 30, 2020. The contribution consisted of \$4.5 million in direct state aid that meets the definition of a special funding situation and \$9 million in supplemental state aid that does not meet the definition of a special funding situation.

Legislation required the State of Minnesota to pay direct state aid of \$4.5 million on October 1, 2019, and to pay \$9 million by October 1 of each subsequent year until full funding is reached, or July 1, 2048, whichever is earlier. The County recognized an additional \$23,269 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's pension expense related to the special funding situation.

The County's proportionate share of the net pension liability	\$ 3,210,909
State of Minnesota's proportionate share of the net pension liability associated with the County	<u>75,632</u>
Total	<u>\$ 3,286,541</u>

Legislation also requires the State of Minnesota to contribute \$9 million to the Police and Fire Plan each year, starting in fiscal year 2014, until the plan is 90 percent funded, or until the State Patrol Plan is 90 percent funded, whichever occurs later. The County also recognized \$21,924 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's on-behalf contribution to the Police and Fire Plan.

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

**MILLE LACS COUNTY
MILACA, MINNESOTA**

3. Detailed Notes on All Funds

E. Pension Plans

Defined Benefit Pension Plans

4. Pension Costs

Police and Fire Plan (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 138,548	\$ 114,550
Changes in actuarial assumptions	808,357	1,835,693
Difference between projected and actual investment earnings	125,351	-
Changes in proportion	674,582	-
Contributions paid to PERA subsequent to the measurement date	256,411	-
Total	\$ 2,003,249	\$ 1,950,243

The \$256,411 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, 2021. 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
2021	\$ (40,506)
2022	(500,333)
2023	185,404
2024	148,351
2025	3,679

**MILLE LACS COUNTY
MILACA, MINNESOTA**

3. Detailed Notes on All Funds

E. Pension Plans

Defined Benefit Pension Plans

4. Pension Costs (Continued)

Correctional Plan

At December 31, 2020, the County reported a liability of \$237,097 for its proportionate share of the Correctional Plan's net pension liability. The net pension liability was measured as of June 30, 2020, 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, 2019, through June 30, 2020, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2020, the County's proportion was 0.8738 percent. It was 0.8266 percent measured as of June 30, 2019. The County recognized pension expense of (\$655,424) 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	\$ 2,296	\$ 86,810
Changes in actuarial assumptions	-	494,817
Difference between projected and actual investment earnings	26,566	-
Changes in proportion	4,901	132,521
Contributions paid to PERA subsequent to the measurement date	89,859	-
Total	\$ 123,622	\$ 714,148

**MILLE LACS COUNTY
MILACA, MINNESOTA**

3. Detailed Notes on All Funds

E. Pension Plans

Defined Benefit Pension Plans

4. Pension Costs

Correctional Plan (Continued)

The \$89,859 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, 2021. 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
2021	\$ (710,175)
2022	(27,786)
2023	14,803
2024	42,773

Total Pension Expense

The total pension expense for all plans recognized by the County for the year ended December 31, 2020, was \$466,430.

5. Actuarial Assumptions

The total pension liability in the June 30, 2020, actuarial valuation was determined using the individual entry-age normal actuarial cost method and the following additional actuarial assumptions:

	General Employees Fund	Police and Fire Fund	Correctional Fund
Inflation	2.25% per year	2.50% per year	2.50% per year
Active Member Payroll Growth	3.00% per year	3.25% per year	3.25% per year
Investment Rate of Return	7.50%	7.50%	7.50%

**MILLE LACS COUNTY
MILACA, MINNESOTA**

3. Detailed Notes on All Funds

E. Pension Plans

Defined Benefit Pension Plans

5. Actuarial Assumptions (Continued)

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants were based on the Pub-2010 General Employee Mortality Table for the General Employees Plan and the RP-2014 mortality tables for the Police and Fire and the Correctional Plans, with slight adjustments. Cost of living benefit increases for retirees are assumed to be 1.25 percent for the General Employees Plan and 2.00 percent for the Correctional Plan. 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, 2020, valuation were based on the results of actuarial experience studies. The experience study for the General Employees Plan was dated June 27, 2019. The experience study for the Police and Fire Plan was dated 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.

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:

**MILLE LACS COUNTY
MILACA, MINNESOTA**

3. Detailed Notes on All Funds

E. Pension Plans

Defined Benefit Pension Plans

5. Actuarial Assumptions (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. equities	35.50%	5.10%
Broad international stock pool	17.50	5.30
Bond pool	20.00	0.75
Alternatives	25.00	5.90
Cash equivalents	2.00	0.00

6. Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent in 2020, which remained consistent with 2019. 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.

7. Changes in Actuarial Assumptions and Plan Provisions

The following changes in actuarial assumptions occurred in 2020:

General Employees Plan

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

**MILLE LACS COUNTY
MILACA, MINNESOTA**

3. Detailed Notes on All Funds

E. Pension Plans

Defined Benefit Pension Plans

7. Changes in Actuarial Assumptions and Plan Provisions

General Employees Plan (Continued)

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

**MILLE LACS COUNTY
MILACA, MINNESOTA**

3. Detailed Notes on All Funds

E. Pension Plans

Defined Benefit Pension Plans

7. Changes in Actuarial Assumptions and Plan Provisions

General Employees Plan (Continued)

- Augmentation for current privatized members was reduced to 2.00 percent for the period July 1, 2020, through December 31, 2023, and 0.00 percent thereafter. Augmentation was eliminated for privatizations occurring after June 30, 2020.

Police and Fire Plan

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

Correctional Plan

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

8. Pension Liability Sensitivity

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

	General Employees Plan		Police and Fire Plan		Correctional Plan	
	Discount Rate	Net Pension Liability	Discount Rate	Net Pension Liability	Discount Rate	Net Pension Liability
1% Decrease	6.50%	\$ 14,259,219	6.50%	\$ 6,399,803	6.50%	\$ 1,473,533
Current	7.50	8,897,258	7.50	3,210,909	7.50	237,097
1% Increase	8.50	4,474,072	8.50	572,657	8.50	(752,587)

**MILLE LACS COUNTY
MILACA, MINNESOTA**

3. Detailed Notes on All Funds

E. Pension Plans

Defined Benefit Pension Plans (Continued)

9. Pension Plan Fiduciary Net Position

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

4. 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. To manage these risks, the County has entered into a joint powers agreement with other Minnesota counties to form the Minnesota Counties Intergovernmental Trust (MCIT). MCIT is a public entity risk pool currently operated as a common risk management and insurance program for its members. The County is a member of both the MCIT Workers' Compensation and Property and Casualty Divisions. For all other risk, other than pertaining to health insurance, 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 2020 and 2021. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

**MILLE LACS COUNTY
MILACA, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

A. Risk Management (Continued)

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.

On January 1, 2010, the County contracted with Delta Dental of Minnesota to administer the County's dental benefit plan for its employees as provided by the plan accepted from Delta Dental. The County sets annual premiums for the plan based on the recommendation of the plan administration and accumulates premiums collected from all participating funds in the Self-Insurance Internal Service Fund.

At the beginning of each month, the County is billed by Delta Dental of Minnesota for the previous month's claims processed and the per-employee administrative fee. The payment is made to Delta Dental from the premiums accumulated in the Self-Insurance Internal Service Fund.

Changes in the balance of claims payable during 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Claims payable – January 1	\$ 25,596	\$ 10,189
Current year claims	152,042	141,517
Claim payments	<u>(164,274)</u>	<u>(126,110)</u>
Claims payable – December 31	<u>\$ 13,364</u>	<u>\$ 25,596</u>

B. Contingent Liabilities

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

**MILLE LACS COUNTY
MILACA, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

B. Contingent Liabilities (Continued)

The County, in connection with the normal conduct of its affairs, is involved in various claims, judgments, and litigation. 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. Mille Lacs Lake Area Economic Relief Loan Program

Mille Lacs County initiated the Mille Lacs Lake Area Economic Relief Loan Program in partnership with the Minnesota Department of Employment and Economic Development; the program was approved during the 2016 state legislative session. The purpose is to stimulate private investment and economic relief by providing financing to new and expanding businesses in the Mille Lacs Lake area. The program seeks to enhance local business' ability to create and preserve jobs, increase property tax revenue, and promote continued community development.

The maximum loan request that will be considered under this program is \$100,000. The loan terms and amortization schedule will be considered to a maximum of 20 years. Loans with deferred or forgivable options must remain in the local community for a minimum of five years after the closing date of the loan.

The maximum loan deferral period must not exceed five years from the date the loan is approved. The maximum amount of the loan that may be forgiven must not exceed 50 percent of the principal amount, and may be forgiven only if the business has remained in operation in the community for at least ten years after the loan was approved.

D. Joint Ventures

East Central Solid Waste Commission

The East Central Solid Waste Commission was established in March 1988 by a joint powers agreement among Chisago, Isanti, Kanabec, Mille Lacs, and Pine Counties to conduct a solid waste management program on behalf of the participating counties. The Commission is an organized joint venture having the powers, duties, and privileges granted joint powers by Minn. Stat. § 471.59. The Commission has five voting members,

**MILLE LACS COUNTY
MILACA, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

D. Joint Ventures

East Central Solid Waste Commission (Continued)

one from each county. At its annual meeting, the Board of County Commissioners of each county chooses a member and an alternate, both County Commissioners, as representatives of the county. Each county has one voting member and, in the absence of the voting member, the alternate votes.

Each county's proportionate share of the total operating costs is based on the most recent census data available and is to be adjusted upon the admission of additional counties or the withdrawal of present counties. The Commission will remain in existence as long as two or more counties remain as parties to the agreement. Upon dissolution of the Commission, there will be an accounting to determine assets and liabilities. The assets of the Commission will be liquidated and, after payment of liabilities, the proceeds will be distributed to the counties based on their respective ratios set by the most recent census data. Each county's share of the Commission's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and equities cannot be accurately determined since it will fluctuate with census data rather than ownership interest.

Following is a summary of the financial information as of and for the year ended December 31, 2019 (most recent figures available):

Total assets and deferred outflows of resources	\$ 19,880,653
Total liabilities and deferred inflows of resources	<u>(6,165,551)</u>
Total Net Position	<u>\$ 13,715,102</u>
Operating and nonoperating revenues	\$ 7,920,082
Operating and nonoperating expenses	<u>(6,563,182)</u>
Change in Net Position	<u>\$ 1,356,900</u>

Complete financial statements can be obtained from the East Central Solid Waste Commission, 1756 – 180th Avenue, Mora, Minnesota 55051.

**MILLE LACS COUNTY
MILACA, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

D. Joint Ventures (Continued)

East Central Regional Library

The East Central Regional Library was established by a joint powers agreement among Aitkin, Chisago, Isanti, Kanabec, Mille Lacs, and Pine Counties to provide an efficient and improved regional public library service. The Library Board comprises 18 members: one County Board member and two appointees from each member county. Mille Lacs County's contribution for 2020 was \$299,301.

Complete financial statements of the East Central Regional Library can be obtained from the East Central Regional Library, 244 South Birch, Cambridge, Minnesota 55008.

Snake River Watershed Management Board

The Snake River Watershed Management Board (SRWMB) was established in April 1983 by Aitkin, Kanabec, Mille Lacs, and Pine Counties, pursuant to the provisions of Minn. Stat. § 471.59. The purpose of the SRWMB is to coordinate the member counties' water plans and to develop objectives to promote sound hydrologic management of water and related land resources.

The four-member Board consists of one County Commissioner from each of the participating counties. The Kanabec County Auditor/Treasurer is the fiscal agent for the SRWMB. The SRWMB is funded through an annual budget, and participation in the administrative costs are in the following percentages:

Aitkin County	20.8%
Kanabec County	49.5
Mille Lacs County	9.2
Pine County	20.5

Mille Lacs County provided \$4,379 in funding to the SRWMB during 2020. Upon dissolution, the personal property shall be returned to the member county contributing the same.

Complete financial statements can be obtained from the Snake River Watershed Management Board, Kanabec County Courthouse, 18 North Vine Street, Mora, Minnesota 55051.

**MILLE LACS COUNTY
MILACA, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

D. Joint Ventures (Continued)

Central Minnesota Emergency Medical Services Region

The Central Minnesota Emergency Medical Services Region was established in 2001 under Minn. Stat. § 471.59, to improve access, delivery, and effectiveness of the emergency medical services system; promote systematic and cost-effective delivery of services; and identify and address system needs within the member counties. The member counties are Benton, Cass, Crow Wing, Kanabec, Mille Lacs, Morrison, Pine, Stearns, Todd, Wadena, and Wright. The Region established a Board comprising one Commissioner from each member county. The Region's Board has financial responsibility, and Stearns County is the fiscal agent. The County did not make any financial contributions to the Region during 2020.

Complete financial information can be obtained from the Central Minnesota Emergency Medical Services Region, Stearns County Administration Center, PO Box 1107, St. Cloud, Minnesota 56302.

Central Minnesota Emergency Services Board

The Central Minnesota Regional Radio Board was established in 2007 under the authority conferred upon the member parties by Minn. Stat. §§ 471.59 and 403.39. As of June 1, 2011, the Central Minnesota Regional Radio Board changed its name to the Central Minnesota Emergency Services Board. Members include the City of St. Cloud and the Counties of Benton, Big Stone, Douglas, Grant, Kandiyohi, Meeker, Mille Lacs, Morrison, Otter Tail, Pope, Stearns, Stevens, Swift, Todd, Traverse, Wadena, Wilkin, and Wright.

The purpose of the Central Minnesota Emergency Services Board is to provide for regional administration of enhancements to the Statewide Public Safety Radio and Communication System (ARMER) owned and operated by the State of Minnesota.

The Central Minnesota Emergency Services Board is composed of one Commissioner of each county appointed by their respective County Board and one City Council member appointed by the City Council, as provided in the Central Minnesota Emergency Services Board's by-laws.

**MILLE LACS COUNTY
MILACA, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

D. Joint Ventures

Central Minnesota Emergency Services Board (Continued)

In the event of dissolution of the Central Minnesota Emergency Services Board, all property, assets, and funds of the Board shall be distributed to the parties of the agreement upon termination in direct proportion to their participation and contribution. Any city or county that has withdrawn from the agreement prior to termination of the Board shall share in the distribution of property, assets, and funds of the Board only to the extent they shared in the original expense.

The Central Minnesota Emergency Services Board has no long-term debt. Financing is provided by the appropriations from member parties and by state and federal grants. During 2020, Mille Lacs County contributed \$11,384 to the Central Minnesota Emergency Services Board.

Complete financial information can be obtained from the Central Minnesota Emergency Services Board, City of St. Cloud, Office of the Mayor, City Hall, 400 Second Street South, St. Cloud, Minnesota 56303.

E. Subsequent Event

On March 11, 2021, the American Rescue Plan Act of 2021 (ARPA) was signed into law. The relief package provides \$65.1 billion in direct, flexible aid for counties in America. The U.S. Department of the Treasury will oversee and administer payments of the State and local Coronavirus Recovery Funds to the state and local governments, for which every county is eligible to receive a direct allocation from the Treasury. Counties will receive funds in two tranches, with 50 percent provided in 2021 and the remaining balance delivered 12 months later. Mille Lacs County is projected to receive \$5,103,999 of the State and Local Coronavirus Recovery Funds.

REQUIRED SUPPLEMENTARY INFORMATION

**MILLE LACS COUNTY
MILACA, MINNESOTA**

EXHIBIT A-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 11,687,502	\$ 11,687,502	\$ 11,854,049	\$ 166,547
Special assessments	135,000	135,000	139,109	4,109
Licenses and permits	285,902	285,902	389,516	103,614
Intergovernmental	3,418,003	3,418,003	7,570,961	4,152,958
Charges for services	866,100	866,100	766,917	(99,183)
Fines and forfeits	63,100	63,100	76,503	13,403
Gifts and contributions	1,000	1,000	2,330	1,330
Investment earnings	190,000	190,000	96,733	(93,267)
Miscellaneous	600,250	600,250	628,122	27,872
Total Revenues	\$ 17,246,857	\$ 17,246,857	\$ 21,524,240	\$ 4,277,383
Expenditures				
Current				
General government				
Commissioners	\$ 238,693	\$ 238,693	\$ 261,850	\$ (23,157)
Court administrator	89,000	89,000	101,054	(12,054)
Law library	15,700	15,700	12,800	2,900
County administrator	1,451,165	1,451,165	1,469,161	(17,996)
Auditor-treasurer	425,589	425,589	439,999	(14,410)
Auditing	50,000	50,000	57,580	(7,580)
General administration	423,394	423,394	3,384,872	(2,961,478)
Information services	268,666	268,666	255,127	13,539
Data processing	81,700	81,700	79,418	2,282
Elections	119,250	119,250	155,653	(36,403)
County attorney	1,449,708	1,449,708	1,516,735	(67,027)
Victim emergency grant	153,513	153,513	151,935	1,578
Assessor	462,105	462,105	521,221	(59,116)
Land records and information	53,000	53,000	40,122	12,878
Zoning and environmental services	393,571	393,571	499,171	(105,600)
Building maintenance	367,500	367,500	323,253	44,247
Other general government	712,506	712,506	2,853,369	(2,140,863)
Total general government	\$ 6,755,060	\$ 6,755,060	\$ 12,123,320	\$ (5,368,260)

**MILLE LACS COUNTY
MILACA, MINNESOTA**

**EXHIBIT A-1
(Continued)**

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Current (Continued)				
Public safety				
Sheriff	\$ 4,012,343	\$ 4,012,343	\$ 4,025,709	\$ (13,366)
Court security	534,964	534,964	382,866	152,098
Drug and alcohol contingency	1,000	1,000	-	1,000
Boat and water safety	129,591	129,591	130,836	(1,245)
Snowmobile safety enforcement	5,600	5,600	3,104	2,496
ATV grant	1,200	1,200	4,836	(3,636)
DARE program	2,500	2,500	790	1,710
Chaplaincy	600	600	21	579
DWI forfeiture	1,200	1,200	-	1,200
Drug forfeiture	1,500	1,500	1,341	159
Fleeing an officer forfeiture	20	20	-	20
Communications	14,000	14,000	8,668	5,332
Records system	54,000	54,000	16,078	37,922
Permit to carry	60,247	60,247	63,281	(3,034)
Animal control	16,000	16,000	13,245	2,755
Coroner	63,530	63,530	63,638	(108)
County jail	3,120,027	3,120,027	3,345,594	(225,567)
Prisoner account	185,000	185,000	130,900	54,100
Probation	1,081,644	1,081,644	1,010,972	70,672
Case load reduction account	74,187	74,187	139,590	(65,403)
911 services and civil defense	92,715	92,715	88,346	4,369
E-911	147,807	147,807	148,595	(788)
Public safety answering point	847,426	847,426	852,561	(5,135)
Total public safety	\$ 10,447,101	\$ 10,447,101	\$ 10,430,971	\$ 16,130
Sanitation				
Solid waste	\$ 78,939	\$ 78,939	\$ 276,899	\$ (197,960)
Culture and recreation				
Historical society	\$ 9,000	\$ 9,000	\$ 9,000	\$ -
Snowmobile trails	-	-	148,327	(148,327)
Total culture and recreation	\$ 9,000	\$ 9,000	\$ 157,327	\$ (148,327)

**MILLE LACS COUNTY
MILACA, MINNESOTA**

**EXHIBIT A-1
(Continued)**

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Current (Continued)				
Conservation of natural resources				
County agricultural society	\$ 17,000	\$ 17,000	\$ 17,000	\$ -
County extension service	103,106	103,106	94,732	8,374
Soil and water conservation	124,239	124,239	140,726	(16,487)
Aquatic invasive species aid	92,308	92,308	75,860	16,448
Environmental resources	265,489	265,489	721,384	(455,895)
Other conservation	4,379	4,379	4,379	-
Total conservation of natural resources	\$ 606,521	\$ 606,521	\$ 1,054,081	\$ (447,560)
Economic development				
Community development	\$ 99,417	\$ 99,417	\$ 107,760	\$ (8,343)
Intergovernmental				
Culture and recreation				
Library	\$ 299,316	\$ 299,316	\$ 299,301	\$ 15
Total Expenditures	\$ 18,295,354	\$ 18,295,354	\$ 24,449,659	\$ (6,154,305)
Excess of Revenues Over (Under) Expenditures	\$ (1,048,497)	\$ (1,048,497)	\$ (2,925,419)	\$ (1,876,922)
Other Financing Sources (Uses)				
Transfers in	\$ 317,799	\$ 317,799	\$ 2,002,335	\$ 1,684,536
Transfers out	-	-	(144,712)	(144,712)
Proceeds from sale of capital assets	3,000	3,000	5,090	2,090
Total Other Financing Sources (Uses)	\$ 320,799	\$ 320,799	\$ 1,862,713	\$ 1,541,914
Net Change in Fund Balance	\$ (727,698)	\$ (727,698)	\$ (1,062,706)	\$ (335,008)
Fund Balance – January 1	3,238,767	3,238,767	3,238,767	-
Fund Balance – December 31	\$ 2,511,069	\$ 2,511,069	\$ 2,176,061	\$ (335,008)

**MILLE LACS COUNTY
MILACA, MINNESOTA**

EXHIBIT A-2

**BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 1,262,419	\$ 1,262,419	\$ 746,050	\$ (516,369)
Licenses and permits	13,000	13,000	16,925	3,925
Intergovernmental	8,954,432	8,954,432	6,149,391	(2,805,041)
Charges for services	673,094	673,094	102,976	(570,118)
Miscellaneous	15,000	15,000	74,028	59,028
Total Revenues	\$ 10,917,945	\$ 10,917,945	\$ 7,089,370	\$ (3,828,575)
Expenditures				
Current				
Highways and streets				
Administration	\$ 359,529	\$ 359,529	\$ 418,812	\$ (59,283)
Construction	7,521,202	7,521,202	7,256,365	264,837
Maintenance	1,328,851	1,328,851	1,368,973	(40,122)
Equipment maintenance and shop	745,153	745,153	679,579	65,574
Public works surveyor	-	-	7,406	(7,406)
Total highways and streets	\$ 9,954,735	\$ 9,954,735	\$ 9,731,135	\$ 223,600
Intergovernmental				
Highways and streets	286,000	286,000	298,064	(12,064)
Total Expenditures	\$ 10,240,735	\$ 10,240,735	\$ 10,029,199	\$ 211,536
Excess of Revenues Over (Under) Expenditures	\$ 677,210	\$ 677,210	\$ (2,939,829)	\$ (3,617,039)
Other Financing Sources (Uses)				
Transfers in	10,000	10,000	1,549,894	1,539,894
Transfers out	-	-	(2,335)	(2,335)
Proceeds from sale of capital assets	60,000	60,000	-	(60,000)
Total Other Financing Sources (Uses)	\$ 70,000	\$ 70,000	\$ 1,547,559	\$ 1,477,559
Net Change in Fund Balance	\$ 747,210	\$ 747,210	\$ (1,392,270)	\$ (2,139,480)
Fund Balance – January 1	689,109	689,109	689,109	-
Increase (decrease) in inventories	-	-	(31,672)	(31,672)
Fund Balance – December 31	\$ 1,436,319	\$ 1,436,319	\$ (734,833)	\$ (2,171,152)

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

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**MILLE LACS COUNTY
MILACA, MINNESOTA**

EXHIBIT A-3

**BUDGETARY COMPARISON SCHEDULE
COMMUNITY AND VETERAN SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 4,552,258	\$ 4,552,258	\$ 4,475,139	\$ (77,119)
Intergovernmental	6,469,358	6,469,358	6,696,789	227,431
Charges for services	705,017	705,017	767,666	62,649
Gifts and contributions	-	-	20,300	20,300
Miscellaneous	521,910	521,910	587,216	65,306
Total Revenues	\$ 12,248,543	\$ 12,248,543	\$ 12,547,110	\$ 298,567
Expenditures				
Current				
General government				
Veteran services	\$ 194,728	\$ 194,728	\$ 196,362	\$ (1,634)
Human services				
Income maintenance	\$ 2,413,582	\$ 2,413,582	\$ 2,437,064	\$ (23,482)
Social services	9,194,049	9,194,049	8,928,150	265,899
Total human services	\$ 11,607,631	\$ 11,607,631	\$ 11,365,214	\$ 242,417
Health				
Public health	\$ 953,320	\$ 953,320	\$ 934,212	\$ 19,108
Total Expenditures	\$ 12,755,679	\$ 12,755,679	\$ 12,495,788	\$ 259,891
Excess of Revenues Over (Under) Expenditures	\$ (507,136)	\$ (507,136)	\$ 51,322	\$ 558,458
Other Financing Sources (Uses)				
Transfers in	\$ 507,136	\$ 507,136	\$ 144,712	\$ (362,424)
Transfers out	-	-	(2,000,000)	(2,000,000)
Total Other Financing Sources (Uses)	\$ 507,136	\$ 507,136	\$ (1,855,288)	\$ (2,362,424)
Net Change in Fund Balance	\$ -	\$ -	\$ (1,803,966)	\$ (1,803,966)
Fund Balance – January 1	8,283,876	8,283,876	8,283,876	-
Fund Balance – December 31	\$ 8,283,876	\$ 8,283,876	\$ 6,479,910	\$ (1,803,966)

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

**MILLE LACS COUNTY
MILACA, MINNESOTA**

EXHIBIT A-4

**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
OTHER POSTEMPLOYMENT BENEFITS
DECEMBER 31, 2020**

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability			
Service cost	\$ 190,162	\$ 135,579	\$ 138,023
Interest	87,921	69,845	65,301
Differences between expected and actual experience	26,382	-	-
Plan changes	-	107,812	-
Changes of assumption or other inputs	104,889	(82,426)	-
Benefit payments	(116,474)	(60,518)	(65,821)
Net change in total OPEB liability	\$ 292,880	\$ 170,292	\$ 137,503
Total OPEB Liability – Beginning	<u>2,181,246</u>	<u>2,010,954</u>	<u>1,873,451</u>
Total OPEB Liability – Ending	<u><u>\$ 2,474,126</u></u>	<u><u>\$ 2,181,246</u></u>	<u><u>\$ 2,010,954</u></u>
Covered-employee payroll	\$ 13,930,843	\$ 14,880,367	\$ 14,446,958
Total OPEB liability (asset) as a percentage of covered-employee payroll	17.76%	14.66%	13.92%

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

**MILLE LACS COUNTY
MILACA, MINNESOTA**

EXHIBIT A-5

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA GENERAL EMPLOYEES RETIREMENT PLAN
DECEMBER 31, 2020**

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 Mille Lacs 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
2020	0.1484 %	\$ 8,897,258	\$ 274,403	\$ 9,171,661	\$ 10,583,314	84.07 %	79.06 %
2019	0.1478	8,171,531	253,989	8,425,520	10,460,180	78.12	80.23
2018	0.1443	8,005,172	262,525	8,267,697	9,698,405	82.54	79.53
2017	0.1403	8,956,659	112,592	9,069,251	9,035,998	99.12	75.90
2016	0.1350	10,961,330	143,093	11,104,423	8,375,446	130.87	68.91
2015	0.1397	7,239,979	N/A	7,239,979	8,211,771	88.17	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

**MILLE LACS COUNTY
MILACA, MINNESOTA**

EXHIBIT A-6

**SCHEDULE OF CONTRIBUTIONS
PERA GENERAL EMPLOYEES RETIREMENT PLAN
DECEMBER 31, 2020**

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)
2020	\$ 845,084	\$ 845,084	\$ -	\$ 11,267,796	7.50 %
2019	787,336	787,336	-	10,497,809	7.50
2018	761,561	761,561	-	10,154,133	7.50
2017	696,444	696,444	-	9,285,923	7.50
2016	655,672	655,672	-	8,742,282	7.50
2015	621,767	621,767	-	8,290,223	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.

**MILLE LACS COUNTY
MILACA, MINNESOTA**

EXHIBIT A-7

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA PUBLIC EMPLOYEES POLICE AND FIRE PLAN
DECEMBER 31, 2020**

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 Mille Lacs 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
2020	0.2493 %	\$ 3,210,909	\$ 75,632	\$ 3,286,541	\$ 2,752,000	116.68 %	87.19 %
2019	0.2428	2,584,851	N/A	2,584,851	2,563,644	100.83	89.26
2018	0.2384	2,541,098	N/A	2,541,098	2,513,063	101.12	88.84
2017	0.2220	2,997,264	N/A	2,997,264	2,280,498	131.43	85.43
2016	0.1830	7,344,108	N/A	7,344,108	1,760,704	417.11	63.88
2015	0.1810	2,056,584	N/A	2,056,584	1,662,624	123.70	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.

**MILLE LACS COUNTY
MILACA, MINNESOTA**

EXHIBIT A-8

**SCHEDULE OF CONTRIBUTIONS
PERA PUBLIC EMPLOYEES POLICE AND FIRE PLAN
DECEMBER 31, 2020**

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)
2020	\$ 486,505	\$ 486,505	\$ -	\$ 2,748,615	17.70 %
2019	454,687	454,687	-	2,682,517	16.95
2018	414,224	414,224	-	2,556,368	16.20
2017	396,476	396,476	-	2,447,381	16.20
2016	321,902	321,902	-	1,987,052	16.20
2015	275,247	275,247	-	1,699,054	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.

**MILLE LACS COUNTY
MILACA, MINNESOTA**

EXHIBIT A-9

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA PUBLIC EMPLOYEES LOCAL GOVERNMENT CORRECTIONAL SERVICE RETIREMENT PLAN
DECEMBER 31, 2020**

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
2020	0.8738 %	\$ 237,097	\$ 1,901,341	12.47 %	96.67 %
2019	0.8266	114,443	1,765,131	6.48	98.17
2018	0.9028	148,484	1,843,896	8.05	97.64
2017	1.0800	3,078,011	2,153,767	142.91	67.89
2016	1.1200	4,091,517	2,111,303	193.79	58.16
2015	1.1680	180,882	2,098,927	8.62	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.

**MILLE LACS COUNTY
MILACA, MINNESOTA**

EXHIBIT A-10

**SCHEDULE OF CONTRIBUTIONS
PERA PUBLIC EMPLOYEES LOCAL GOVERNMENT CORRECTIONAL SERVICE RETIREMENT PLAN
DECEMBER 31, 2020**

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)
2020	\$ 168,744	\$ 168,744	\$ -	\$ 1,928,495	8.75 %
2019	161,813	161,813	-	1,849,289	8.75
2018	154,912	154,912	-	1,770,420	8.75
2017	177,245	177,245	-	2,025,659	8.75
2016	187,202	187,202	-	2,139,451	8.75
2015	185,187	185,187	-	2,116,421	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.

**MILLE LACS COUNTY
MILACA, MINNESOTA**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2020**

1. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds, except for the Ditch Special Revenue Fund, the Debt Service Fund, and the Capital Projects Fund. All annual appropriations lapse at fiscal year-end unless specifically carried over to the next budget year by Board action.

On or before mid-June of each year, all departments and agencies submit requests for appropriations to the Administrative Services Offices so that a budget can be prepared. Before September 31, the proposed budget is presented to the County Board for review. The Board holds public hearings, and a final budget must be prepared and adopted no later than December 31.

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

2. Excess of Expenditures Over Appropriations

The following major governmental funds had expenditures in excess of budget at the function level for the year ended December 31, 2020:

	<u>Expenditures</u>	<u>Final Budget</u>	<u>Excess</u>
General Fund			
Current			
General government	\$ 12,123,320	\$ 6,755,060	\$ 5,368,260
Sanitation	276,899	78,939	197,960
Culture and recreation	157,327	9,000	148,327
Conservation of natural resources	1,054,081	606,521	447,560
Economic development	107,760	99,417	8,343
Road and Bridge Special Revenue Fund			
Intergovernmental			
Highways and streets	298,064	286,000	12,064
Community and Veteran Services			
Special Revenue Fund			
Current			
General government	196,362	194,728	1,634

**MILLE LACS COUNTY
MILACA, MINNESOTA**

3. Other Postemployment Benefits Funded Status

See Note 3.D in the notes to the financial statements for additional information regarding the County's other postemployment benefits.

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.

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

2020

- The price inflation assumption was decreased from 2.50 percent to 2.25 percent.
- The payroll growth assumption was decreased from 3.25 percent to 3.00 percent.
- Assumed salary increase rates were changed as recommended in the June 30, 2019, experience study. The net effect is assumed rates that average 0.25 percent less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019, experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019, experience study. The new rates are based on service and are generally lower than the previous rates for years two to five and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019, experience study. The changes result in fewer predicted disability retirements for males and females.

**MILLE LACS COUNTY
MILACA, MINNESOTA**

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

General Employees Retirement Plan

2020 (Continued)

- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Employee Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 Disabled Annuitant Mortality table to the Pub-2010 General/Teacher Disabled Retiree Mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100 percent Joint and Survivor option changed from 35 percent to 45 percent. The assumed number of married female new retirees electing the 100 percent Joint and Survivor option changed from 15 percent to 30 percent. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.
- Augmentation for current privatized members was reduced to 2.00 percent for the period July 1, 2020, through December 31, 2023, and 0.00 percent thereafter. Augmentation was eliminated for privatizations occurring after June 30, 2020.

2019

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

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.

**MILLE LACS COUNTY
MILACA, MINNESOTA**

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

General Employees Retirement Plan

2018 (Continued)

- 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.

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.

**MILLE LACS COUNTY
MILACA, MINNESOTA**

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

General Employees Retirement Plan

2017 (Continued)

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year for all years to 1.00 percent per year through 2044 and 2.50 percent per year thereafter.
- Minneapolis Employees Retirement Fund plan provisions change the employer supplemental contribution to \$21 million in calendar years 2017 and 2018 and returns to \$31 million through calendar year 2031. The state's required contribution is \$16 million in PERA's fiscal years 2018 and 2019 and returns to \$6 million annually through calendar year 2031.

2016

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

Public Employees Police and Fire Plan

2020

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

2019

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

**MILLE LACS COUNTY
MILACA, MINNESOTA**

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

Public Employees Police and Fire Plan (Continued)

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.

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.

**MILLE LACS COUNTY
MILACA, MINNESOTA**

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

Public Employees Police and Fire Plan

2017 (Continued)

- The CSA load was 30 percent for vested and non-vested, deferred members. The CSA load has been changed to 33 percent for vested members and 2.00 percent for non-vested members.
- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality table assumed for healthy retirees.
- The assumed termination rates were decreased to 3.00 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- The assumed percentage of married female members was decreased from 65 percent to 60 percent.
- The assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.
- The assumed percentage of female members electing joint and survivor annuities was increased.
- The assumed post-retirement benefit increase rate was changed from 1.00 percent for all years to 1.00 percent per year through 2064 and 2.50 percent thereafter.
- The single discount rate was changed from 5.60 percent per annum to 7.50 percent per annum.

**MILLE LACS COUNTY
MILACA, MINNESOTA**

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

Public Employees Police and Fire Plan (Continued)

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

2020

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

2019

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

2018

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

**MILLE LACS COUNTY
MILACA, MINNESOTA**

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 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).
- 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.

**MILLE LACS COUNTY
MILACA, MINNESOTA**

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

2016

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

SUPPLEMENTARY INFORMATION

**MILLE LACS COUNTY
MILACA, MINNESOTA**

FIDUCIARY FUNDS

PRIVATE-PURPOSE TRUST FUNDS

The private-purpose trust funds are used to account for funds held in trust where the County acts on behalf of individuals as representative for the payee.

Social Welfare – to account for funds held in trust that Mille Lacs County is holding on behalf of individuals receiving social welfare assistance.

Cemetery – to account for funds held in trust that Mille Lacs County is holding on behalf of the cemetery.

CUSTODIAL FUNDS

The custodial funds are used to account for assets held by the County as an agent for other governmental units, individuals, or private organizations.

Taxes and Penalties – to account for the collection of taxes and penalties, including gravel tax and forfeited land sale proceeds, and their payment to the various taxing districts.

Jail Inmate – to account for inmate deposits, inmate canteen purchases, and fees paid to various agencies.

Family Ties – to account for all funds used in the implementation and administration of services for at-risk children and their families.

State Taxes and Fees – to account for the collection and payment of the state's share of taxes, fees, and recoveries collected by the County.

**MILLE LACS COUNTY
MILACA, MINNESOTA**

EXHIBIT B-1

**COMBINING STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS – PRIVATE-PURPOSE TRUST FUNDS
DECEMBER 31, 2020**

	Social Welfare	Cemetery	Total
<u>Assets</u>			
Cash and pooled investments	\$ 36,820	\$ 17,487	\$ 54,307
Interest receivable	-	1,587	1,587
	\$ 36,820	\$ 19,074	\$ 55,894
<u>Net Position</u>			
Restricted for individuals, organizations, and other governments	\$ 36,820	\$ 19,074	\$ 55,894

**MILLE LACS COUNTY
MILACA, MINNESOTA**

EXHIBIT B-2

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS – PRIVATE-PURPOSE TRUST FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>Social Welfare</u>	<u>Cemetery</u>	<u>Total</u>
<u>Additions</u>			
Contributions from individuals	\$ 266,043	\$ -	\$ 266,043
Interest earnings	118	1,684	1,802
Total Additions	\$ 266,161	\$ 1,684	\$ 267,845
<u>Deductions</u>			
Beneficiary payments to individuals	<u>255,098</u>	<u>61</u>	<u>255,159</u>
Change in Net Position	\$ 11,063	\$ 1,623	\$ 12,686
Net Position – January 1, as restated (Note 1.E)	<u>25,757</u>	<u>17,451</u>	<u>43,208</u>
Net Position – December 31	<u><u>\$ 36,820</u></u>	<u><u>\$ 19,074</u></u>	<u><u>\$ 55,894</u></u>

**MILLE LACS COUNTY
MILACA, MINNESOTA**

EXHIBIT B-3

**COMBINING STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS – CUSTODIAL FUNDS
DECEMBER 31, 2020**

	Taxes and Penalties	Jail Inmate	Family Ties	State Taxes and Fees	Total Custodial Funds
<u>Assets</u>					
Cash and pooled investments	\$ 1,207,371	\$ 93,024	\$ 99,720	\$ 42,474	\$ 1,442,589
Due from other governments	6,319	-	6,591	-	12,910
Accounts receivable for other governments, net	-	-	-	82,469	82,469
Taxes receivable for other governments	501,022	-	-	-	501,022
Total Assets	\$ 1,714,712	\$ 93,024	\$ 106,311	\$ 124,943	\$ 2,038,990
<u>Liabilities</u>					
Due to other governments	482,756	-	-	42,474	525,230
<u>Net Position</u>					
Restricted for individuals, organizations, and other governments	\$ 1,231,956	\$ 93,024	\$ 106,311	\$ 82,469	\$ 1,513,760

**MILLE LACS COUNTY
MILACA, MINNESOTA**

EXHIBIT B-4

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS – CUSTODIAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>Taxes and Penalties</u>	<u>Jail Inmate</u>	<u>Family Ties</u>	<u>State Taxes and Fees</u>	<u>Total Custodial Funds</u>
<u>Additions</u>					
Contributions from individuals	\$ -	\$ 403,213	\$ -	\$ -	\$ 403,213
Contributions from entities	-	-	109,812	-	109,812
Investment earnings	-	-	106	-	106
Property tax collections for other governments	17,244,708	-	-	-	17,244,708
Tax forfeited land sales	202,090	-	-	-	202,090
Federal/State revenue	324,317	-	113,990	-	438,307
Other taxes collected for other governments	-	-	-	147,382	147,382
Fees collected for other governments	-	-	-	180,366	180,366
Total Additions	\$ 17,771,115	\$ 403,213	\$ 223,908	\$ 327,748	\$ 18,725,984
<u>Deductions</u>					
Beneficiary payments to individuals	\$ -	\$ 394,384	\$ -	\$ -	\$ 394,384
Payments of property tax to other governments	16,747,982	-	-	-	16,747,982
Payments to state	-	-	-	121,298	121,298
Payments to other individuals/entities	34,405	-	218,483	147,382	400,270
Total Deductions	\$ 16,782,387	\$ 394,384	\$ 218,483	\$ 268,680	\$ 17,663,934
Change in Net Position	\$ 988,728	\$ 8,829	\$ 5,425	\$ 59,068	\$ 1,062,050
Net Position – January 1, as restated (Note 1.E)	243,228	84,195	100,886	23,401	451,710
Net Position – December 31	\$ 1,231,956	\$ 93,024	\$ 106,311	\$ 82,469	\$ 1,513,760

OTHER SCHEDULES

**MILLE LACS COUNTY
MILACA, MINNESOTA**

**BALANCE SHEET – BY DITCH
DITCH SPECIAL REVENUE FUND
DECEMBER 31, 2020**

	<u>Assets</u>		<u>Liabilities</u>
	<u>Cash and Pooled Investments</u>		<u>Advances From Other Funds</u>
		<u>Accounts Payable</u>	
County Ditch			
1	\$ 840	\$ 1,122	\$ 7,443
2	(2,442)	2,158	-
3	97,575	411	-
4	352,586	61	-
5	6,799	36	-
6	1,817	5	-
7	919	19	-
11	14,256	37	-
14	26,575	97	52,054
Judicial Ditch			
3	(11,579)	-	-
Total	<u>\$ 487,346</u>	<u>\$ 3,946</u>	<u>\$ 59,497</u>

EXHIBIT C-1

	Fund Balance			Total Liabilities and Fund Balance
	Restricted for Ditch Maintenance and Repairs	Unassigned	Total Fund Balance	
\$ 8,565	\$ -	\$ (7,725)	\$ (7,725)	\$ 840
2,158	-	(4,600)	(4,600)	(2,442)
411	97,164	-	97,164	97,575
61	352,525	-	352,525	352,586
36	6,763	-	6,763	6,799
5	1,812	-	1,812	1,817
19	900	-	900	919
37	14,219	-	14,219	14,256
52,151	-	(25,576)	(25,576)	26,575
-	-	(11,579)	(11,579)	(11,579)
\$ 63,443	\$ 473,383	\$ (49,480)	\$ 423,903	\$ 487,346

**MILLE LACS COUNTY
MILACA, MINNESOTA**

EXHIBIT C-2

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2020**

Appropriations and Shared Revenue

State

Highway users tax	\$	5,394,958
County program aid		1,872,935
Riparian buffer aid		40,000
PERA rate reimbursement		47,150
Disparity reduction aid		24,711
Police aid		326,848
Indian casino aid		80,396
Enhanced 911		101,936
SCORE		74,660
Aquatic invasive species aid		94,710
Market value credit		243,719
Out-of-home placement aid		406,178

Total appropriations and shared revenue **\$ 8,708,201**

Reimbursement for Services

State

Minnesota Department of Human Services	\$	1,788,108
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Payments

Local

Payments in lieu of taxes	\$	22,173
Other		661,703

Total payments **\$ 683,876**

Grants

State

Minnesota Department/Board of		
Public Safety	\$	61,584
Commerce		70,234
Health		201,615
Natural Resources		123,228
Human Services		1,359,421
Veterans Affairs		15,792
Employment & Economic Development		517,604
Corrections		186,575
Transportation		114,930
Water and Soil Resources		91,593
Peace Officer Standards and Training Board		35,755
Secretary of State		70,021

Total state **\$ 2,848,352**

MILLE LACS COUNTY
MILACA, MINNESOTA

EXHIBIT C-2
(Continued)

SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2020

Grants (Continued)

Federal

Department of Agriculture	\$ 319,816
Housing and Urban Development	26,189
Justice	118,225
Transportation	351
Treasury	3,324,038
Education	1,591
Election Assistance Commission	16,930
Health and Human Services	2,551,202
Homeland Security	30,262

Total federal \$ 6,388,604

Total state and federal grants \$ 9,236,956

Build America Bonds interest subsidy \$ 20,137

Total Intergovernmental Revenue \$ 20,437,278

MILLE LACS COUNTY
MILACA, MINNESOTA

EXHIBIT C-3

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2020

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-Through Grant Numbers	Expenditures	Passed Through to Subrecipients
U.S. Department of Agriculture				
Passed Through Minnesota Department of Health Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	16162MN004W1003	\$ 116,793	\$ -
Passed Through Minnesota Department of Human Services SNAP Cluster State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	202MN101S2514	<u>203,023</u>	<u>-</u>
Total U.S. Department of Agriculture			<u>\$ 319,816</u>	<u>\$ -</u>
U.S. Department of Housing and Urban Development				
Passed Through Minnesota Department of Employment and Economic Development Community Development Block Grants/State's Program and Non-entitlement Grants in Hawaii	14.228	Not provided	<u>\$ 19,824</u>	<u>\$ -</u>
U.S. Department of Justice				
Passed Through Minnesota Department of Public Safety Crime Victim Assistance	16.575	Not provided	<u>\$ 118,225</u>	<u>\$ -</u>
U.S. Department of Transportation				
Passed Through the City of Saint Cloud, Minnesota E-911 Grant Program	20.615	A-DECN-NGGIS-2019-CMESB-1	<u>\$ 351</u>	<u>\$ -</u>
U.S. Department of Treasury				
Passed Through Minnesota Management and Budget COVID-19 – Coronavirus Relief Fund	21.019	SLT0016	\$ 3,319,088	\$ 288,713
Passed Through Minnesota Department of Health COVID-19 – Coronavirus Relief Fund (Total COVID-19 – Coronavirus Relief Fund 21.019 \$3,324,038)	21.019	Not provided	4,950	-
Total U.S. Department of Treasury			<u>\$ 3,324,038</u>	<u>\$ 288,713</u>

**MILLE LACS COUNTY
MILACA, MINNESOTA**

**EXHIBIT C-3
(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2020**

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-Through Grant Numbers	Expenditures	Passed Through to Subrecipients
U.S. Department of Education				
Passed Through Minnesota Department of Health Special Education – Grants for Infants and Families	84.181	B04MC32551	\$ 1,591	\$ -
Election Assistance Commission				
Passed Through Minnesota Secretary of State COVID-19 – 2018 HAVA Election Security Grants	90.404	Not provided	\$ 16,930	\$ -
U.S. Department of Health and Human Services				
Passed Through Minnesota Department of Health Public Health Emergency Preparedness Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.069	NU90TP921911-01-00	\$ 4,767	\$ -
Early Hearing Detection and Intervention	93.074	NU90TP921911-01-00	23,588	-
Immunization Cooperative Agreements	93.251	H61MC00035	900	-
Early Hearing Detection and Intervention Information System (EHDI-IS) Surveillance Program	93.268	NH23IP922628	3,500	-
Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families 93.558 \$309,107)	93.314	NUR3DD00842-05-01	75	-
Maternal and Child Health Services Block Grant to the States	93.558	2001MNTANF	40,587	-
Passed Through Minnesota Department of Human Services Promoting Safe and Stable Families Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families 93.558 \$309,107)	93.994	B04MC32551	16,525	-
Child Support Enforcement	93.556	2001MNFPS	13,668	-
Child Support Enforcement (Total Child Support Enforcement 93.563 \$592,165)	93.558	2001MNTANF	268,520	-
Refugee and Entrant Assistance – State Administered Programs CCDF Cluster	93.563	2001MNCSES	166,195	-
Child Care and Development Block Grant	93.563	2001MNCEST	425,970	-
Community-Based Child Abuse Prevention Grants	93.566	2001MNRCA	259	-
Stephanie Tubbs Jones Child Welfare Services Program	93.575	2001MNCCDF	13,890	-
Foster Care – Title IV-E	93.590	1901MNBCAP	19,793	-
Social Services Block Grant	93.645	2001MNCWSS	9,124	-
John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.658	2001MNFOST	401,361	-
Children's Health Insurance Program	93.667	2001MNSOSR	192,503	-
Medical Assistance Program	93.674	2001MNCILP	6,113	-
Medical Assistance Program	93.767	2005MN5021	472	-
Medical Assistance Program	93.778	2005MN5ADM	940,765	-
Medical Assistance Program (Total Medical Assistance Program 93.778 \$968,612)	93.778	2005MN5MAP	27,847	-
Total U.S. Department of Health and Human Services			\$ 2,576,422	\$ -

MILLE LACS COUNTY
MILACA, MINNESOTA

EXHIBIT C-3
(Continued)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2020

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-Through Grant Numbers	Expenditures	Passed Through to Subrecipients
U.S. Department of Homeland Security				
Passed Through Minnesota Department of Natural Resources Boating Safety Financial Assistance	97.012	R29G70CGBLA19	\$ 10,092	\$ -
Passed Through Minnesota Department of Public Safety Emergency Management Performance Grants	97.042	Not provided	<u>20,170</u>	<u>-</u>
Total U.S. Department of Homeland Security			\$ 30,262	\$ -
Total Federal Awards			\$ 6,407,459	\$ 288,713
 Totals by Cluster				
Total expenditures for SNAP Cluster			\$ 203,023	
Total expenditures for CCDF Cluster			13,890	
Total expenditures for Medicaid Cluster			968,612	

**MILLE LACS COUNTY
MILACA, MINNESOTA**

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2020

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 Mille Lacs 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 Mille Lacs County under programs of the federal government for the year ended December 31, 2020. 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 Mille Lacs County, it is not intended to and does not present the financial position, changes in net position, or cash flows of Mille Lacs 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

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

**MILLE LACS COUNTY
MILACA, MINNESOTA**

3. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	\$	6,388,604
Grants received more than 60 days after year-end, considered unavailable revenue in 2020		
Promoting Safe and Stable Families		8,001
Stephanie Tubbs Jones Child Welfare Services Program		2,815
Temporary Assistance for Needy Families		64,868
Unavailable revenue in 2019, recognized as revenue in 2020		
Promoting Safe and Stable Families		(596)
Community-Based Child Abuse Prevention Grants		(7,705)
Community Development Block Grants/State's Program and Non-entitlement Grants in Hawaii		(6,365)
Stephanie Tubbs Jones Child Welfare Services Program		(1,295)
John H. Chafee Foster Care Program for Successful Transition to Adulthood		(2,206)
Foster Care – Title IV-E		<u>(38,662)</u>
Expenditures per Schedule of Expenditures of Federal Awards	\$	<u>6,407,459</u>



**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
Mille Lacs County
Milaca, 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 Mille Lacs County, Minnesota, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated December 15, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Mille Lacs County's internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our 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 deficiencies that we consider to be significant deficiencies.

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 2020-003 to be a material weakness and items 2020-001, 2020-002, 2020-004, and 2020-005 to be significant deficiencies.

Compliance and Other Matters

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

Minnesota Legal Compliance

In connection with our audit, we noted that Mille Lacs County failed to comply with the provisions of the deposits and investments, 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, as described in the Schedule of Findings and Questioned Costs as items 2020-008 to 2020-012. Also, in connection with our audit, nothing came to our attention that caused us to believe that Mille Lacs County failed to comply with the provisions of the contracting and bidding, conflicts of interest, and public indebtedness sections of the *Minnesota Legal Compliance Audit Guide for Counties*, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the County's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

Other Matters

Included in the Schedule of Findings and Questioned Costs is a management practices comment. We believe this recommendation to be of benefit to the County, and it is reported for that purpose.

Mille Lacs County's Response to Findings

Mille Lacs County's responses to the internal control, legal compliance, and management practices 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/Dianne Syverson

DIANNE SYVERSON, CPA
DEPUTY STATE AUDITOR

December 15, 2021

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE**Independent Auditor's Report

Board of County Commissioners
Mille Lacs County
Milaca, Minnesota

Report on Compliance for Each Major Federal Program

We have audited Mille Lacs 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 each of the County's major federal programs for the year ended December 31, 2020. Mille Lacs County's major federal programs are 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 each of Mille Lacs County's major federal programs 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 Mille Lacs 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 each major federal program. However, our audit does not provide a legal determination of the County's compliance.

Basis for Qualified Opinion on COVID-19 – Coronavirus Relief Fund (CFDA No. 21.019)

As described in the accompanying Schedule of Findings and Questioned Costs, Mille Lacs County did not comply with requirements regarding CFDA No. 21.019 COVID-19 – Coronavirus Relief Fund as described in finding number 2020-007 for Subrecipient Monitoring. Compliance with such requirement is necessary, in our opinion, for the County to comply with the requirements applicable to that program.

Qualified Opinion on COVID-19 – Coronavirus Relief Fund (CFDA No. 21.019)

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Mille Lacs County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on CFDA No. 21.019 COVID-19 – Coronavirus Relief Fund for the year ended December 31, 2020.

Unmodified Opinion on the Other Major Federal Program

In our opinion, Mille Lacs 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 other major federal program identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs for the year ended December 31, 2020.

Other Matters

The results of our auditing procedures disclosed an other instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2020-006. Our opinion on the major federal program is not modified with respect to this matter.

Mille Lacs County's responses to the noncompliance findings identified in our audit are described in the accompanying Corrective Action Plan. The County's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control Over Compliance

Management of Mille Lacs 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 on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each 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 and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a deficiency in internal control over compliance, described in the accompanying Schedule of Findings and Questioned Costs as item 2020-007 that we consider to be a material weakness, and deficiency 2020-006 that we consider to be a significant deficiency.

Mille Lacs County's responses to the internal control over compliance findings identified in our audit are described in the accompanying Corrective Action Plan. The County's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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

/s/Julie Blaha

JULIE BLAHA
STATE AUDITOR

/s/Dianne Syverson

DIANNE SYVERSON, CPA
DEPUTY STATE AUDITOR

December 15, 2021

**MILLE LACS COUNTY
MILACA, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

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 major programs:

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

Type of auditor's report issued on compliance for major federal programs: **Unmodified, except for COVID 19 – Coronavirus Relief Fund, which is qualified.**

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

The major federal programs are:

COVID 19 – Coronavirus Relief Fund
Medicaid Cluster

CFDA No. 21.019
CFDA No. 93.778

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

Mille Lacs County qualified as a low-risk auditee? **No**

**MILLE LACS COUNTY
MILACA, MINNESOTA**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2020

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

INTERNAL CONTROL

Finding Number: 2020-001

Prior Year Finding Number: 2019-001

Repeat Finding Since: 1996

Segregation of Duties

Criteria: A good system of internal control provides for an adequate segregation of duties so that no one individual handles a transaction from its inception to completion. Responsibilities should be separated among employees so that a single employee is not able to authorize a transaction, record the transaction in accounts, and be responsible for custody of the asset resulting from the transaction.

Condition: Several of the County's departments that collect fees, including the Sheriff/Jail and Land Services, lack proper segregation of duties. These departments generally have one staff person who is responsible for billing, collecting, recording, and depositing receipts; preparing reports; and, if applicable, reconciling bank accounts.

Context: Due to the limited number of office personnel within the County, segregation of the accounting functions necessary to ensure adequate internal accounting control is not possible. This is not unusual in operations the size of Mille Lacs County; however, the County's management should constantly be aware of this condition and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from an accounting point of view.

Effect: Inadequate segregation of duties could adversely affect the County's ability to detect misstatements in a timely period by employees in the normal course of performing their assigned functions.

Cause: The County informed us that, due to the available resources, it would not be able to hire additional qualified accounting staff to segregate duties in every department.

**MILLE LACS COUNTY
MILACA, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2020**

Recommendation: We recommend the County's elected officials and management be aware of the lack of segregation of duties of the accounting functions and, where possible, implement oversight procedures to ensure that the internal control policies and procedures are being implemented by staff to the extent possible.

View of Responsible Official: Concur

Finding Number: 2020-002

Prior Year Finding Number: N/A

Repeat Finding Since: N/A

Taxes and Penalties Fund Reconciliation

Criteria: Reconciliations are control activities designed to provide reasonable assurance that errors will be detected in a timely manner. Reconciliations should be performed to ascertain that the balances are identifiable and also to identify any differences between the records and balances, including investigating the reason for any noted differences and resolving them in a timely manner.

The County receipts and records tax collections in the Taxes and Penalties Custodial Fund, along with state aids and credits, payments in lieu of tax (PILT), gravel tax, and forfeited land sale proceeds. Settlements of the tax collections are done three times a year to move the County's portion of taxes to the County funds and pay the other taxing districts their share of taxes collected. The activity in the Taxes and Penalties Fund is reported as a fiduciary activity in a custodial fund in the County's financial statements. At least annually, a reconciliation of the Taxes and Penalties Fund should be performed to ensure all collections are allocated and settled out appropriately.

Condition: The County did not perform a reconciliation of the year-end cash balance in the Taxes and Penalties Custodial Fund and could not identify differences between the final settlement and the year-end cash balance at the time of the auditor's review.

**MILLE LACS COUNTY
MILACA, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2020**

During review of the Taxes and Penalties Custodial Fund, the following issues were noted:

- PILT receipts from the State of Minnesota for 2019 and 2020 in the amount of \$493,370 were recorded in the Taxes and Penalties Custodial Fund but have not been paid out to the appropriate County funds or other taxing districts as required.
- The Minnesota Department of Revenue was underpaid \$18,724 for the second half 2020 general property taxes collected on their behalf.
- At year-end, the Taxes and Penalties Custodial Fund had an unidentified cash balance of \$61,361.

Context: When the final settlement for the year is posted, typically in January of the subsequent year, the cash balance in the Taxes and Penalties Custodial Fund should net to zero.

Effect: When accounting records are not reconciled on a regular basis, there is an increased risk that errors or irregularities will not be detected in a timely manner. Unidentified balances at year-end are an indication that amounts distributed to the County or another district may have been inaccurate.

Cause: County staff indicated they have not been able to reconcile the Taxes and Penalties Custodial Fund activity due to staff turnover and limited personnel.

Recommendation: We recommend the County make a payment to the Minnesota Department of Revenue for the underpayment of State general property taxes. We also recommend the 2019 and 2020 PILT collections be distributed to the appropriate County funds and other taxing districts. Lastly, we recommend the County investigate the unidentified December 31, 2020, balance in the Taxes and Penalties Custodial Fund and make corrections as necessary. Going forward, reconciliations should be performed at least annually to ascertain that the cash balance of the Taxes and Penalties Custodial Fund is identifiable and any errors or inaccurate balances discovered are corrected in a timely manner.

View of Responsible Official: Concur

**MILLE LACS COUNTY
MILACA, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2020**

Finding Number: 2020-003

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 on a timely basis. Auditing standards define a material weakness as a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

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

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

Effect: The following audit adjustment was reviewed and approved by the appropriate Mille Lacs County staff and is reflected in the financial statements:

- The Debt Service Fund due from other governments and revenues increased by \$150,361 to properly record a receivable for 2020 local option sales tax not received at year end.

Cause: This activity was not recorded when the financial statements were prepared by County staff.

**MILLE LACS COUNTY
MILACA, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2020**

Recommendation: We recommend staff implement additional procedures over financial reporting that includes a comprehensive review of balances, disclosures, and supporting documentation by a qualified individual to ensure the information is complete and accurate so the County's financial statements are fairly presented in accordance with generally accepted accounting principles.

View of Responsible Official: Concur

Finding Number: 2020-004

Prior Year Finding Number: N/A

Repeat Finding Since: N/A

Bank Reconciliations

Criteria: Reconciliations are control activities designed to provide reasonable assurance that errors will be prevented or detected in a timely manner and involve the comparison of records or balances from different sources. Effective reconciliations properly account for any differences between the records or balances. This includes investigating why the differences exist and resolving them in a timely manner.

Condition: During review of the County's December 2020 bank reconciliation, the auditor was not able to reconcile the bank balance to the County's general ledger. When the Auditor/Treasurer's Department investigated this further, it was discovered that several bank transactions were not recorded in the County's general ledger and electronic funds transfers were made without being recorded. Furthermore, the County did not complete bank reconciliations from April 2020 through December 2020, until 2021. These reconciliations included continued unidentified reconciling items for each month.

Context: Unreconciled amounts fluctuated throughout the year indicating continuing errors or irregularities in the County's accounting records and/or bank reconciliations.

Effect: When accounting records are not reconciled properly, there is an increased risk that errors or irregularities will not be detected in a timely manner.

**MILLE LACS COUNTY
MILACA, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2020**

Cause: The County indicated it experienced staff turnover, and discovered in December 2020 that the bank reconciliations and reviews of those reconciliations had not been performed which created more difficulty in identifying errors and reconciling items.

Recommendation: We recommend bank reconciliations be accurately completed in a timely manner. The County should continue to review the related accounting records to identify the source of previous unreconciled differences and resolve them as appropriate. Additional internal controls should be developed and implemented in response to any identified errors that were allowed to occur. Finally, reviews of the bank reconciliations should be performed monthly to ensure they are being completed in a timely manner.

View of Responsible Official: Concur

Finding Number: 2020-005

Prior Year Finding Number: N/A

Repeat Finding Since: N/A

Capital Asset Records

Criteria: The County is required by generally accepted accounting principles to account for and depreciate its capital assets over their estimated useful lives. Capital assets acquired or removed from service throughout the year should be included as additions or deletions to the County's records of capital assets and properly recorded following generally accepted accounting principles.

Condition: The County currently maintains capital asset records in a centralized capital asset software system. Additions and deletions are entered into this system, and depreciation is calculated by the system based on pre-determined useful lives. During review of the County's December 31, 2020, capital assets, the auditor noted infrastructure additions have not been recorded in the capital asset system since 2017. This also resulted in related depreciation not being calculated on those assets. Audit adjustments are made each year to the County's governmental activities financial statements to record the infrastructure activity not accounted for in the capital asset system.

**MILLE LACS COUNTY
MILACA, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2020**

Context: An analysis of the prior years' construction in progress was performed by the auditor to determine the December 31, 2020, capital asset infrastructure amounts and related depreciation expense.

Effect: Additional audit analysis was required, resulting in an adjustment to the governmental activities financial statements for current year additions to infrastructure capital assets of \$1,464,881 and related depreciation expense of \$374,274. The capital asset software system is missing \$7,107,513 (net of depreciation) of infrastructure capital assets for 2018 through 2020.

Cause: The additions and deletions to infrastructure capital assets are tracked and maintained by the County Highway Department. Due to turnover in staff over the years, this information has not been entered into the centralized capital asset system.

Recommendation: We recommend the County review internal controls currently in place and design and implement procedures to improve internal controls over the recordkeeping of its capital assets and related depreciation to ensure its capital asset records are complete and accurately prepared.

View of Responsible Official: Concur

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

Finding Number: 2020-006

Prior Year Finding Number: N/A

Repeat Finding Since: N/A

Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Period of Performance

Program: U.S. Department of the Treasury's COVID-19 – Coronavirus Relief Fund (CFDA No. 21.019), SLT0016, 2020

Pass-Through Agency: Minnesota Management and Budget

**MILLE LACS COUNTY
MILACA, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2020**

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

Section 5001(d) of the *Coronavirus Aid, Relief, and Economic Security Act* (CARES Act) provided the eligible purposes for which COVID-19 – Coronavirus Relief Fund payments may be used. Payments must have been used to cover costs that were necessary expenditures incurred due to the public health emergency, not accounted for in the County’s budget approved as of March 27, 2020, and incurred during the covered period. The State of Minnesota provided a requirement, as the pass-through entity, that the covered period for Minnesota counties began on March 1, 2020, and ended on December 1, 2020 (period of performance).

Condition: The County reported \$60,000 of payroll costs for Community and Veterans Services Fund staff. The County did not identify the employees, track the Coronavirus Relief Fund (CRF)-related duties performed, or identify the specific time spent for the reported payroll costs.

Questioned Costs: \$60,000

Context: The County expended a total of \$3,319,088 in COVID-19 – Coronavirus Relief Funds, and incurred other eligible expenditures which were not reported.

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

Effect: The County identified expenditures as relating to the CRF program which are not in compliance with the activities allowed or unallowed, allowable costs/cost principles, and period of performance requirements.

Cause: Since the Community and Veterans Services Fund salary expenditures encompass public health staff, the County did not document duties performed or track specific time spent performing COVID-19-related duties.

Recommendation: We recommend the County implement procedures to follow the guidance related to the CRF, claim the actual costs incurred, and maintain documentation to support the amounts claimed.

**MILLE LACS COUNTY
MILACA, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2020**

View of Responsible Official: Concur

Finding Number: 2020-007

Prior Year Finding Number: N/A

Repeat Finding Since: N/A

Subrecipient Monitoring

Program: U.S. Department of the Treasury's COVID-19 – Coronavirus Relief Fund (CFDA No. 21.019), SLT0016, 2020

Pass-Through Agency: Minnesota Management and Budget

Criteria: Title 2 U.S. *Code of Federal Regulations* § 200.303 states that the auditee must establish and maintain effective internal control over the federal award that provides reasonable assurance that the auditee is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award. Also, the County must comply with the requirements for pass-through entities as identified in Title 2 U.S. *Code of Federal Regulations* § 200.332, such as clearly identifying the award to the subrecipient; evaluating the subrecipient's risk of noncompliance with federal statutes, regulations, and the terms and conditions of the award; monitoring the activities of the subrecipient; and verifying the subrecipient is audited, if required.

Condition: The County did not document risk assessment procedures performed over its subrecipients. Award information, including the CFDA number, was not provided to subrecipients and required monitoring procedures were not performed. Additionally, the County does not have documented policies and procedures for subrecipient monitoring.

Questioned Costs: None.

Context: The County passed funds to local governments that the County is familiar with and who have been operating for many years.

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

**MILLE LACS COUNTY
MILACA, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2020**

Effect: The County is not meeting federal regulations pertaining to subrecipient monitoring. Also, the County cannot be assured its subrecipients are administering federal awards in compliance with all applicable federal requirements.

Cause: The County does not generally provide federal awards to subrecipients and, therefore, did not have policies and procedures in place for subrecipient monitoring activities. Additionally, the County was not aware of the full extent of requirements for subrecipient monitoring.

Recommendation: We recommend the County work with departments that pass funds through to subrecipients to identify responsibilities such as completing risk assessments and monitoring procedures over federal programs, as well as creating and maintaining proper documentation to meet the requirements of federal programs. This would include documenting the monitoring procedures performed (such as on-site visits and review of the subrecipients' audit findings) and any related follow-up on findings, and performing and documenting a risk assessment of subrecipients. Additionally, we recommend the County include applicable CFDA numbers in communications regarding the program to its subrecipients. Finally, we recommend the County develop and document policies and procedures for monitoring all federal awards.

View of Responsible Official: Concur

IV. OTHER FINDINGS AND RECOMMENDATIONS

A. MINNESOTA LEGAL COMPLIANCE

Finding Number: 2020-008

Prior Year Finding Number: N/A

Repeat Finding Since: N/A

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

**MILLE LACS COUNTY
MILACA, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2020**

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: One of the County’s depositories did not provide a written assignment for the collateral pledged to secure County deposits. Also, documentation of approval by the depository’s board of directors or loan committee was not provided.

Context: To secure deposits in excess of the available federal deposit insurance, the depository has pledged securities from its 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 asserted a copy of the agreement was not maintained and the depository bank did not have a current assignment.

Recommendation: We recommend the County require its depositories to 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

Finding Number: 2020-009

Prior Year Finding Number: N/A

Repeat Finding Since: N/A

**MILLE LACS COUNTY
MILACA, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2020**

Insufficient Collateral

Criteria: Government entities are required by Minn. Stat. § 118A.03, subd. 3, to obtain collateral to secure deposits to the extent funds on deposit exceed available federal deposit insurance at the close of the financial institution's banking day. The market value of the collateral should be at least ten percent more than the uninsured and unbonded amount on deposit, unless the collateral is an irrevocable letter of credit issued by Federal Home Loan Banks, which requires an amount at least equal to the amount on deposit.

Condition: The fair market value of collateral pledged to secure the County's uninsured deposits was not sufficient to meet the 110 percent requirement for May, October, and December of 2020.

Context: Deposits in excess of Federal Deposit Insurance Corporation coverage totaled \$4,703,940 on May 11, 2020; \$10,227,487 on October 7, 2020; and \$4,239,807 on December 11, 2020.

Effect: When a County has insufficient collateral with a bank, the County may not receive all deposits in the event of bank default.

Cause: The County experienced a turnover in the Auditor/Treasurer position during early 2020. Deposit and collateral balances were not properly monitored thereafter.

Recommendation: We recommend the County establish procedures to monitor all County deposits to determine there is adequate collateral pledged to secure deposits in accordance with Minn. Stat. § 118A.03.

View of Responsible Official: Concur

Finding Number: 2020-010

Prior Year Finding Number: N/A

Repeat Finding Since: N/A

**MILLE LACS COUNTY
MILACA, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2020**

Road and Bridge Fund Cash Balance Deficit

Criteria: Minnesota Statutes, section 385.04, requires that counties pay the expenditures only if money is available in the fund for that purpose. Further, counties are limited in their ability to transfer money from one fund to another. The general rule in Minnesota is that county fund transfers, temporary and permanent, require board approval. See Minn. Stat. §§ 385.32 and 375.18, subd. 7. For larger counties, the treasurer is permitted to make temporary transfers as long as funds are transferred back as soon as they become available. See Minn. Stat. § 385.31.

Condition: At December 31, 2020, the Road and Bridge Special Revenue Fund had a deficit cash balance of \$92,047.

Context: When the County allows disbursements in a fund that causes or already has a cash balance deficit, it is, in fact, making payments from other county funds without making the transfers required by Minn. Stat. §§ 385.31 and 385.32.

Effect: Allowing the payment of expenditures from the Road and Bridge Special Revenue Fund when there was no money available in the funds resulted in deficit cash balances and a violation of Minn. Stat. § 385.04. By allowing a deficit balance, cash is essentially being disbursed from other funds for purposes that were not budgeted or otherwise approved by the County Board for those funds.

Cause: Expenditures for projects are paid for in advance of the anticipated federal and state reimbursements. The Road and Bridge Special Revenue Fund did not have sufficient resources to cover these expenditures. We were informed the County was working on resolving the issue but was not able to complete it before the end of the year.

Recommendation: We recommend the County borrow from another fund when the cash balances are so low as to cause the fund to have a cash deficit in accordance with Minnesota Statutes.

View of Responsible Official: Concur

**MILLE LACS COUNTY
MILACA, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2020**

Finding Number: 2020-011

Prior Year Finding Number: N/A

Repeat Finding Since: N/A

Distribution of Forfeited Tax Proceeds

Criteria: In accordance with Minn. Stat. §§ 282.08 and 282.09, annually, the net proceeds from the sale of forfeited land must be apportioned by the County Auditor/Treasurer to the taxing districts interested in the land.

Condition: Mille Lacs County has not apportioned the net proceeds from the prior and current year sales of forfeited land. Furthermore, a reconciliation of the forfeited land sale activity has not been performed to ensure all collections are apportioned correctly and in accordance with statute. Lastly, the three percent surcharge collected on each land sale on behalf of the State of Minnesota has not been remitted to the State for 2019 or 2020.

Context: Forfeited land sale proceeds and related expenses are recorded in the Taxes and Penalties Custodial Fund. Proceeds collected in 2019 and 2020 were \$42,709 and \$202,090, respectively. The last apportionment was done in 2019 for the 2018 sale.

Effect: The County has not complied with Minn. Stat. §§ 282.08 and 282.09. Other taxing districts that may be entitled to a portion of the proceeds from the sale of forfeited land have not received their portion of the proceeds in accordance with Minnesota statute.

Cause: The apportionment of forfeited tax sale proceeds was overlooked by County personnel due to turnover in staff within the County.

Recommendation: We recommend the County annually distribute net proceeds from the sale of forfeited lands in accordance with Minn. Stat. §§ 282.08 and 282.09. Furthermore, the County should perform a reconciliation of the forfeited tax sale activity from previous years to ascertain that all proceeds have been apportioned correctly. Any unapportioned proceeds should be investigated and

**MILLE LACS COUNTY
MILACA, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2020**

settled appropriately. Lastly, we recommend the County remit the three percent surcharge collected on behalf of the State of Minnesota for 2019 and 2020 sales to the State.

View of Responsible Official: Concur

Finding Number: 2020-012

Prior Year Finding Number: N/A

Repeat Finding Since: N/A

Electronic Fund Transfer Policy

Criteria: The County Board is required by Minn. Stat. §§ 471.381, subd. 3, and 385.071 to establish policies and procedures for investment and expenditure transactions via electronic funds transfers, that include the policy controls required by Minn. Stat. § 471.38, subd. 3a.

Condition: The County Board has not established written policies and procedures regarding the use of electronic funds transfers.

Context: The County Auditor/Treasurer utilizes electronic funds transfers for various transactions such as paying sales tax, payroll tax, mortgage deed tax, or to transfer money to and from investments.

Effect: The County is not in compliance with Minn. Stat. §§ 471.381, subd. 3; 385.071; and 471.38, subd. 3a.

Cause: The County has not taken the time to develop a formal written policy.

Recommendation: We recommend the County Board establish written policies and procedures for electronic funds transfers as required by Minn. Stat. §§ 471.381, subd. 3; 385.071; and 471.38, subd. 3a.

View of Responsible Official: Concur

**MILLE LACS COUNTY
MILACA, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2020**

B. MANAGEMENT PRACTICES

Finding Number: 2020-013

Prior Year Finding Number: N/A

Repeat Finding Since: N/A

Road and Bridge Fund Deficit Fund Balance

Criteria: Assets and deferred outflows of resources should exceed liabilities and deferred inflows of resources in order for the County to meet its obligations and maintain a positive fund balance.

Condition: As of December 31, 2020, the assets and deferred outflows of resources in the County's Road and Bridge Special Revenue Fund did not exceed liabilities and deferred inflows of resources, resulting in a deficit fund balance.

Context: As of December 31, 2020, the Road and Bridge Special Revenue Fund had a deficit fund balance of \$734,833, which was a decrease of \$1,423,942 over the fund balance of \$689,109 at December 31, 2019.

Effect: A fund with a deficit fund balance is, in effect, borrowing from County funds with positive fund balances.

Cause: Requests of County State Aid Highway (CSAH) allotments from the Minnesota Department of Transportation had not been completed by the County for eligible projects.

Recommendation: We recommend the County more closely monitor the highway construction projects and request reimbursements from the Minnesota Department of Transportation when eligible.

View of Responsible Official: Concur

**MILLE LACS COUNTY
MILACA, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2020**

V. PREVIOUSLY REPORTED ITEM RESOLVED

2019-002 Eligibility (CFDA No. 93.778)



Historic Courthouse
635 2nd Street SE
Milaca, MN 56353

Phone: (320) 983-8349

Dillon Hayes
County Coordinator
Administrative Services Office
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**REPRESENTATION OF MILLE LACS COUNTY
MILACA, MINNESOTA**

**CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED DECEMBER 31, 2020**

Finding Number: 2020-001
Finding Title: Segregation of Duties

Name of Contact Person Responsible for Corrective Action:

Dillon Hayes, Mille Lacs County Coordinator

Corrective Action Planned:

County officials and management are fully aware of this finding and the situation. Over the past few years we have written policies and procedures which make us aware of our areas of opportunity to improve and what can be done to make adjustments. The issue will be brought to the Management Team meeting so all department heads are aware of this issue. In addition, each department's billing, collecting, recording, and depositing receipts processes will be reviewed to determine any areas which can be approved upon. Furthermore, administration is in the process of restructuring the departments responsible for administration of these processes, a measure which is intended, in part, to address these issues.

Anticipated Completion Date:

This will be discussed at a Management Team meeting within the next few months; the billing, collecting, recording, and depositing receipts processes in all offices/departments will be reviewed by January 2022. The restructuring effort will be completed in early 2022.

Finding Number: 2020-002
Finding Title: Taxes and Penalties Fund Reconciliation

Name of Contact Person Responsible for Corrective Action:

Dillon Hayes, Mille Lacs County Coordinator

Corrective Action Planned:

County officials are aware of the issue, and will be working to develop and implement standardized operating procedures for these processes, which will include reconciliation of the fund.

Anticipated Completion Date:

Spring, 2022.

Finding Number: 2020-003

Finding Title: Audit Adjustment

Name of Contact Person Responsible for Corrective Action:

Dillon Hayes, Mille Lacs County Coordinator

Corrective Action Planned:

County officials are aware of the issue, and will be working to develop and implement standardized operating procedures for this process.

Anticipated Completion Date:

Spring, 2022.

Finding Number: 2020-004

Finding Title: Bank Reconciliations

Name of Contact Person Responsible for Corrective Action:

Dillon Hayes, Mille Lacs County Coordinator

Corrective Action Planned:

County officials are aware of the issue and, in conjunction with the revisions to duties and responsibilities of finance staff, will be working to develop and implement standardized operating procedures for this process and establish a formal methodology and timeline for the completion of bank reconciliations.

Anticipated Completion Date:

Spring, 2022.

Finding Number: 2020-005

Finding Title: Capital Asset Records

Name of Contact Person Responsible for Corrective Action:

Dillon Hayes, Mille Lacs County Coordinator

Corrective Action Planned:

County officials are aware of the issue and, in conjunction with the revisions to duties and responsibilities of finance staff, will be working to develop and implement standardized operating procedures for this process and establish a formal methodology and timeline for recording capital assets.

Anticipated Completion Date:

Spring, 2022.

Finding Number: 2020-006

Finding Title: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Period of Performance

Program: COVID-19 – Coronavirus Relief Fund (CFDA No. 21.019)

Name of Contact Person Responsible for Corrective Action:

Dillon Hayes, Mille Lacs County Coordinator

Corrective Action Planned:

County officials are aware of the issue, and will be implementing more robust review and approval processes to adhere to CRF requirements, and that of similar funding mechanisms moving forward.

Anticipated Completion Date:

January, 2022

Finding Number: 2020-007

Finding Title: Subrecipient Monitoring

Program: COVID-19 – Coronavirus Relief Fund (CFDA No. 21.019)

Name of Contact Person Responsible for Corrective Action:

Dillon Hayes, Mille Lacs County Coordinator

Corrective Action Planned:

County officials are aware of the issue, and will be implementing more robust review and approval processes to adhere to CRF requirements, and that of similar funding mechanisms moving forward.

Anticipated Completion Date:

January, 2022

Finding Number: 2020-008

Finding Title: Collateral Assignments

Name of Contact Person Responsible for Corrective Action:

Dillon Hayes, Mille Lacs County Coordinator

Corrective Action Planned:

Documentation for each financial institution will be reviewed to ensure that necessary materials are provided and retained.

Anticipated Completion Date:

Spring, 2022

Finding Number: 2020-009

Finding Title: Insufficient Collateral

Name of Contact Person Responsible for Corrective Action:

Dillon Hayes, Mille Lacs County Coordinator

Corrective Action Planned:

County officials are aware of the issue, and, in conjunction with the revisions to duties and responsibilities of finance staff, will be working to develop and implement standardized operating procedures for this process. Additionally, existing staff have been made aware of collateralization at the financial institution(s), and are monitoring fund balances to make sure that they are maintained within acceptable limits.

Anticipated Completion Date:

Immediately

Finding Number: 2020-010

Finding Title: Road and Bridge Fund Cash Balance Deficit

Name of Contact Person Responsible for Corrective Action:

Dillon Hayes, Mille Lacs County Coordinator

Corrective Action Planned:

County officials are aware of the issue, and will be more diligently monitoring fund balances. Additionally, finance staff will be coordinating with Public Works to ensure that reimbursement requests for County State Aid Funding are submitted and received on a timely basis.

Anticipated Completion Date:

Immediately

Finding Number: 2020-011

Finding Title: Distribution of Forfeited Tax Proceeds

Name of Contact Person Responsible for Corrective Action:

Dillon Hayes, Mille Lacs County Coordinator

Corrective Action Planned:

County officials are aware of the issue, and, in conjunction with the revisions to duties and responsibilities of finance staff, will be working to develop and implement standardized operating procedures for this process. Proceeds were distributed in December, 2021.

Anticipated Completion Date:

Immediately

Finding Number: 2020-012

Finding Title: Electronic Fund Transfer Policy

Name of Contact Person Responsible for Corrective Action:

Dillon Hayes, Mille Lacs County Coordinator

Corrective Action Planned:

County officials are aware of the issue and, in conjunction with the revisions to duties and responsibilities of finance staff, will be working to develop and implement a revised policy.

Anticipated Completion Date:

Spring, 2022.

Finding Number: 2020-013

Finding Title: Road and Bridge Fund Deficit Fund Balance

Name of Contact Person Responsible for Corrective Action:

Dillon Hayes, Mille Lacs County Coordinator

Corrective Action Planned:

County officials are aware of the issue, and will be more diligently monitoring fund balances. Additionally, finance staff will be coordinating with Public Works to ensure that reimbursement requests for County State Aid Funding are submitted and received on a timely basis.

Anticipated Completion Date:

Immediately

**REPRESENTATION OF MILLE LACS COUNTY
MILACA, MINNESOTA**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2020**

Finding Number: 2019-001
Repeat Finding Since: 1996
Finding Title: Segregation of Duties

Summary of Condition: Several of the County’s departments that collect fees, including the Sheriff/Jail and Land Services, lack proper segregation of duties. These departments generally have one staff person who is responsible for billing, collecting, recording, and depositing receipts; preparing reports; and, if applicable, reconciling bank accounts.

Summary of Corrective Action Previously Reported: County officials and management are fully aware of this finding and the situation. Over the past few years we have written policies and procedures which make us aware of our areas of opportunity to improve and what can be done to make adjustments. The issue will be brought to the Management Team meeting so all department heads are aware of this issue. In addition, each department’s billing, collecting, recording, and depositing receipts processes will be reviewed to determine any areas which can be approved upon.

Status: Not Corrected. The County’s limited staff in many departments prevents complete segregation of duties. The County periodically reviews its internal control processes and implements compensating controls as needed to address the lack of segregation of duties. Please see corrective action plan for further information.

Was corrective action taken significantly different than the action previously reported?
Yes _____ No X

Finding Number: 2019-002

Repeat Finding Since: N/A

Finding Title: Eligibility

Program: Medical Assistance Program (CFDA No. 93.778)

Summary of Condition: In the case files reviewed for compliance with Medical Assistance Program eligibility requirements, not all documentation was available, updated, or input correctly to support participant eligibility. The following exceptions were noted in nine of the sample of 40 MAXIS case files tested: one instance where income reported could not be re-determined based on the support provided in the case file; seven instances where case files did not have accurate or properly supported asset information; and, three instances where the citizenship information in the case file was not accurate or appropriately supported.

Summary of Corrective Action Previously Reported: All findings from the 2019 audit will be reviewed with Eligibility Workers as well as the associated policy to ensure all staff fully understand program policies and procedures. In addition, the Financial Assistance Supervisor along with the Lead Eligibility Workers will implement monthly random case reviews to ensure eligibility requirements are appropriate as well as review policy and procedure application for accuracy.

Status: Fully Corrected. Corrective action was taken.

Was corrective action taken significantly different than the action previously reported?

Yes _____ No X