

State of Minnesota



Office of the State Auditor

Julie Blaha
State Auditor

**Traverse County
Wheaton, Minnesota**

Year Ended December 31, 2021

Description of the Office of the State Auditor

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

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

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

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

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

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

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

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

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

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

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Traverse County Wheaton, Minnesota

Year Ended December 31, 2021



Office of the State Auditor

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

**TRAVERSE COUNTY
WHEATON, MINNESOTA**

TABLE OF CONTENTS

	<u>Exhibit</u>	<u>Page</u>
Introductory Section		
Organization		1
Financial Section		
Independent Auditor’s Report		2
Management’s Discussion and Analysis		6
Basic Financial Statements		
Government-Wide Financial Statements		
Statement of Net Position	1	14
Statement of Activities	2	16
Fund Financial Statements		
Governmental Funds		
Balance Sheet	3	18
Reconciliation of Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position—Governmental Activities	4	20
Statement of Revenues, Expenditures, and Changes in Fund Balance	5	21
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Government-Wide Statement of Activities—Governmental Activities	6	23
Proprietary Funds		
Statement of Net Position	7	25
Statement of Revenues, Expenses, and Changes in Fund Net Position	8	27
Statement of Cash Flows	9	28
Fiduciary Funds		
Statement of Fiduciary Net Position	10	30
Statement of Changes in Fiduciary Net Position	11	31
Notes to the Financial Statements		32

**TRAVERSE COUNTY
WHEATON, MINNESOTA**

TABLE OF CONTENTS

	Exhibit	Page
Financial Section (Continued)		
Required Supplementary Information		
Budgetary Comparison Schedules		
General Fund	A-1	95
Road and Bridge Special Revenue Fund	A-2	98
Social Services Special Revenue Fund	A-3	100
Schedule of Changes in Total OPEB Liability and Related Ratios –		
Other Postemployment Benefits	A-4	101
PERA General Employees Retirement Plan		
Schedule of Proportionate Share of Net Pension Liability	A-5	102
Schedule of Contributions	A-6	103
PERA Public Employees Police and Fire Plan		
Schedule of Proportionate Share of Net Pension Liability	A-7	104
Schedule of Contributions	A-8	105
PERA Public Employees Local Government Correctional Service		
Retirement Plan		
Schedule of Proportionate Share of Net Pension Liability	A-9	106
Schedule of Contributions	A-10	107
Notes to the Required Supplementary Information		108
Supplementary Information		
Governmental Funds		
Budgetary Comparison Schedule – Debt Service Fund	B-1	122
Fiduciary Funds – Custodial Funds		
Combining Statement of Fiduciary Net Position – All		123
Custodial Funds	C-1	124
Combining Statement of Changes in Fiduciary Net Position – All		126
Custodial Funds	C-2	126
Other Schedules		
Schedule of Intergovernmental Revenue	D-1	128
Schedule of Expenditures of Federal Awards	D-2	130
Notes to the Schedule of Expenditures of Federal Awards		132

**TRAVERSE COUNTY
WHEATON, MINNESOTA**

TABLE OF CONTENTS
(Continued)

	<u>Exhibit</u>	<u>Page</u>
Management and Compliance Section		
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		134
Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance		137
Schedule of Findings and Questioned Costs		140
Corrective Action Plan		145
Summary Schedule of Prior Audit Findings		147

INTRODUCTORY SECTION

**TRAVERSE COUNTY
WHEATON, MINNESOTA**

ORGANIZATION
DECEMBER 31, 2021

			<u>Term Expires</u>
Elected			
Commissioners			
Board Member	Todd Johnson	District 1	January 2023
Chair	Kayla Schmidt	District 2	January 2025
Board Member	Mark Gail	District 3	January 2023
Vice Chair	David Salberg	District 4	January 2025
Board Member	Thomas Monson, Jr.	District 5	January 2023
Attorney	Matthew Franzese		January 2023
Auditor/Treasurer	Kit Johnson		January 2023
County Sheriff	Trevor Wright		January 2023
Appointed			
County Coordinator	Lisa Zahl		Indefinite
Assessor	Dianne Reinart		January 2025
County Engineer	Chad Gillespie		May 2023
Coroner	Stanley Gallagher, D.O.		January 2022
Examiner of Titles	Matthew Franzese		Indefinite
Social Services Director	Stacy Hennen		Indefinite
Veterans Service Officer	Dustin Kindelberger		April 2023
County Recorder	Jody Hofer*		Indefinite
Registrar of Titles	Jody Hofer*		Indefinite

*LeAnn Peyton retired July 31, 2021. As a result, the County appointed Jody Hofer beginning August 1, 2021, to fill the position. In addition, the board approved changing the position from elected to appointed beginning September 6, 2021.

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Traverse County
Wheaton, Minnesota

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Traverse County, Minnesota, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Traverse County, as of December 31, 2021, 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.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Traverse County's basic financial statements. The Debt Service Fund Budgetary Comparison Schedule, Combining Statement of Fiduciary Net Position, Combining Statement of Changes in Fiduciary Net Position, Schedule of Intergovernmental Revenue, and Schedule of Expenditures of Federal Awards and related notes, as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information as identified above is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2022, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control over financial

reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

/s/Julie Blaha

JULIE BLAHA
STATE AUDITOR

October 12, 2022

/s/Dianne Syverson

DIANNE SYVERSON, CPA
DEPUTY STATE AUDITOR

MANAGEMENT'S DISCUSSION AND ANALYSIS

**TRAVERSE COUNTY
WHEATON, MINNESOTA**

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2021
(Unaudited)

INTRODUCTION

The Management's Discussion and Analysis (MD&A) provides an overview and analysis of Traverse County's financial activities for the fiscal year ended December 31, 2021. Since this information is designed to focus on the current year's activities, resulting changes, and currently known facts, it should be read in conjunction with the County's basic financial statements that follow this section.

FINANCIAL HIGHLIGHTS

- Governmental activities' total net position is \$45,601,570, of which \$45,554,727 is the net investment in capital assets. Of the governmental activities' net position, \$2,986,521 is restricted to specific purposes/uses by the County, and unrestricted is a deficit (\$2,939,678).
- Business-type activities (Traverse Care Center and Prairieview Place) have a deficit total net position of (\$2,327,535), of which there is a negative net investment in capital assets balance of (\$522,814).
- Traverse County's net position increased by \$3,348,940 for the year ended December 31, 2021. Of the increase, \$3,414,331 was in the governmental activities' net position, while the business-type activities' net position decreased by \$65,391.
- The net cost of Traverse County's governmental activities for the year ended December 31, 2021, was \$3,283,644. General revenues totaling \$6,697,975 funded the net cost.
- Traverse County's governmental funds' fund balances increased by \$1,313,401 in 2021. This increase consisted of a \$506,725 increase in the General Fund, an increase of \$729,994 in the Road and Bridge Special Revenue Fund, an increase of \$103,326 in the Social Services Special Revenue Fund, and a decrease of \$26,644 in the Debt Service Fund.

OVERVIEW OF THE FINANCIAL STATEMENTS

This MD&A is intended to serve as an introduction to the basic financial statements. The basic financial statements consist of three parts: (1) government-wide financial statements, (2) fund level financial statements, and (3) notes to the financial statements. This report also contains other required supplementary information.

Traverse 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 County as a whole and present a longer-term view of Traverse County's finances. The County's fund financial statements follow these two government-wide financial statements. For governmental activities, these statements tell how Traverse County financed these 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. For proprietary activities, these statements provide detailed financial information relating to Traverse Care Center and Prairieview Place operations and facilities. 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 the government.

Government-Wide Financial Statements

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

The Statement of Net Position presents information on all assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the County using the full accrual basis of accounting, with the difference (assets plus deferred outflows of resources, less liabilities and deferred inflows of resources) being reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial health of the County is improving or deteriorating. It is important to consider other nonfinancial factors, such as changes in the County's property tax base and the condition of County roads and other capital assets, to assess the overall health of the County.

The Statement of Activities presents the County's governmental activities. Most of the basic services are reported here, including general government, public safety, highways and streets, sanitation, human services, health, culture and recreation, conservation of natural resources, and economic development. Property taxes and state and federal grants finance most of these activities. The County reports Traverse Care Center and Prairieview Place under business-type activities.

The government-wide financial statements are Exhibits 1 and 2 of this report.

Fund Financial Statements

Fund financial statements provide detailed information about the significant funds—not the County as a whole. Some funds are required to be established by state law or by bond covenants. However, the County Board establishes some funds to help control and manage money for a particular purpose or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on how money flows into and out of these funds and the balances left at year-end that are available for spending. These funds are reported using modified accrual accounting. Such information may be useful in evaluating a government's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the County's near-term financial decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The County adopts an annual appropriated budget for its General Fund, Road and Bridge Special Revenue Fund, Social Services Special Revenue Fund, and the Debt Service Fund. Budgetary comparison schedules have been provided as either required or other supplementary information for each of these funds to demonstrate compliance with this budget.

The basic governmental fund financial statements are Exhibits 3 through 6 of this report.

Proprietary funds are used to account for operations financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs of providing services to the general public be financed or recovered primarily through user charges. The Traverse Care Center and Prairieview Place are included in the proprietary fund reporting. The proprietary funds are Exhibits 7 through 9 of this report.

Fiduciary funds are used to account for resources held for the benefit of parties outside of the County. Fiduciary funds are not reflected in the government-wide statements because the resources of these funds are not available to support the County's own programs or activities. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All fiduciary activities are reported in a separate Statement of Fiduciary Net Position on Exhibit 10, Statement of Changes in Fiduciary Net Position on Exhibit 11, and the Custodial Funds Combining Statements are shown on Exhibits C-1 and C-2.

Notes to the Financial Statements

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 34 through 94 of this report.

Other Information

Other information is provided as supplementary information regarding Traverse County's intergovernmental revenue.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following analysis focuses on net position (Table 1) and changes in net position (Table 2) of the County's governmental and business-type activities. Comparative data with 2020 is presented.

Table 1
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Assets						
Current and other assets	\$ 12,176,223	\$ 10,240,301	\$ (242,404)	\$ (205,656)	\$ 11,933,819	\$ 10,034,645
Capital assets	46,840,215	46,303,214	1,686,421	1,923,369	48,526,636	48,226,583
Total Assets	\$ 59,016,438	\$ 56,543,515	\$ 1,444,017	\$ 1,717,713	\$ 60,460,455	\$ 58,261,228
Deferred Outflows of Resources						
Deferred pension outflows	\$ 1,985,794	\$ 566,374	\$ -	\$ -	\$ 1,985,794	\$ 566,374
Deferred other postemployment benefits outflows	927,926	755,547	119,336	147,503	1,047,262	903,050
Deferred charges on bond refunding	-	-	44,477	51,889	44,477	51,889
Total Deferred Outflows of Resources	\$ 2,913,720	\$ 1,321,921	\$ 163,813	\$ 199,392	\$ 3,077,533	\$ 1,521,313
Liabilities						
Long-term liabilities	\$ 12,459,703	\$ 13,051,955	\$ 3,501,718	\$ 3,832,578	\$ 15,961,421	\$ 16,884,533
Other liabilities	518,331	644,813	18,453	19,957	536,784	664,770
Total Liabilities	\$ 12,978,034	\$ 13,696,768	\$ 3,520,171	\$ 3,852,535	\$ 16,498,205	\$ 17,549,303
Deferred Inflows of Resources						
Deferred pension inflows	\$ 2,648,561	\$ 737,953	\$ -	\$ -	\$ 2,648,561	\$ 737,953
Deferred other postemployment benefits inflows	701,993	1,243,476	415,194	326,714	1,117,187	1,570,190
Total Deferred Inflows of Resources	\$ 3,350,554	\$ 1,981,429	\$ 415,194	\$ 326,714	\$ 3,765,748	\$ 2,308,143
Net Position						
Net investment in capital assets	\$ 45,554,727	\$ 44,800,842	\$ (522,814)	\$ (531,628)	\$ 45,031,913	\$ 44,269,214
Restricted	2,986,521	3,554,228	-	-	2,986,521	3,554,228
Unrestricted	(2,939,678)	(6,167,831)	(1,804,721)	(1,730,516)	(4,744,399)	(7,898,347)
Total Net Position, as reported	\$ 45,601,570	\$ 42,187,239	\$ (2,327,535)	\$ (2,262,144)	\$ 43,274,035	\$ 39,925,095

Traverse County's total net position as of December 31, 2021, is \$43,274,035. The governmental activities and the business-type activities of the County report deficit unrestricted net position of (\$2,939,678) and (\$1,804,721), respectively.

Table 2
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues						
Program revenues						
Fees, charges, fines, and other	\$ 1,157,162	\$ 1,189,221	\$ 10,626	\$ 86	\$ 1,167,788	\$ 1,189,307
Operating grants and contributions	6,957,324	5,878,347	-	-	6,957,324	5,878,347
Capital grants and contributions	470,432	242,513	-	-	470,432	242,513
General revenues						
Property taxes	5,919,193	5,733,154	-	-	5,919,193	5,733,154
Other taxes	6,107	3,703	-	-	6,107	3,703
Grants, gifts, and miscellaneous	772,675	1,234,826	342,000	342,000	1,114,675	1,576,826
Total Revenues	\$ 15,282,893	\$ 14,281,764	\$ 352,626	\$ 342,086	\$ 15,635,519	\$ 14,623,850
Expenses						
General government	\$ 2,189,463	\$ 2,032,035	\$ -	\$ -	\$ 2,189,463	\$ 2,032,035
Public safety	1,856,239	1,855,901	-	-	1,856,239	1,855,901
Highways and streets	5,092,743	4,396,433	-	-	5,092,743	4,396,433
Sanitation	178,835	178,558	-	-	178,835	178,558
Human services	1,882,337	1,894,211	-	-	1,882,337	1,894,211
Health	35,270	48,224	-	-	35,270	48,224
Culture and recreation	73,771	78,420	-	-	73,771	78,420
Conservation of natural resources	466,785	2,109,643	-	-	466,785	2,109,643
Economic development	28,987	125,718	-	-	28,987	125,718
Interest	64,132	99,924	-	-	64,132	99,924
Traverse Care Center	-	-	361,083	311,486	361,083	311,486
Prairieview Place	-	-	56,934	57,081	56,934	57,081
Total Expenses	\$ 11,868,562	\$ 12,819,067	\$ 418,017	\$ 368,567	\$ 12,286,579	\$ 13,187,634
Increase (Decrease) in Net Position	3,414,331	\$ 1,462,697	\$ (65,391)	\$ (26,481)	\$ 3,348,940	\$ 1,436,216
Net Position – January 1, as restated	42,187,239	40,724,542	*(2,262,144)	(2,235,663)	39,925,095	38,488,879
Net Position – December 31, as reported	<u>\$ 45,601,570</u>	<u>\$ 42,187,239</u>	<u>\$ (2,327,535)</u>	<u>\$ (2,262,144)</u>	<u>\$ 43,274,035</u>	<u>\$ 39,925,095</u>

*Amount includes a change in accounting principles.

The County's activities increased net position by 8.4 percent (\$43,274,035 for 2021 compared to \$39,925,095 for 2020).

Governmental Activities

The cost of all governmental activities in 2021 was \$11,868,562. However, as shown in the Statement of Activities, the amount that taxpayers ultimately financed for these activities through County taxes and other general revenues was only \$3,283,644, because some of the cost was paid by those who directly benefited from the programs (\$1,157,162) or by other governments and organizations that subsidized certain programs with grants and contributions (\$7,427,756). General revenues totaling \$6,697,975 funded the net cost.

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

Table 3
Governmental Activities

	Total Cost of Services		Net Cost (Revenue) of Services	
	2021	2020	2021	2020
Highways and streets	\$ 5,092,743	\$ 4,396,433	\$ (8,522)	\$ (631,976)
General government	2,189,463	2,032,035	1,585,008	1,788,547
Human services	1,882,337	1,894,211	134,715	629,310
Public safety	1,856,239	1,855,901	1,454,554	1,452,106
Conservation of natural resources	466,785	2,109,643	151,462	1,914,364
All others	380,995	530,844	(33,573)	356,635
Total	<u>\$ 11,868,562</u>	<u>\$ 12,819,067</u>	<u>\$ 3,283,644</u>	<u>\$ 5,508,986</u>

Business-Type Activities

Revenues for Traverse County's business-type activities (see Table 2) were \$352,626, and expenses were \$418,017.

THE COUNTY'S FUNDS

Upon completing the year, Traverse County's governmental funds' fund balance increased by \$1,313,401. This increase was due to an increase of \$506,725 in the General Fund, an increase of \$729,994 in the Road and Bridge Special Revenue Fund, an increase of \$103,326 in the Social Services Special Revenue Fund, and a decrease of \$26,644 in the Debt Service Fund.

General Fund Budgetary Highlights and Other Budgetary Highlights

The Traverse County Board of Commissioners, over the course of the year, may amend/revise the County's budget. These budget amendments usually will fall into one of two categories: new information changing original budget estimations and greater than anticipated revenues or costs. Over the course of the year, the County did not revise its original budget.

Actual revenues exceeded budgeted revenues in the General Fund by \$759,303, primarily due to intergovernmental revenues of \$766,216. Actual revenues exceeded budgeted revenues primarily due to the unbudgeted state COVID grant and federal ARPA grant (AL No. 21.027 Coronavirus State and Local Fiscal Recovery Funds).

Actual expenditures were more than budgeted expenditures in the General Fund by \$454,703, primarily due to greater than anticipated expenditures in other general government (\$153,330), Enhanced 911 system (\$153,575), sheriff (\$72,270), and soil and water conservation (\$70,447).

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2021, Traverse County had \$48,526,636 in a broad range of capital assets, net of accumulated depreciation. The investment in capital assets includes land, buildings, bridges, highways, machinery, furniture, and equipment (see Table 4). The investment in capital assets increased \$300,053, or 0.6 percent, from the previous year.

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

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2021
Land	\$ 204,281	\$ 189,281	\$ 16,175	\$ 16,175	\$ 220,456	\$ 205,456
Right-of-way	962,548	962,548	-	-	962,548	962,548
Buildings	2,332,648	2,445,687	1,638,969	1,864,339	3,971,617	4,310,026
Land improvements	64,653	73,253	-	-	64,653	73,253
Machinery, furniture, and equipment	1,715,959	2,064,443	31,277	42,855	1,747,236	2,107,298
Infrastructure	41,560,126	40,568,002	-	-	41,560,126	40,568,002
Totals	<u>\$ 46,840,215</u>	<u>\$ 46,303,214</u>	<u>\$ 1,686,421</u>	<u>\$ 1,923,369</u>	<u>\$ 48,526,636</u>	<u>\$ 48,226,583</u>

Long-Term Debt

As of December 31, 2021, Traverse County had \$5,035,000 in long-term obligations, compared with \$5,440,000 as of December 31, 2020.

Table 5
Outstanding Debt at Year-End

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
General obligation bonds	\$ 2,825,000	\$ 2,980,000	\$ 370,000	\$ 440,000	\$ 3,195,000	\$ 3,420,000
Revenue bonds	-	-	1,840,000	2,020,000	1,840,000	2,020,000
Totals	<u>\$ 2,825,000</u>	<u>\$ 2,980,000</u>	<u>\$ 2,210,000</u>	<u>\$ 2,460,000</u>	<u>\$ 5,035,000</u>	<u>\$ 5,440,000</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

Traverse County's elected and appointed officials considered many factors when setting the fiscal year 2022 budget and tax levy. These factors include: state aid levels, increasing input costs, appropriate fund balances, being mindful of the burden on County taxpayers, and a need to provide a certain level of services to Traverse County residents/taxpayers.

Traverse County management is constantly looking for opportunities for collaboration and efficiency. Actions taken on this front over the past several years are a major reason Traverse County has been able to keep operating costs down. For example: In 2022 when the Veterans Service Officer position became open, Traverse County entered an agreement with Wilkin County to share the position.

Traverse County's Board of Commissioners settled on a final 2022 net levy of \$6,198,333 an increase of 3.04 percent from the 2021 levy of \$6,015,717.

Minnesota Department of Revenue statistics show that Traverse County management's efforts over the years are keeping the County share of property taxes relatively low in comparison with other counties. Data taken from the Minnesota Department of Revenue website show that, as of the most recent data available (2021), Traverse County was the third lowest "Average Effective Rate for All Property" and ranked as the thirteenth lowest in "County Average Local NTC Tax Rate" amongst all 87 Minnesota counties.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of Traverse County's finances and to show the County's accountability for the money it receives and spends. If you have questions about this report or need additional financial information, contact Traverse County's Auditor/Treasurer, Kit Johnson, Traverse County Courthouse, 702 – 2nd Avenue North, Wheaton, Minnesota 56296.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

**TRAVERSE COUNTY
WHEATON, MINNESOTA**

EXHIBIT 1

**STATEMENT OF NET POSITION
DECEMBER 31, 2021**

	Governmental Activities	Business-Type Activities	Total
<u>Assets</u>			
Current assets			
Cash and pooled investments	\$ 8,097,951	\$ 177,596	\$ 8,275,547
Cash with escrow agent	13,095	-	13,095
Taxes receivable			
Delinquent	67,006	-	67,006
Accounts receivable – net	43,033	-	43,033
Due from other governments	3,156,833	-	3,156,833
Internal balances	420,000	(420,000)	-
Advance to other governments	175,000	-	175,000
Inventories	159,064	-	159,064
Noncurrent assets			
Net pension asset	44,241	-	44,241
Capital assets			
Non-depreciable	1,166,829	16,175	1,183,004
Depreciable – net of accumulated depreciation	45,673,386	1,670,246	47,343,632
Total Assets	\$ 59,016,438	\$ 1,444,017	\$ 60,460,455
<u>Deferred Outflows of Resources</u>			
Deferred other postemployment benefits outflows	\$ 927,926	\$ 119,336	\$ 1,047,262
Deferred pension outflows	1,985,794	-	1,985,794
Deferred charges on bond refunding	-	44,477	44,477
Total Deferred Outflows of Resources	\$ 2,913,720	\$ 163,813	\$ 3,077,533

**TRAVERSE COUNTY
WHEATON, MINNESOTA**

**EXHIBIT 1
(Continued)**

**STATEMENT OF NET POSITION
DECEMBER 31, 2021**

	Governmental Activities	Business-Type Activities	Total
<u>Liabilities</u>			
Current liabilities			
Accounts payable	\$ 278,681	\$ -	\$ 278,681
Salaries payable	85,617	-	85,617
Due to other governments	106,670	-	106,670
Contracts payable	29,450	-	29,450
Accrued interest payable	17,913	18,453	36,366
Compensated absences payable – current	284,606	-	284,606
General obligation bonds payable – current	155,000	70,000	225,000
Revenue bonds payable – current	-	180,000	180,000
Leases payable – current	103,701	-	103,701
Noncurrent liabilities			
Compensated absences payable	121,817	-	121,817
General obligation bonds payable	2,691,202	302,082	2,993,284
Revenue bonds payable	-	1,685,455	1,685,455
Leases payable	126,135	-	126,135
Other postemployment benefits liability	7,086,725	1,264,181	8,350,906
Net pension liability	1,890,517	-	1,890,517
	\$ 12,978,034	\$ 3,520,171	\$ 16,498,205
<u>Deferred Inflows of Resources</u>			
Deferred other postemployment benefits inflows	\$ 701,993	\$ 415,194	\$ 1,117,187
Deferred pension inflows	2,648,561	-	2,648,561
	\$ 3,350,554	\$ 415,194	\$ 3,765,748
<u>Net Position</u>			
Net investment in capital assets	\$ 45,554,727	\$ (522,814)	\$ 45,031,913
Restricted for			
General government	189,621	-	189,621
Public safety	102,612	-	102,612
Highways and streets	2,084,532	-	2,084,532
Human services	200,691	-	200,691
Debt service	203,213	-	203,213
Conservation of natural resources	205,852	-	205,852
Unrestricted	(2,939,678)	(1,804,721)	(4,744,399)
	\$ 45,601,570	\$ (2,327,535)	\$ 43,274,035

**TRAVERSE COUNTY
WHEATON, MINNESOTA**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Expenses	Fees, Charges, Fines, and Other
<u>Functions/Programs</u>		
Governmental activities		
General government	\$ 2,189,463	\$ 234,285
Public safety	1,856,239	219,257
Highways and streets	5,092,743	358,414
Sanitation	178,835	75,862
Human services	1,882,337	208,713
Health	35,270	30,185
Culture and recreation	73,771	13,483
Conservation of natural resources	466,785	14,395
Economic development	28,987	2,568
Interest	64,132	-
	\$ 11,868,562	\$ 1,157,162
Business-type activities		
Traverse Care Center	\$ 361,083	\$ 10,626
Prairieview Place	56,934	-
	\$ 418,017	\$ 10,626
Total	\$ 12,286,579	\$ 1,167,788

General Revenues

Property taxes
Mortgage registry and deed tax
Grants and contributions not restricted to
specific programs
Payments in lieu of tax
Investment income
Miscellaneous

Total general revenues

Change in net position

Net Position – Beginning

Net Position – Ending

EXHIBIT 2

Program Revenues		Net (Expense) Revenue and Changes in Net Position		
Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
\$ 370,170	\$ -	\$ (1,585,008)	\$ -	\$ (1,585,008)
182,428	-	(1,454,554)	-	(1,454,554)
4,272,419	470,432	8,522	-	8,522
36,220	-	(66,753)	-	(66,753)
1,538,909	-	(134,715)	-	(134,715)
-	-	(5,085)	-	(5,085)
-	-	(60,288)	-	(60,288)
300,928	-	(151,462)	-	(151,462)
256,250	-	229,831	-	229,831
-	-	(64,132)	-	(64,132)
\$ 6,957,324	\$ 470,432	\$ (3,283,644)	\$ -	\$ (3,283,644)
\$ -	\$ -	\$ -	\$ (350,457)	\$ (350,457)
-	-	-	(56,934)	(56,934)
\$ -	\$ -	\$ -	\$ (407,391)	\$ (407,391)
\$ 6,957,324	\$ 470,432	\$ (3,283,644)	\$ (407,391)	\$ (3,691,035)
		\$ 5,919,193	\$ -	\$ 5,919,193
		6,107	-	6,107
		642,055	-	642,055
		26,734	-	26,734
		4,627	-	4,627
		99,259	342,000	441,259
		\$ 6,697,975	\$ 342,000	\$ 7,039,975
		\$ 3,414,331	\$ (65,391)	\$ 3,348,940
		42,187,239	(2,262,144)	39,925,095
		\$ 45,601,570	\$ (2,327,535)	\$ 43,274,035

FUND FINANCIAL STATEMENTS

GOVERNMENTAL FUNDS

**TRAVERSE COUNTY
WHEATON, MINNESOTA**

EXHIBIT 3

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2021**

	<u>General</u>	<u>Road and Bridge</u>	<u>Social Services</u>	<u>Debt Service</u>	<u>Total</u>
<u>Assets</u>					
Cash and pooled investments	\$ 3,240,445	\$ 2,774,808	\$ 1,860,970	\$ 220,228	\$ 8,096,451
Cash with escrow agent	13,095	-	-	-	13,095
Petty cash and change funds	1,400	-	100	-	1,500
Taxes receivable					
Delinquent	40,246	16,833	7,944	1,983	67,006
Accounts receivable – net	34,329	7,767	937	-	43,033
Due from other funds	25,782	3,370	-	-	29,152
Due from other governments	343,507	2,446,825	366,501	-	3,156,833
Advance to other funds	595,000	-	-	-	595,000
Inventories	-	159,064	-	-	159,064
Total Assets	<u>\$ 4,293,804</u>	<u>\$ 5,408,667</u>	<u>\$ 2,236,452</u>	<u>\$ 222,211</u>	<u>\$ 12,161,134</u>
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>					
Liabilities					
Accounts payable	\$ 54,494	\$ 180,171	\$ 44,016	\$ -	\$ 278,681
Salaries payable	50,976	22,238	12,403	-	85,617
Contracts payable	-	29,450	-	-	29,450
Due to other funds	3,370	-	25,782	-	29,152
Due to other governments	82,227	16,592	7,851	-	106,670
Total Liabilities	<u>\$ 191,067</u>	<u>\$ 248,451</u>	<u>\$ 90,052</u>	<u>\$ -</u>	<u>\$ 529,570</u>
Deferred Inflows of Resources					
Unavailable revenue	<u>\$ 351,556</u>	<u>\$ 2,300,774</u>	<u>\$ 235,676</u>	<u>\$ 547</u>	<u>\$ 2,888,553</u>

**TRAVERSE COUNTY
WHEATON, MINNESOTA**

**EXHIBIT 3
(Continued)**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2021**

	<u>General</u>	<u>Road and Bridge</u>	<u>Social Services</u>	<u>Debt Service</u>	<u>Total</u>
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>					
(Continued)					
Fund Balances					
Nonspendable					
Inventories	\$ -	\$ 159,064	\$ -	\$ -	\$ 159,064
Advances	595,000	-	-	-	595,000
Restricted for					
Law library	8,540	-	-	-	8,540
Recorder's equipment	82,676	-	-	-	82,676
Recorder's compliance fund	98,405	-	-	-	98,405
Enhanced 911	102,612	-	-	-	102,612
Invasive species aid	205,852	-	-	-	205,852
Debt service	-	-	-	221,664	221,664
Highway allotments	-	57,838	-	-	57,838
Assigned to					
Road and bridge	-	2,642,540	-	-	2,642,540
Capital projects	789,661	-	-	-	789,661
Social services	-	-	1,910,724	-	1,910,724
Unassigned	1,868,435	-	-	-	1,868,435
Total Fund Balances	<u>\$ 3,751,181</u>	<u>\$ 2,859,442</u>	<u>\$ 1,910,724</u>	<u>\$ 221,664</u>	<u>\$ 8,743,011</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 4,293,804</u>	<u>\$ 5,408,667</u>	<u>\$ 2,236,452</u>	<u>\$ 222,211</u>	<u>\$ 12,161,134</u>

**TRAVERSE COUNTY
WHEATON, MINNESOTA**

EXHIBIT 4

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO
THE GOVERNMENT-WIDE STATEMENT OF NET POSITION—GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2021**

Fund balance – total governmental funds (Exhibit 3) \$ 8,743,011

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. 46,840,215

Net pension assets are not financial resources and, therefore, are not reported in the governmental funds. 44,241

Deferred outflows of resources resulting from the other postemployment benefits liability are not available resources and, therefore, are not reported in governmental funds. 927,926

Deferred outflows of resources resulting from pension obligations are not available resources and, therefore, are not reported in governmental funds. 1,985,794

Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources – unavailable revenue in the governmental funds. 2,888,553

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.

Accrued interest payable	\$ (17,913)	
Compensated absences	(406,423)	
General obligation bonds	(2,846,202)	
Capital leases	(229,836)	
Other postemployment benefits liability	(7,086,725)	
Net pension liability	<u>(1,890,517)</u>	(12,477,616)

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. (701,993)

Deferred inflows of resources resulting from pension obligations are not due and payable in the current period and, therefore, are not reported in the governmental funds. (2,648,561)

Net Position of Governmental Activities (Exhibit 1) \$ 45,601,570

**TRAVERSE COUNTY
WHEATON, MINNESOTA**

EXHIBIT 5

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>General</u>	<u>Road and Bridge</u>	<u>Social Services</u>	<u>Debt Service</u>	<u>Total</u>
Revenues					
Taxes	\$ 3,381,624	\$ 1,603,386	\$ 768,821	\$ 186,380	\$ 5,940,211
Special assessments	75,862	-	-	-	75,862
Licenses and permits	13,088	5,100	-	-	18,188
Intergovernmental	1,556,838	4,789,513	1,074,397	-	7,420,748
Charges for services	429,586	324,474	13,987	-	768,047
Fines and forfeits	340	-	-	-	340
Investment earnings	4,618	-	-	18	4,636
Miscellaneous	211,155	33,266	194,747	5,200	444,368
Total Revenues	\$ 5,673,111	\$ 6,755,739	\$ 2,051,952	\$ 191,598	\$ 14,672,400
Expenditures					
Current					
General government	\$ 2,221,689	\$ -	\$ -	\$ -	\$ 2,221,689
Public safety	2,150,659	-	-	-	2,150,659
Highways and streets	-	5,743,573	-	-	5,743,573
Sanitation	181,604	-	-	-	181,604
Human services	-	-	1,945,809	-	1,945,809
Culture and recreation	43,932	-	-	-	43,932
Conservation of natural resources	471,125	-	-	-	471,125
Economic development	28,987	-	-	-	28,987
Intergovernmental					
Public health	35,270	-	-	-	35,270
Culture and recreation	35,497	-	-	-	35,497
Highways and streets	-	287,219	-	-	287,219
Debt service					
Principal	66,517	33,962	2,626	155,000	258,105
Interest	4,231	1	191	61,614	66,037
Administrative charges	-	-	-	1,628	1,628
Total Expenditures	\$ 5,239,511	\$ 6,064,755	\$ 1,948,626	\$ 218,242	\$ 13,471,134
Excess of Revenues Over (Under)					
Expenditures	\$ 433,600	\$ 690,984	\$ 103,326	\$ (26,644)	\$ 1,201,266

**TRAVERSE COUNTY
WHEATON, MINNESOTA**

**EXHIBIT 5
(Continued)**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>General</u>	<u>Road and Bridge</u>	<u>Social Services</u>	<u>Debt Service</u>	<u>Total</u>
Other Financing Sources (Uses)					
Capital leases	\$ 58,775	\$ -	\$ -	\$ -	\$ 58,775
Insurance recoveries	14,350	38,996	-	-	53,346
Proceeds from sale of capital assets	-	14	-	-	14
Total Other Financing Sources (Uses)	<u>\$ 73,125</u>	<u>\$ 39,010</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 112,135</u>
Net Change in Fund Balance	\$ 506,725	\$ 729,994	\$ 103,326	\$ (26,644)	\$ 1,313,401
Fund Balance – January 1	3,244,456	2,038,212	1,807,398	248,308	7,338,374
Increase (decrease) in inventories	<u>-</u>	<u>91,236</u>	<u>-</u>	<u>-</u>	<u>91,236</u>
Fund Balance – December 31	<u><u>\$ 3,751,181</u></u>	<u><u>\$ 2,859,442</u></u>	<u><u>\$ 1,910,724</u></u>	<u><u>\$ 221,664</u></u>	<u><u>\$ 8,743,011</u></u>

**TRAVERSE COUNTY
WHEATON, MINNESOTA**

EXHIBIT 6

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES—GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021**

Net change in fund balance – total governmental funds (Exhibit 5) \$ 1,313,401

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

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

Unavailable revenue – December 31	\$ 2,888,553	
Unavailable revenue – January 1	<u>(2,275,027)</u>	613,526

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. In the statement of activities, only the gain or loss on the disposal of capital assets is reported; whereas, in the governmental funds, the proceeds from the sale increase financial resources. The difference is the net book value of the assets disposed of.

Expenditures for general capital assets and infrastructure	\$ 2,605,431	
Current year depreciation	<u>(2,068,430)</u>	537,001

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

Principal repayments		
General obligation bonds	\$ 155,000	
Amortization of bond premiums	<u>3,533</u>	158,533

Some capital asset additions were financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing but, in the statement of net position, the lease obligation is reported as a liability. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.

Principal payments on capital leases	\$ 103,105	
Capital leases (See Note 3.C.4 for more information)	<u>(58,775)</u>	44,330

**TRAVERSE COUNTY
WHEATON, MINNESOTA**

**EXHIBIT 6
(Continued)**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES—GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021**

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

Change in inventories	\$	91,236	
Change in net pension asset		44,241	
Change in deferred other postemployment benefits outflows		172,379	
Change in deferred pension outflows		1,419,420	
Change in compensated absences		(37,192)	
Change in other postemployment benefits liability		(475,428)	
Change in net pension liability		902,009	
Change in deferred other postemployment benefits inflows		541,483	
Change in deferred pension inflows		(1,910,608)	747,540
Change in Net Position of Governmental Activities (Exhibit 2)			<u><u>\$ 3,414,331</u></u>

PROPRIETARY FUNDS

**TRAVERSE COUNTY
WHEATON, MINNESOTA**

EXHIBIT 7

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2021**

	Business-Type Activities – Enterprise Funds		
	Prairieview Place	Traverse Care Center	Totals
<u>Assets</u>			
Current assets			
Cash and pooled investments	\$ 4,625	\$ 172,971	\$ 177,596
Noncurrent assets			
Capital assets			
Nondepreciable	\$ -	\$ 16,175	\$ 16,175
Depreciable – net of accumulated depreciation	285,957	1,384,289	1,670,246
Total noncurrent assets	\$ 285,957	\$ 1,400,464	\$ 1,686,421
Total Assets	\$ 290,582	\$ 1,573,435	\$ 1,864,017
<u>Deferred Outflows of Resources</u>			
Deferred other postemployment benefits outflows	\$ -	\$ 119,336	\$ 119,336
Deferred charges on bond refunding	-	44,477	44,477
Total Deferred Outflows of Resources	\$ -	\$ 163,813	\$ 163,813
<u>Liabilities</u>			
Current liabilities			
Accrued interest payable	\$ -	\$ 18,453	\$ 18,453
General obligation bonds payable – current	70,000	-	70,000
Revenue bonds payable – current	-	180,000	180,000
Total current liabilities	\$ 70,000	\$ 198,453	\$ 268,453
Noncurrent liabilities			
Advance from other funds	\$ 50,000	\$ 370,000	\$ 420,000
Other postemployment benefits liability	-	1,264,181	1,264,181
General obligation bonds payable – long-term	302,082	-	302,082
Revenue bonds payable – long-term	-	1,685,455	1,685,455
Total noncurrent liabilities	\$ 352,082	\$ 3,319,636	\$ 3,671,718
Total Liabilities	\$ 422,082	\$ 3,518,089	\$ 3,940,171

**TRAVERSE COUNTY
WHEATON, MINNESOTA**

**EXHIBIT 7
(Continued)**

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2021**

	Business-Type Activities – Enterprise Funds		
	Prairieview Place	Traverse Care Center	Totals
<u>Deferred Inflows of Resources</u>			
Deferred other postemployment benefits inflows	\$ -	\$ 415,194	\$ 415,194
<u>Net Position</u>			
Net investment in capital assets	\$ (86,125)	\$ (436,689)	\$ (522,814)
Unrestricted	(45,375)	(1,759,346)	(1,804,721)
Total Net Position	\$ (131,500)	\$ (2,196,035)	\$ (2,327,535)

**TRAVERSE COUNTY
WHEATON, MINNESOTA**

EXHIBIT 8

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Business-Type Activities – Enterprise Funds		
	Prairieview Place	Traverse Care Center	Totals
Operating Expenses			
Employee benefits and payroll taxes	\$ -	\$ 119,111	\$ 119,111
Professional services	1,653	1,133	2,786
Insurance	-	533	533
Depreciation	45,754	191,194	236,948
Total Operating Expenses	\$ 47,407	\$ 311,971	\$ 359,378
Operating Income (Loss)	\$ (47,407)	\$ (311,971)	\$ (359,378)
Nonoperating Revenues (Expenses)			
Lease revenue	\$ 83,075	\$ 258,925	\$ 342,000
Miscellaneous	-	10,626	10,626
Interest expense	(9,527)	(49,112)	(58,639)
Total Nonoperating Revenues (Expenses)	\$ 73,548	\$ 220,439	\$ 293,987
Change in Net Position	\$ 26,141	\$ (91,532)	\$ (65,391)
Net Position – January 1	(157,641)	(2,104,503)	(2,262,144)
Net Position – December 31	\$ (131,500)	\$ (2,196,035)	\$ (2,327,535)

**TRAVERSE COUNTY
WHEATON, MINNESOTA**

EXHIBIT 9

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021
Increase (Decrease) in Cash and Cash Equivalents**

	<u>Business-Type Activities – Enterprise Funds</u>		
	<u>Prairieview Place</u>	<u>Traverse Care Center</u>	<u>Totals</u>
Cash Flows from Operating Activities			
Payments to suppliers and employees	\$ (1,653)	\$ (81,863)	\$ (83,516)
Nonoperating revenue received	83,075	258,925	342,000
Net cash provided by (used in) operating activities	\$ 81,422	\$ 177,062	\$ 258,484
Cash Flows from Noncapital Financing Activities			
Activities			
Proceeds from advance from other funds	\$ -	\$ 170,000	\$ 170,000
Proceeds from HRA forfeiture	-	10,626	10,626
Repayment of advance from other funds	(20,000)	-	(20,000)
Net cash provided by (used in) noncapital financing activities	\$ (20,000)	\$ 180,626	\$ 160,626
Cash Flows from Capital and Related Financing Activities			
Principal paid on long-term debt	\$ (70,000)	\$ (180,000)	\$ (250,000)
Interest paid on long-term debt	(9,873)	(45,985)	(55,858)
Net cash provided by (used in) capital and related financing activities	\$ (79,873)	\$ (225,985)	\$ (305,858)
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (18,451)	\$ 131,703	\$ 113,252
Cash and Cash Equivalents at January 1	23,076	41,268	64,344
Cash and Cash Equivalents at December 31	\$ 4,625	\$ 172,971	\$ 177,596

**TRAVERSE COUNTY
WHEATON, MINNESOTA**

**EXHIBIT 9
(Continued)**

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021
Increase (Decrease) in Cash and Cash Equivalents**

	<u>Business-Type Activities – Enterprise Funds</u>		
	<u>Prairieview Place</u>	<u>Traverse Care Center</u>	<u>Totals</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities			
Operating income (loss)	<u>\$ (47,407)</u>	<u>\$ (311,971)</u>	<u>\$ (359,378)</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities			
Depreciation and amortization	\$ 45,754	\$ 191,194	\$ 236,948
Nonoperating revenue received	83,075	258,925	342,000
Increase (decrease) in accounts payable	-	(46)	(46)
(Increase) decrease in deferred other postemployment benefits outflows	-	28,167	28,167
Increase (decrease) in deferred other postemployment benefits inflows	-	88,480	88,480
Increase (decrease) in other postemployment benefits liability	-	(77,687)	(77,687)
Total adjustments	<u>\$ 128,829</u>	<u>\$ 489,033</u>	<u>\$ 617,862</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ 81,422</u>	<u>\$ 177,062</u>	<u>\$ 258,484</u>

FIDUCIARY FUNDS

**TRAVERSE COUNTY
WHEATON, MINNESOTA**

EXHIBIT 10

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2021**

	<u>Social Welfare Private-Purpose Trust Fund</u>	<u>Custodial Funds</u>
<u>Assets</u>		
Cash and pooled investments	\$ -	\$ 232,503
Taxes and special assessments receivable for other governments	-	131,525
Due from other governments	-	180,245
Total Assets	\$ -	\$ 544,273
<u>Liabilities</u>		
Due to others	\$ -	\$ 237
Salaries payable	-	1,466
Advance from other funds	-	175,000
Due to other governments	-	82,623
Total Liabilities	\$ -	\$ 259,326
<u>Net Position</u>		
Restricted for individuals, organizations, and other governments	\$ -	\$ 284,947

**TRAVERSE COUNTY
WHEATON, MINNESOTA**

EXHIBIT 11

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021**

<u>Additions</u>	<u>Social Welfare Private-Purpose Trust Fund</u>	<u>Custodial Funds</u>
Contributions from individuals	\$ 8,635	\$ 30,644
Property tax collections for other governments	-	4,980,976
Fees collected for state	-	1,611,404
Payments from state	-	27,820
Payments from other entities	-	342,795
Total Additions	\$ 8,635	\$ 6,993,639
 <u>Deductions</u>		
Payments of property tax to other governments	\$ -	\$ 4,709,753
Payments to state	-	1,933,194
Administrative expense	-	2,614
Payments to other individuals/entities	10,195	353,484
Total Additions	\$ 10,195	\$ 6,999,045
Change in Net Position	\$ (1,560)	\$ (5,406)
Net Position – January 1	\$ 1,560	\$ 290,353
Net Position – December 31	\$ -	\$ 284,947

**TRAVERSE COUNTY
WHEATON, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2021

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, 2021. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the County are discussed below.

A. Financial Reporting Entity

Traverse County was established February 20, 1862, and is an organized county having the powers, duties, and privileges granted counties by Minn. Stat. ch. 373. As required by accounting principles generally accepted in the United States of America, these financial statements present Traverse County. 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 Coordinator, appointed by the Board, serves as the Clerk of the Board but has no vote.

Joint Ventures and Related Organization

The County participates in several joint ventures described in Note 5.B. The County also participates in a related organization described in Note 5.C.

B. Basic Financial Statements

1. Government-Wide Statements

The government-wide financial statements (the statement of net position and the statement of activities) display information about Traverse County. These statements include the financial activities of the overall County government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities, which normally are supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external parties for support.

**TRAVERSE COUNTY
WHEATON, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

1. Government-Wide Statements (Continued)

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

The statement of activities demonstrates the degree to which the direct expenses of each function of the County's governmental activities and different business-type 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.

2. Fund Financial Statements

The fund financial statements provide information about the County's funds, including its fiduciary funds. Separate statements for each fund category—governmental, proprietary, and fiduciary—are presented. The emphasis of governmental and proprietary fund financial statements is on major individual governmental and enterprise funds, with each displayed as separate columns in the fund financial statements. The County presents two enterprise funds. The County reports all of its governmental and proprietary funds as major funds.

**TRAVERSE COUNTY
WHEATON, 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 accounts for restricted revenues from the federal and state government, as well as assigned property tax revenues used for the construction and maintenance of roads, bridges, and other projects affecting County roadways.
- The Social Services Special Revenue Fund accounts for restricted revenues from the federal, state, and other oversight agencies, as well as assigned property tax revenues used for economic assistance and community social services programs.
- The Debt Service Fund is used to account for the accumulation of restricted resources for, and the payment of principal, interest, and related costs of general obligation bonds.

The County reports the following major enterprise funds:

- The Prairieview Place Fund is used to account for the lease revenues and debt payments of the County's congregate housing. The County leases its property and operations of Prairieview Place to LSS of Traverse, LLC. Note 5.D contains additional information related to this lease.
- The Traverse Care Center Fund is used to account for the lease revenues, Care Center retirees health benefits and debt payments of the County's nursing home. The County leases its property and operations of Traverse Care Center to LSS of Traverse, LLC. Note 5.D contains additional information related to this lease.

**TRAVERSE COUNTY
WHEATON, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

Additionally, the County reports the following fund type:

- Social Welfare Private-Purpose Trust Fund accounts for funds held in trust that Traverse County is holding on behalf of individuals receiving social welfare assistance.
- Custodial funds account for monies held in a fiduciary capacity for property taxes collected for other governments, fees, fines, and mortgage registry and state deed collected for the State of Minnesota, special districts that use the County as a depository, and individual inmate accounts from the County jail.

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.

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. Traverse County considers all revenues as available if collected within 60 days after the end of the current period. Property taxes are recognized as revenues in the year for which they are levied provided they are also available. Shared revenues are generally recognized in the period the appropriation goes into effect and the revenues are available. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met and are available. Property and other taxes, licenses, and interest are all considered susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent that they have matured. Issuances of long-term debt and acquisitions under capital leases are reported as other financing sources.

**TRAVERSE COUNTY
WHEATON, MINNESOTA**

1. Summary of Significant Accounting Policies

C. Measurement Focus and Basis of Accounting (Continued)

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

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. Cash and Cash Equivalents

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

2. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Auditor/Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2021. A market approach is used to value all investments other than external investment pools, which are measured at the net asset value. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments are credited to the General Fund. Other funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants. Pooled investment earnings for 2021 were \$4,636.

Traverse 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.

**TRAVERSE COUNTY
WHEATON, MINNESOTA**

1. Summary of Significant Accounting Policies

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

3. 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.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

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

Property taxes are levied as of January 1 on property values assessed as of the same date. The tax levy notice is mailed in March with the first half payment due May 15 and the second half payment due October 15 or November 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 2016 through 2021 and noncurrent special assessments payable in 2022 and after. Unpaid special assessments at December 31 are classified in the financial statements as delinquent special assessments.

All receivables are shown net of an allowance for uncollectible balances.

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

**TRAVERSE COUNTY
WHEATON, MINNESOTA**

1. Summary of Significant Accounting Policies

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

4. Inventories and Prepaid Items (Continued)

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.

5. Capital Assets

Capital assets, which include property, plant, equipment, infrastructure assets (such as roads, bridges, sidewalks, and similar items), and intangible assets, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost of more than \$5,000 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 (entry price) on 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 Traverse County are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	25 - 40
Land improvements	20 - 35
Infrastructure	15 - 70
Machinery, furniture, and equipment	3 - 15

**TRAVERSE COUNTY
WHEATON, MINNESOTA**

1. Summary of Significant Accounting Policies

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

6. Compensated Absences

The liability for compensated absences reported in the financial statements consists of unpaid, accumulated vacation, sick leave, and comp time 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 compensated absences 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 all comp time and vacation to the extent of vacation earned during the current year. The noncurrent portion consists of the remaining amount of vacation and vested sick leave balances. Compensated absences are liquidated by the General Fund, Road and Bridge Special Revenue Fund, and Social Services Special Revenue Fund.

7. Long-Term Obligations

In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, if material, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. Acquisitions under capital leases are reported as an other financing source at the present value of the future minimum lease payments as of the inception date.

**TRAVERSE COUNTY
WHEATON, MINNESOTA**

1. Summary of Significant Accounting Policies

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

8. Pension Plan

For purposes of measuring the net pension asset, liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association of Minnesota (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. For the governmental activities, the net pension liability is liquidated by the General Fund, Road and Bridge Special Revenue Fund, and Social Services Special Revenue Fund.

9. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and will not be recognized as an outflow of resources (expenditure/expense) until then. The County reports deferred outflows of resources only under the full accrual basis of accounting associated with defined benefit pension plans and other postemployment benefits (OPEB) and, accordingly, they are reported only in the statement of net position. The County also reports deferred charges on bond refunding in the Traverse Care Center Enterprise Fund in the business-type activities statement of net position. A deferred charge on bond refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The County has three types of deferred inflows that qualify for

**TRAVERSE COUNTY
WHEATON, MINNESOTA**

1. Summary of Significant Accounting Policies

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

9. Deferred Outflows/Inflows of Resources (Continued)

reporting in this category. The unavailable revenue amount is deferred and recognized as an inflow of resources in the period in which it becomes available. Unavailable revenue arises only under the modified accrual basis of accounting and, accordingly, is reported only in the governmental funds balance sheet. The County also reports deferred inflows of resources associated with defined benefit pension plans and OPEB. These inflows arise only under the full accrual basis of accounting and, accordingly, are reported only in the statement of net position.

10. Unearned Revenue

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

11. Classification of Net Position

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

- Net investment in capital assets – the amount of net position representing capital assets, net of accumulated depreciation, and reduced by outstanding debt attributed to the acquisition, construction, or improvement of the assets.
- Restricted net position – the amount of net position for which external restrictions have been imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- Unrestricted net position – the amount of net position that does not meet the definition of restricted or net investment in capital assets.

**TRAVERSE COUNTY
WHEATON, MINNESOTA**

1. Summary of Significant Accounting Policies

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

12. Classification of Fund Balances

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

- Nonspendable – amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.
- Restricted – amounts in which constraints have been placed on the use of resources either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.
- Committed – amounts that can be used only for the specific purposes imposed by formal action (resolution) of the County Board. Those committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts.
- Assigned – amounts the County intends to use for specific purposes that do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the County Auditor/Treasurer who has been delegated that authority by County Board resolution.
- Unassigned – the residual classification for the General Fund, and includes all spendable amounts not contained in the other fund balance classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted or committed.

**TRAVERSE COUNTY
WHEATON, MINNESOTA**

1. Summary of Significant Accounting Policies

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

12. Classification of Fund Balances (Continued)

Traverse 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.

13. Minimum Fund Balance

Traverse County has adopted a minimum fund balance policy for the General Fund and special revenue funds. The General Fund and special revenue 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 fund balance (committed, assigned, and unassigned) of approximately 35 to 50 percent of fund operating revenues, or no less than five months of operating expenditures. At December 31, 2021, unrestricted fund balance for the General Fund, Road and Bridge Special Revenue Fund, and the Services Special Revenue Fund was at or above the minimum fund balance level.

14. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources; and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**TRAVERSE COUNTY
WHEATON, MINNESOTA**

2. Stewardship, Compliance, and Accountability

A. Deficit Net Position

The following funds had deficit net position as of December 31, 2021:

Prairieview Place Enterprise Fund	\$ 131,500
Traverse Care Center Enterprise Fund	2,196,035

The net position deficits will be eliminated by future lease revenues and repayment of long-term debt.

B. Excess Expenditures Over Budget

The Debt Service Fund had expenditures in excess of budget for the year ended December 31, 2021:

<u>Expenditures</u>	<u>Final Budget</u>	<u>Excess</u>
\$ 218,242	\$ 190,063	\$ 28,179

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments

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

Government-wide statement of net position	
Governmental activities	
Cash and pooled investments	\$ 8,097,951
Cash with escrow agent	13,095
Business-type activities	
Cash and pooled investments	177,596
Statement of fiduciary net position	
Cash and pooled investments	<u>232,503</u>
Total Cash and Investments	<u>\$ 8,521,145</u>

**TRAVERSE COUNTY
WHEATON, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

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.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits may not be returned to it. The County's policy is to minimize deposit custodial credit risk by obtaining collateral or bond for all uninsured amounts on deposit and obtaining necessary documentation to show compliance with state law and a perfected security interest under federal law. As of December 31, 2021, the County did not have any deposits exposed to custodial credit risk.

**TRAVERSE COUNTY
WHEATON, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

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 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.

**TRAVERSE COUNTY
WHEATON, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments

b. Investments (Continued)

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's policy is to minimize interest rate risk by: (1) structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and (2) investing operating funds primarily in shorter-term securities, money markets, or similar investment pools.

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. The County's policy is to minimize investment custodial credit risk by permitting brokers that obtained investments for the County to hold them only to the extent Securities Investor Protection Corporation (SIPC) coverage and excess SIPC coverage is available. As of December 31, 2021, the County did not have any investments subject to custodial credit risk.

**TRAVERSE COUNTY
WHEATON, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments

b. Investments (Continued)

Concentration of Credit Risk

Traverse County will minimize concentration of credit risk, which is the risk of loss due to the magnitude of the County's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. This will be based on the applicable opinion units.

The following table presents the County's deposit and investment balances at December 31, 2021, 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	
Negotiable certificates of deposit with brokers					
Goldman Sachs Bank USA	N/R	N/A	>5%	01/18/2022	\$ 100,072
UBS Bank USA	N/R	N/A	>5%	06/17/2024	98,986
HSBC Bank USA	N/R	N/A	>5%	06/24/2024	98,966
HSBC Bank USA	N/R	N/A	>5%	05/13/2025	97,689
Total negotiable certificates of deposit with brokers					\$ 395,713
Investment pools/mutual funds					
MAGIC Fund	N/R	N/A	<5%	N/A	6,986
Total investments					\$ 402,699
Checking					6,706,933
Savings					781,459
Non-negotiable certificates of deposit					615,459
Cash with escrow agent					13,095
Change funds					1,500
Total Cash and Investments					\$ 8,521,145

N/R – Not Rated
N/A – Not Applicable

**TRAVERSE COUNTY
WHEATON, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments (Continued)

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

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

At December 31, 2021, the County had the following recurring fair value measurements:

	Fair Value Measurements Using			
December 31, 2021	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Investments by fair value level				
Debt securities				
Negotiable certificates of deposit	\$ 395,713	\$ -	\$ 395,713	\$ -
Investments measured at the net asset value (NAV)				
MAGIC Portfolio	\$ 6,986			

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

**TRAVERSE COUNTY
WHEATON, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments (Continued)

MAGIC is a local government investment pool which is quoted at a 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.

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

2. Receivables

Receivables as of December 31, 2021, for the County's governmental activities are as follows:

	Receivable	Less: Allowance for Uncollectible Accounts	Net Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental Activities				
Taxes	\$ 67,006	\$ -	\$ 67,006	\$ -
Accounts receivable	357,304	(314,271)	43,033	-
Due from other governments	<u>3,156,833</u>	<u>-</u>	<u>3,156,833</u>	<u>200,691</u>
Total Governmental Activities	<u>\$ 3,581,143</u>	<u>\$ (314,271)</u>	<u>\$ 3,266,872</u>	<u>\$ 200,691</u>

**TRAVERSE COUNTY
WHEATON, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

2. Receivables (Continued)

Loans Receivable

In 2017, the County loaned Advantenon, Inc. \$180,812 to provide broadband internet services to the rural residents of Traverse County. Loan activity for the year ended December 31, 2021, is as follows.

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Advantenon, Inc, loan	\$ 65,293	\$ -	\$ 65,293	\$ -

3. Capital Assets

Capital asset activity for the year ended December 31, 2021, was as follows:

Governmental Activities

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital assets not depreciated				
Land	\$ 189,281	\$ 15,000	\$ -	\$ 204,281
Right-of-way	962,548	-	-	962,548
Total capital assets not depreciated	\$ 1,151,829	\$ 15,000	\$ -	\$ 1,166,829
Capital assets depreciated				
Buildings	\$ 5,360,449	\$ -	\$ -	\$ 5,360,449
Land improvements	213,358	-	-	213,358
Machinery, furniture, and equipment	6,285,900	158,692	176,020	6,268,572
Infrastructure	60,113,046	2,431,739	-	62,544,785
Total capital assets depreciated	\$ 71,972,753	\$ 2,590,431	\$ 176,020	\$ 74,387,164

**TRAVERSE COUNTY
WHEATON, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

3. Capital Assets

Governmental Activities (Continued)

	Beginning Balance	Increase	Decrease	Ending Balance
Less: accumulated depreciation for				
Buildings	\$ 2,914,762	\$ 113,039	\$ -	\$ 3,027,801
Land improvements	140,105	8,600	-	148,705
Machinery, furniture, and equipment	4,221,457	507,176	176,020	4,552,613
Infrastructure	19,545,044	1,439,615	-	20,984,659
Total accumulated depreciation	\$ 26,821,368	\$ 2,068,430	\$ 176,020	\$ 28,713,778
Total capital assets depreciated, net	\$ 45,151,385	\$ 522,001	\$ -	\$ 45,673,386
Governmental Activities Capital Assets, Net	\$ 46,303,214	\$ 537,001	\$ -	\$ 46,840,215

Business-Type Activities

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 16,175	\$ -	\$ -	\$ 16,175
Capital assets depreciated				
Buildings	\$ 6,413,615	\$ -	\$ -	\$ 6,413,615
Land improvements	19,304	-	-	19,304
Machinery, furniture, and equipment	250,255	-	-	250,255
Total capital assets depreciated	\$ 6,683,174	\$ -	\$ -	\$ 6,683,174
Less: accumulated depreciation for				
Buildings	\$ 4,549,276	\$ 225,370	\$ -	\$ 4,774,646
Land improvements	19,304	-	-	19,304
Machinery, furniture, and equipment	207,400	11,578	-	218,978
Total accumulated depreciation	\$ 4,775,980	\$ 236,948	\$ -	\$ 5,012,928
Total capital assets depreciated, net	\$ 1,907,194	\$ (236,948)	\$ -	\$ 1,670,246
Business-Type Activities Capital Assets, Net	\$ 1,923,369	\$ (236,948)	\$ -	\$ 1,686,421

**TRAVERSE COUNTY
WHEATON, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

3. Capital Assets (Continued)

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

Governmental Activities		
General government	\$	110,875
Public safety		105,558
Highways and streets, including depreciation of infrastructure assets		1,816,808
Human services		27,440
Sanitation		1,657
Culture and recreation		2,841
Conservation of natural resources		3,251
Total Depreciation Expense – Governmental Activities	\$	2,068,430

Business-Type Activities		
Traverse Care Center	\$	191,194
Prairieview Place		45,754
Total Depreciation Expense – Business-Type Activities	\$	236,948

B. Interfund Receivables, Payables, and Transfers

1. Due To/From Other Funds

The composition of interfund balances as of December 31, 2021, is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Social Services Special Revenue Fund	\$ 25,782
Road and Bridge Special Revenue Fund	General Fund	3,370
Total Due To/Due From Other Funds		\$ 29,152

**TRAVERSE COUNTY
WHEATON, MINNESOTA**

3. Detailed Notes on All Funds

B. Interfund Receivables, Payables, and Transfers

1. Due To/From Other Funds (Continued)

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

2. Advances To/From Other Funds

The composition of interfund balances as of December 31, 2021, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Prairieview Place Enterprise Fund	\$ 50,000
	Traverse Care Center Enterprise Fund	370,000
	Western Probation Services Custodial Fund	<u>175,000</u>
Total Advance To/From Other Funds		<u>\$ 595,000</u>

In 2017, the General Fund advanced \$70,000 to the Prairieview Place Enterprise Fund to fund a roof project for the Prairieview Place building. In 2018, the General Fund advanced \$200,000 to the Traverse Care Center Enterprise Fund to cover the cost of retiree insurance. In 2021, Prairieview Place Enterprise Fund repaid the General Fund \$20,000, the General Fund advanced an additional \$170,000 to the Traverse Care Center Enterprise Fund and \$175,000 to the Western Probation Services Custodial Fund to cover operational expenses. The outstanding loan balances with Prairieview Place Enterprise Fund and the Traverse Care Center Enterprise Fund will be repaid once the G.O. Refunding Bond, Series 2013A, is paid in full, beginning in 2027. The outstanding loan balance with Western Probation Services Custodial Fund will be repaid at which time Traverse County is no longer acting as fiscal host for the entity.

**TRAVERSE COUNTY
WHEATON, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

C. Liabilities and Deferred Inflows of Resources

1. Payables

Payables at December 31, 2021, were as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Accounts payable	\$ 278,681	\$ -
Salaries payable	85,617	-
Due to other governments	106,670	-
Contracts payable	29,450	-
	<u>500,418</u>	<u>-</u>
Total Payables	<u>\$ 500,418</u>	<u>\$ -</u>

2. Deferred Inflows of Resources – Unavailable Revenue

Unavailable revenue consists of taxes, state and federal grants, charges for services, and miscellaneous revenues not collected soon enough after year-end to pay liabilities of the current period. Deferred inflows of resources at December 31, 2021, are summarized below by fund:

	<u>Taxes</u>	<u>Grants</u>	<u>Other</u>	<u>Total</u>
Governmental funds				
General Fund	\$ 14,112	\$ 316,512	\$ 20,932	\$ 351,556
Special Revenue Funds				
Road and Bridge	4,634	2,296,140	-	2,300,774
Social Services	2,165	31,884	201,627	235,676
Debt Service Fund	547	-	-	547
	<u>21,458</u>	<u>2,644,536</u>	<u>222,559</u>	<u>2,888,553</u>
Total	<u>\$ 21,458</u>	<u>\$ 2,644,536</u>	<u>\$ 222,559</u>	<u>\$ 2,888,553</u>

**TRAVERSE COUNTY
WHEATON, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources (Continued)

3. Construction and Other Commitments

The County has no active construction projects as of December 31, 2021.

4. Leases

Capital Leases

Governmental Activities

The County has entered into lease agreements as lessee for financing the acquisition of squad cars for the Sheriff's department, tractors for the Highway department, copiers for various departments, and the 911 system upgrades. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the inception date. Capital leases consist of the following at December 31, 2021:

<u>Leases</u>	<u>Maturity</u>	<u>Installment</u>	<u>Payment Amount</u>	<u>Original</u>	<u>Balance</u>
2018 Ford Police Interceptor	2022	Monthly	\$ 575	\$ 27,993	\$ 5,668
2019 Chevrolet Tahoe	2023	Monthly	735	35,259	12,477
2020 Ford Police Interceptor	2024	Monthly	611	29,331	17,829
2021 Ford Durango	2024	Monthly	775	28,158	24,247
2021 Ford Durango	2025	Monthly	638	30,617	29,342
Social Services – copier	2022	Monthly	235	11,919	1,382
Road and Bridge – copier	2022	Monthly	207	12,400	1,241
Sheriff – copier	2022	Monthly	207	12,400	1,242
Veterans Service Officer – copier	2023	Monthly	107	6,404	1,707
Motor Vehicle – copier	2024	Monthly	59	3,019	1,825
Assessor – copier	2024	Monthly	65	3,000	1,799
Auditor/Treasurer – copier	2024	Monthly	59	3,520	1,936
Road and Bridge – tractor	2023	Semi-annual	9,705	97,052	29,117
Road and Bridge – tractor	2023	Semi-annual	6,035	60,351	18,106
911 system upgrade	2024	Annual	29,193	131,810	81,918
Total Governmental Activities Capital Leases					<u>\$ 229,836</u>

**TRAVERSE COUNTY
WHEATON, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources

4. Leases

Capital Leases

Governmental Activities (Continued)

On February 15, 2019, Traverse County entered into a lease purchase agreement with Government Capital Corporation totaling \$131,810 for the 911 system upgrades. The unspent proceeds from this lease are held by an escrow agent. The balance of the escrow account at December 31, 2021, was \$13,095.

Capital lease payments are paid from the General Fund, Road and Bridge Special Revenue Fund, and Social Services Special Revenue Fund. The future minimum lease obligations and the net present value of the remaining minimum lease payments as of December 31, 2021, were as follows:

Year Ending December 31	Lease Payments
2022	\$ 106,921
2023	75,581
2024	47,349
2025	6,379
Subtotal	\$ 236,230
Less: amount representing interest	(6,394)
Net Present Value of Minimum Lease Payments	\$ 229,836

**TRAVERSE COUNTY
WHEATON, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources (Continued)

5. Long-Term Debt

Governmental Activities

In 2020, Traverse County issued General Obligation Drainage Bonds, Series 2020A in the amount of \$1,820,000. Bond proceeds will be used to finance the Bois de Sioux Watershed District drainage improvement project associated with Judicial Ditch No. 11 located in Traverse and Wilkin Counties. Bonds will be paid from special assessments on the benefitted properties; Wilkin County landowners are responsible for \$710,000 and Traverse County landowners are responsible for \$1,110,000 of the bond. The bonds are payable in 15 annual installments beginning on February 1, 2023, with interest payable on a semiannual basis.

<u>Type of Indebtedness</u>	<u>Final Maturity</u>	<u>Installment Amounts</u>	<u>Interest Rate (%)</u>	<u>Original Issue Amount</u>	<u>Outstanding Balance December 31, 2021</u>
General obligation bonds					
2020A G.O. Drainage Bonds	2037	\$110,000 - \$140,000	1.00 - 2.00	\$ 1,820,000	\$ 1,820,000
2015A G.O. Crossover Refunding Bonds	2027	\$140,000 - \$180,000	2.50 - 2.75	1,595,000	1,005,000
Add: unamortized premium					<u>21,202</u>
Total General Obligation Bonds, Net					<u>\$ 2,846,202</u>

Crossover Refunding

In 2015, the County issued \$1,595,000 General Obligation Crossover Refunding Bonds, Series 2015A. Proceeds from the sale of the bonds were used to crossover refund the \$2,515,000 General Obligation Jail Bonds, Series 2006A. Maturities 2018 through 2027, inclusive, were called for redemption on February 1, 2017, at a price of par plus accrued interest. The County refunded the Series 2006A bonds to obtain an economic gain (difference between the present value of debt service payments on the old and new debt) of \$78,871.

**TRAVERSE COUNTY
WHEATON, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources

5. Long-Term Debt

Governmental Activities

Crossover Refunding (Continued)

The bonds are valid and binding general obligations of Traverse County, payable from ad valorem taxes. The full faith and credit of the County is pledged to their payment, and the County has validly obligated itself to levy additional ad valorem taxes upon all taxable property within the County, without limitation to amount, in the event of any deficiency in the debt service account established for this issue.

Principal due with respect to the \$1,595,000 General Obligation Crossover Refunding Bonds, Series 2015A, is payable annually on February 1 and interest due with respect to the bonds is payable semi-annually on February 1 and August 1 of each year.

Business-Type Activities

In 2013, Traverse County issued General Obligation Governmental Housing Refunding Bonds, Series 2013A, in the amount of \$785,000, with interest rates of 1.05 percent to 2.50 percent, to advance refund the General Obligation Housing Refunding Bonds, Series 2005A, with an interest rate of 5.00 percent. The net present value of the benefit is \$58,479. Principal payments are made by the Traverse Care Center Enterprise Fund.

In 2012, Traverse County issued General Obligation Governmental Nursing Home Revenue Refunding Bonds, Series 2012A, in the amount of \$3,350,000, with interest rates of 2.0 percent to 2.8 percent, to advance refund the General Obligation Nursing Home Revenue Bonds, Series 2003A, with an interest rate of 5.00 percent. The net present value of the benefit is \$819,923. Principal payments are made by the Prairieview Place Enterprise Fund.

**TRAVERSE COUNTY
WHEATON, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources

5. Long-Term Debt

Business-Type Activities (Continued)

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2021
2013A G.O. Governmental Housing Refunding Bonds	2027	\$65,000 - \$80,000	1.05 - 2.50	\$ 785,000	\$ 370,000
Add: unamortized premium					<u>2,082</u>
Total G.O. Bonds, Net					<u>\$ 372,082</u>
2012A G.O. Nursing Home Revenue Refunding Bonds	2030	\$160,000 - \$225,000	2.00 - 2.80	\$ 3,350,000	\$ 1,840,000
Add: unamortized premium					<u>25,455</u>
Total Revenue Refunding Bonds, Net					<u>\$ 1,865,455</u>

6. Debt Service Requirements

Debt service requirements at December 31, 2021, were as follows:

Governmental Activities

Year Ending December 31	G.O. Crossover Refunding Bonds, Series 2015A		G.O. Drainage Bonds, Series 2020A	
	Principal	Interest	Principal	Interest
2022	\$ 155,000	\$ 24,075	\$ -	\$ 28,855
2023	160,000	20,137	110,000	28,305
2024	165,000	16,075	110,000	27,205
2025	170,000	11,888	110,000	25,995
2026	175,000	7,356	110,000	24,675
2027 - 2031	180,000	2,475	590,000	98,495
2032 - 2036	-	-	650,000	45,888
2037 - 2041	-	-	140,000	1,400
Total	<u>\$ 1,005,000</u>	<u>\$ 82,006</u>	<u>\$ 1,820,000</u>	<u>\$ 280,818</u>

**TRAVERSE COUNTY
WHEATON, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources

6. Debt Service Requirements (Continued)

Business-Type Activities

Year Ending December 31	General Obligation Bonds		Revenue Bonds	
	Principal	Interest	Principal	Interest
2022	\$ 70,000	\$ 8,578	\$ 180,000	\$ 42,385
2023	75,000	7,282	190,000	38,590
2024	70,000	5,520	195,000	34,547
2025	75,000	3,875	200,000	30,250
2026	80,000	2,000	205,000	25,540
2027 - 2031	-	-	870,000	47,910
Total	<u>\$ 370,000</u>	<u>\$ 27,255</u>	<u>\$ 1,840,000</u>	<u>\$ 219,222</u>

7. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2021, was as follows:

Governmental Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Long-term liabilities					
G.O. bonds payable	\$ 2,980,000	\$ -	\$ 155,000	\$ 2,825,000	\$ 155,000
Unamortized bond premium	24,735	-	3,533	21,202	-
Capital leases	274,166	58,775	103,105	229,836	103,701
Compensated absences	<u>369,231</u>	<u>297,089</u>	<u>259,897</u>	<u>406,423</u>	<u>284,606</u>
Governmental Activities Long-Term Liabilities	<u>\$ 3,648,132</u>	<u>\$ 355,864</u>	<u>\$ 521,535</u>	<u>\$ 3,482,461</u>	<u>\$ 543,307</u>

**TRAVERSE COUNTY
WHEATON, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources

7. Changes in Long-Term Liabilities (Continued)

Business-Type Activities

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Long-term liabilities					
Bonds payable					
General obligation refunding bonds	\$ 440,000	\$ -	\$ 70,000	\$ 370,000	\$ 70,000
Revenue bonds	2,020,000	-	180,000	1,840,000	180,000
Premium on bonds	30,711	-	3,174	27,537	-
Business-Type Activities					
Long-Term Liabilities	<u>\$ 2,490,711</u>	<u>\$ -</u>	<u>\$ 253,174</u>	<u>\$ 2,237,537</u>	<u>\$ 250,000</u>

D. Other Postemployment Benefits (OPEB)

1. Plan Description and Funding Policy

Traverse County administers an other postemployment benefits plan, a single-employer defined benefit health care plan, to eligible retirees and their dependents.

Under this plan, for law enforcement employees employed before September 2, 1986, the County will contribute the same percentage toward medical premiums as active employees for the lifetime of the employee only. For all other employees employed before September 2, 1986, the County will contribute up to 92 percent of the single premium and 84 percent of the family premium for the lifetime of the employee only. For all County employees employed after September 2, 1986, the County's contribution towards premiums is the same as active employees until age 65. The County finances their benefits on a pay-as-you-go basis. The contribution requirements of the plan members and the County are established and may be amended by the Traverse County Board of Commissioners.

**TRAVERSE COUNTY
WHEATON, MINNESOTA**

3. Detailed Notes on All Funds

D. Other Postemployment Benefits (OPEB)

1. Plan Description and Funding Policy (Continued)

The County also provides health insurance benefits for certain retired employees as required by Minn. Stat. § 471.61, subd. 2b. Active employees, who retire from the County when eligible to receive a retirement benefit from PERA (or a similar plan) and do not participate in any other health benefits program providing coverage similar to that herein described, are eligible to continue coverage with respect to both themselves and their eligible dependent(s) under the County’s health benefits program. Retirees are required to pay 100 percent of the total group rate. Since the premium is a blended rate determined on the entire active and retiree population, the retirees, whose costs are statistically higher than the group average, are receiving an implicit rate “subsidy.”

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

As of the January 1, 2021, actuarial valuation, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	45
Active plan participants	<u>69</u>
Total	<u><u>114</u></u>

2. Total OPEB Liability

The County’s total OPEB liability of \$8,350,906 was measured as of January 1, 2021, and was determined by an actuarial valuation as of that date. The OPEB liability is liquidated by the General Fund, Road and Bridge Special Revenue Fund, and Social Services Special Revenue Fund. The Traverse Care Center is charged directly for its share of the annual OPEB cost.

**TRAVERSE COUNTY
WHEATON, MINNESOTA**

3. Detailed Notes on All Funds

D. Other Postemployment Benefits (OPEB)

2. Total OPEB Liability (Continued)

The total OPEB liability for fiscal year-end December 31, 2021, reporting 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, level percentage of pay
Inflation	2.00 percent
Salary increases	Service graded table
Health care cost trend	6.50 percent as of January 1, 2021, decreasing to 5.00 percent over six years and then to 4.00 percent over the next 48 years.

The salary scale used to value GASB 75 liabilities is similar to the table used to value pension liabilities for Minnesota public employees. The rates are based on the four-year experience study for the Public Employees Retirement Association of Minnesota Police and Fire Plan completed in 2016 and the four-year experience study for the Public Employees Retirement Association of Minnesota General Employees Plan completed in 2019 and the inflation assumption.

The current year discount rate is 2.00 percent. For the current valuation, the discount rate is the 20-year municipal bond yield. The municipal bond rate assumption was set by considering published rate information for 20-year high quality, tax-exempt, general obligation municipal bonds as of January 1, 2021.

Mortality rates are based on Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Safety) with MP-2020 Generational Improvement Scale.

Economic assumptions are based on input from a variety of published sources of historical and projected future financial data. Each assumption was reviewed for reasonableness with the source information as well as for consistency with the other economic assumptions.

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.

**TRAVERSE COUNTY
WHEATON, MINNESOTA**

3. Detailed Notes on All Funds

D. Other Postemployment Benefits (OPEB) (Continued)

3. Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at December 31, 2020	\$ 7,953,164
Changes for the year	
Service cost	\$ 289,052
Interest	233,589
Assumption changes	346,522
Differences between expected and actual experience	(93,860)
Benefit payments	(377,561)
Net change	\$ 397,742
Balance at December 31, 2021	\$ 8,350,906

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 1.00 percentage point lower or 1.00 percentage point higher than the current discount rate:

	Discount Rate	Total OPEB Liability
1% Decrease	1.00%	\$ 9,264,574
Current	2.00	8,350,906
1% Increase	3.00	7,563,857

**TRAVERSE COUNTY
WHEATON, 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 1.00 percentage point lower or 1.00 percentage point higher than the current health care cost trend rate:

	Health Care Trend Rate	Total OPEB Liability
1% Decrease	5.50% Decreasing to 4.00%	\$ 7,495,323
Current	6.50% Decreasing to 5.00%	8,350,906
1% Increase	7.50% Decreasing to 6.00%	9,349,659

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

For the year ended December 31, 2021, the County recognized OPEB expense of \$193,782. 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
Difference between expected and actual experience of the plan	\$ -	\$ 368,137
Changes in actuarial assumptions	654,007	749,050
Contributions subsequent to the measurement date	393,255	-
Total	\$ 1,047,262	\$ 1,117,187

**TRAVERSE COUNTY
WHEATON, MINNESOTA**

3. Detailed Notes on All Funds

D. Other Postemployment Benefits (OPEB)

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

The \$393,255 reported as deferred outflows of resources related to OPEB resulting from contributions made subsequent to the measurement date will be recognized as a reduction of the OPEB liability for the year ended December 31, 2022. The amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended December 31	OPEB Expense Amount
2022	\$ (328,859)
2023	(328,855)
2024	194,534

6. Changes in Actuarial Assumptions

The following changes in actuarial assumptions occurred in 2021:

- The health care trend rates were changed to better anticipate short-term and long-term medical increases.
- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2018 Generational Improvement Scale to the Pub-2010 Public Retirement Plans General Headcount-Weighted Mortality Tables with MP-2020 Generational Improvement Scale.
- The inflation rate was changed from 2.50 percent to 2.00 percent.
- The discount rate was changed from 2.90 percent to 2.00 percent.
- The salary increase rates were changed from a flat 3.00 percent for all employees to rates which vary by service and contract group.
- The retirement and withdrawal rates for non-public safety employees were updated to reflect the latest experience study.

**TRAVERSE COUNTY
WHEATON, MINNESOTA**

3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans

a. Plan Description

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

**TRAVERSE COUNTY
WHEATON, MINNESOTA**

3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans

a. 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.

b. Benefits Provided

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

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

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

**TRAVERSE COUNTY
WHEATON, MINNESOTA**

3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans

b. Benefits Provided (Continued)

increase will receive the full increase. Recipients receiving the annuity or benefit for at least 25 months but less than 36 months as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

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

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

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

**TRAVERSE COUNTY
WHEATON, MINNESOTA**

3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans

b. Benefits Provided (Continued)

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.

c. Contributions

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the state legislature. Rates did not change from 2020.

In 2021, the Traverse County and members were required to contribute the following percentages of annual covered salary:

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

**TRAVERSE COUNTY
WHEATON, MINNESOTA**

3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans

c. Contributions (Continued)

The County's contributions for the year ended December 31, 2021, to the pension plans were:

General Employees Plan	\$	207,916
Police and Fire Plan		77,667
Correctional Plan		55,725

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

d. Pension Costs

General Employees Plan

At December 31, 2021, the County reported a liability of \$1,605,688 for its proportionate share of the General Employees Plan's net pension liability. The net pension liability was measured as of June 30, 2021, 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, 2020, through June 30, 2021, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2021, the County's proportion was 0.0376 percent. It was 0.0375 percent measured as of June 30, 2020. The County recognized pension expense of (\$36,578) for its proportionate share of the General Employees Plan's pension expense.

The County also recognized \$3,692 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.

**TRAVERSE COUNTY
WHEATON, MINNESOTA**

3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs

General Employees Plan (Continued)

The County's proportionate share of the net pension liability	\$	1,605,688
State of Minnesota's proportionate share of the net pension liability associated with the County		49,100
Total		\$ 1,654,788

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	\$ 9,707	\$ 49,124
Changes in actuarial assumptions	980,400	35,275
Difference between projected and actual investment earnings	-	1,366,330
Changes in proportion	18,319	15,256
Contributions paid to PERA subsequent to the measurement date	112,190	-
Total	\$ 1,120,616	\$ 1,465,985

The \$112,190 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, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

**TRAVERSE COUNTY
WHEATON, MINNESOTA**

3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs

General Employees Plan (Continued)

Year Ended December 31	Pension Expense Amount
2022	\$ (51,257)
2023	(15,861)
2024	(11,153)
2025	(379,288)

Police and Fire Plan

At December 31, 2021, the County reported a liability of \$284,829 for its proportionate share of the Police and Fire Plan's net pension liability. The net pension liability was measured as of June 30, 2021, 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, 2020, through June 30, 2021, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2021, the County's proportion was 0.0369 percent. It was 0.0362 percent measured as of June 30, 2020. The County recognized pension expense of (\$1,058) for its proportionate share of the Police and Fire Plan's pension expense.

The State of Minnesota also contributed \$18 million to the Police and Fire Plan in the plan fiscal year ended June 30, 2021. The contribution consisted of \$9 million in direct state aid that meets the definition of a special funding situation and \$9 million in supplemental state aid that does not meet the definition of a special funding situation.

**TRAVERSE COUNTY
WHEATON, MINNESOTA**

3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs

Police and Fire Plan (Continued)

Legislation requires the State of Minnesota to pay direct state aid of \$9 million on October 1, 2020, 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 \$2,328 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	\$ 284,829
State of Minnesota's proportionate share of the net pension liability associated with the County	<u>12,786</u>
Total	<u>\$ 297,615</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 \$3,321 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:

**TRAVERSE COUNTY
WHEATON, MINNESOTA**

3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs

Police and Fire Plan (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 54,351	\$ -
Changes in actuarial assumptions	418,624	169,885
Difference between projected and actual investment earnings	-	531,673
Changes in proportion	38,000	5,684
Contributions paid to PERA subsequent to the measurement date	41,795	-
Total	\$ 552,770	\$ 707,242

The \$41,795 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, 2022. 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
2022	\$ (157,600)
2023	(42,494)
2024	(33,181)
2025	(56,175)
2026	93,183

**TRAVERSE COUNTY
WHEATON, MINNESOTA**

3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs (Continued)

Correctional Plan

At December 31, 2021, the County reported an asset of \$44,241 for its proportionate share of the Correctional Plan's net pension asset. The net pension asset was measured as of June 30, 2021, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date. The County's proportion of the net pension asset was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2020, through June 30, 2021, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2021, the County's proportion was 0.2693 percent. It was 0.2472 percent measured as of June 30, 2020. The County recognized pension expense of (\$66,506) 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
	<u> </u>	<u> </u>
Differences between expected and actual economic experience	\$ -	\$ 23,804
Changes in actuarial assumptions	276,935	3,821
Difference between projected and actual investment earnings	-	447,510
Changes in proportion	4,497	199
Contributions paid to PERA subsequent to the measurement date	30,976	-
	<u> </u>	<u> </u>
Total	<u>\$ 312,408</u>	<u>\$ 475,334</u>

**TRAVERSE COUNTY
WHEATON, MINNESOTA**

3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs

Correctional Plan (Continued)

The \$30,976 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, 2022. 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>
2022	\$ (102,501)
2023	(1,648)
2024	6,793
2025	(96,546)

Total Pension Expense

The total pension expense for all plans recognized by the County for the year ended December 31, 2021, was (\$104,142).

e. Actuarial Assumptions

The total pension liability in the June 30, 2021, actuarial valuation was determined using the individual entry-age normal actuarial cost method and the following additional actuarial assumptions:

**TRAVERSE COUNTY
WHEATON, MINNESOTA**

3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans

e. Actuarial Assumptions (Continued)

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

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants were based on the Pub-2010 General Employee Mortality table for the General Employees Plan and the Pub-2010 Public Safety Employee Mortality tables for the Police and Fire and the Correctional Plans, with slight adjustments. Cost of living benefit increases for retirees are assumed to be 1.25 percent for the General Employees Plan and 2.00 percent for the Correctional Plan. 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, 2021, 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 July 14, 2020. The experience study for the Correctional Plan was dated July 10, 2020. For all plans a review of inflation and investment assumptions dated June 24, 2021, was utilized.

The long-term expected rate of return on pension plan investments is 6.50 percent. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of 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:

**TRAVERSE COUNTY
WHEATON, MINNESOTA**

3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans

e. Actuarial Assumptions (Continued)

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

f. Discount Rate

The discount rate used to measure the total pension liability was 6.50 percent in 2021, which is a decrease of one percent from 2020. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, the fiduciary net positions of the General Employees Plan, the Police and Fire Plan, and the Correctional Plan were projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

g. Changes in Actuarial Assumptions and Plan Provisions

The following changes in actuarial assumptions occurred in 2021:

General Employees Plan

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

**TRAVERSE COUNTY
WHEATON, MINNESOTA**

3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans

g. Changes in Actuarial Assumptions and Plan Provisions (Continued)

Police and Fire Plan

- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent.
- The inflation assumption was changed from 2.50 percent to 2.25 percent.
- The payroll growth assumption was changed from 3.25 percent to 3.00 percent.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 Public Safety Mortality table. The mortality improvement scale was changed from Scale MP-2019 to Scale MN-2020.
- The base mortality table for disabled annuitants was changed from the RP-2014 Healthy Annuitant Mortality table (with future mortality improvement according to Scale MP-2019) to the Pub-2010 Public Safety Disabled Annuitant Mortality table (with future mortality improvement according to Scale MP-2020).
- Assumed rates of salary increase were modified as recommended in the July 14, 2020, experience study. The overall impact is a decrease in gross salary increase rates.
- Assumed rates of retirement were changed as recommended in the July 14, 2020, experience study. The changes result in slightly more unreduced retirements and fewer assumed early retirements.
- Assumed rates of withdrawal were changed from select and ultimate rates to service-based rates. The changes result in more assumed terminations.

**TRAVERSE COUNTY
WHEATON, MINNESOTA**

3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans

g. Changes in Actuarial Assumptions and Plan Provisions

Police and Fire Plan (Continued)

- Assumed rates of disability were increased for ages 25-44 and decreased for ages over 49. Overall, proposed rates result in more projected disabilities.
- Assumed percent married for active female members was changed from 60 percent to 70 percent. Minor changes to form of payment assumptions were applied.

Correctional Plan

- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent.
- The inflation assumption was changed from 2.50 percent to 2.25 percent.
- The payroll growth assumption was changed from 3.25 percent to 3.00 percent.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 Public Safety Mortality table. The mortality improvement scale was changed from Scale MP-2019 to Scale MN-2020.
- The base mortality table for disabled annuitants was changed from the RP-2014 Healthy Annuitant Mortality table (with future mortality improvement according to Scale MP-2019) to the Pub-2010 Public Safety Disabled Annuitant Mortality table (with future mortality improvement according to Scale MP-2020).
- Assumed rates of salary increase were modified as recommended in the July 10, 2020, experience study. The overall impact is a decrease in gross salary increase rates.

**TRAVERSE COUNTY
WHEATON, MINNESOTA**

3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans

g. Changes in Actuarial Assumptions and Plan Provisions

Correctional Plan (Continued)

- Assumed rates of retirement were changed as recommended in the July 10, 2020, experience study. The changes result in slightly more unreduced retirements and fewer assumed early retirements.
- Assumed rates of withdrawal were changed as recommended in the July 10, 2020, experience study. The new rates predict more terminations, both in the three-year select period (based on service) and the ultimate rates (based on age).
- Assumed rates of disability were lowered.
- Assumed percent married for active members was lowered from 85 percent to 75 percent.
- Minor changes to form of payment assumptions were applied.

h. Pension Liability Sensitivity

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

	Proportionate Share of the					
	General Employees Plan		Police and Fire Plan		Correctional Plan	
	Discount Rate	Net Pension Liability	Discount Rate	Net Pension Liability	Discount Rate	Net Pension Liability (Asset)
1% Decrease	5.50%	\$ 3,274,785	5.50%	\$ 904,284	5.50%	\$ 460,425
Current	6.50	1,605,688	6.50	284,829	6.50	(44,241)
1% Increase	7.50	263,093	7.50	(222,970)	7.50	(444,746)

**TRAVERSE COUNTY
WHEATON, MINNESOTA**

3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans (Continued)

i. Pension Plan Fiduciary Net Position

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

2. Defined Contribution Plan

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

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

Total contributions by dollar amount and percentage of covered payroll made by Traverse County during the year ended December 31, 2021, were:

	<u>Employee</u>	<u>Employer</u>
Contribution amount	\$ 2,974	\$ 2,974
Percentage of covered payroll	5.00%	5.00%

**TRAVERSE COUNTY
WHEATON, MINNESOTA**

4. Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and 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 group employee health benefits, the County used Flexible Benefits Consulting. 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 2021 and 2022. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

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

5. Summary of Significant Contingencies and Other Items

A. Contingent Liabilities

Amounts received or receivable from grantor 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.

**TRAVERSE COUNTY
WHEATON, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

A. Contingent Liabilities (Continued)

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

B. Joint Ventures

Rainbow Rider Transit Board

Douglas, Grant, Pope, Stevens, and Traverse Counties entered into a joint powers agreement to establish the West Central Multi-County Joint Powers Transit Board effective December 1, 1994, and empowered under Minn. Stat. § 471.59. Effective January 13, 2000, the Board changed its name from West Central Multi-County Joint Powers Transit Board to Rainbow Rider Transit Board. The purpose of Rainbow Rider is to provide coordinated service delivery and a funding source for public transportation. Grant County terminated its membership in Rainbow Rider on May 31, 1999. Grant County rejoined and Todd County became a member county effective January 1, 2011, and 2012, respectively.

The Board consists of two members appointed by each member county from its County Board for terms of one year each. Rainbow Rider is a joint venture with no county having control over the Board. Each county has an ongoing responsibility to provide funding for the operating costs of the Board allocated in accordance with the actual expenses incurred by representatives of the respective counties on the Board. During 2021, Traverse County contributed \$38,546 to Rainbow Rider.

The joint powers agreement remains in force until any single county notifies the other parties of its intention to withdraw, at least 90 days before the termination takes effect. The remaining counties may agree to continue the agreement with the remaining counties as members.

Complete financial information can be obtained from: Rainbow Rider Transit Board, 249 Poplar Avenue, Lowry, Minnesota 56349.

**TRAVERSE COUNTY
WHEATON, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

B. Joint Ventures (Continued)

Horizon Public Health

Grant, Pope, Stevens, and Traverse Counties entered into a joint powers agreement creating and operating the Mid-State Community Health Services, pursuant to Minn. Stat. § 471.59. During 1994, Stevens Traverse Grant Public Health Nursing Service began receiving and administering the grant money for Stevens, Traverse, and Grant Counties. Mid-State Community Health Services was renamed to Horizon Community Health Board when Douglas County was added as a member on January 1, 2011. Horizon Community Health Board was renamed to Horizon Public Health on January 1, 2015, when it became a fiscally-independent entity. The budget is now approved by the five-county Board.

Control is vested in Horizon Public Health's Board, which consists of 13 members comprised of 11 County Commissioners and two community representatives. Each member of the Board is appointed by the County Commissioners of the county they represent.

Financing is provided by federal and state grants and appropriations from the five member counties. During 2021, Traverse County contributed \$24,906 in funds to Horizon Public Health.

Complete financial statements for Horizon Public Health can be obtained from: Horizon Public Health, 809 Elm Street, Suite 1200, Alexandria, Minnesota 56308.

PrimeWest Health

The PrimeWest Central County-Based Purchasing Initiative (since renamed PrimeWest Health) was established in December 1998 by a joint powers agreement with Big Stone, Douglas, Grant, McLeod, Meeker, Pipestone, Pope, Renville, Stevens, and Traverse Counties under the authority of Minn. Stat. § 471.59. Beltrami, Clearwater, and Hubbard Counties were later added to PrimeWest Health. Pipestone County has since joined Southwest Health and Human Services for public health and human services functions. The partnership is organized to directly purchase health care services for county residents who are eligible for Medical Assistance and General Assistance Medical Care as authorized by Minn. Stat. § 256B.692. County-based purchasing is the local control

**TRAVERSE COUNTY
WHEATON, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

B. Joint Ventures

PrimeWest Health (Continued)

alternative favored for improved coordination of services to prepaid Medical Assistance programs in complying with Minnesota Department of Health requirements as set forth in Minn. Stat. chs. 62D and 62N.

Control of PrimeWest Health is vested in a Joint Powers Board of Directors, composed of two Commissioners from each member county (one active and one alternate). Each member of the Joint Powers Board of Directors is appointed by the County Commissioners of the county represented.

In the event of termination of the joint powers agreement, all assets owned pursuant to this agreement shall be sold, and the proceeds, together with monies on hand, will be distributed to the current members based on their proportional share of each member's county-based purchasing eligible population.

Financing is provided by Medical Assistance and General Assistance Medical Care payments from the Minnesota Department of Human Services, initial start-up loans from the member counties, and by proportional contributions from member counties, if necessary, to cover operational costs. Traverse County did not make any contributions to PrimeWest Health in 2021.

Complete financial information can be obtained from its administrative office at: PrimeWest Health, 3905 Dakota Street, Suite 101, Alexandria, Minnesota 56308.

Region 4 South Adult Mental Health Consortium

Douglas, Grant, Pope, Stevens, and Traverse Counties entered into a joint powers agreement creating and operating Region 4 South Adult Mental Health Consortium, pursuant to Minn. Stat. § 471.59, to provide a system of care that will serve the needs of adults with serious and persistent mental illness for the mutual benefit of each of the joint participants.

Control of the Consortium is vested in a Governing Board, which consists of each participating County's Director of Social Services, Family Services, or Human Services, as the case may be; two County Commissioners from the Executive Commissioner

**TRAVERSE COUNTY
WHEATON, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Region 4 South Adult Mental Health Consortium (Continued)

Board; three local providers; and three consumers. The Governing Board operates under the ultimate authority of the Executive Commissioner Board. The Executive Commissioner Board is composed of one Commissioner of each county appointed by their respective County Board.

Any county may withdraw by providing notice to the chair of the Board 90 days prior to the date of the proposed withdrawal. Withdrawal does not act to discharge any liability incurred or chargeable to any county before the effective date of the withdrawal.

Dissolution of the Consortium shall occur by unanimous vote of the counties, or when the membership in the Consortium is reduced to less than two counties. Upon dissolution of the Consortium, the member counties shall share in the current liabilities and current financial assets, including real property, of the Consortium equally if no county has contributed during the term of the Consortium or based upon their percentage of contribution to the Consortium's budget during the period applicable to such liabilities and assets.

Financing is predominantly provided by state grants. During 2021, Traverse County did not make any contributions to the Consortium. Grant County, in a fiscal host capacity, reports the cash transactions of the Consortium as a fiduciary fund on its financial statements.

Complete financial information can be obtained from: Region 4 South Adult Mental Health Consortium, 507 North Nokomis Northeast, Suite 203, Alexandria, Minnesota 56308.

**TRAVERSE COUNTY
WHEATON, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

B. Joint Ventures (Continued)

Rural Minnesota Concentrated Employment Program, Inc. (WIA – Rural Minnesota Workforce Service Area 2)

The Rural Minnesota Concentrated Employment Program, Inc. (RMCEP), is a private non-profit corporation that provides workforce development services in a 19-county area in North Central and West Central Minnesota. The agency was incorporated in 1968 to operate employment and training programs which include Workforce Investment Act services. The RMCEP was established to create job training and employment opportunities for economically disadvantaged, underemployed and unemployed persons, and youthful persons in both the private and the public sector.

The RMCEP is governed by a Board of Directors, which is comprised of representatives from a wide variety of industry sectors, education, and human services. Traverse County provided \$69,514 to this organization in 2021. Current financial statements are not available.

Traverse County Connections

Traverse County Connections was established in 1999 under the authority of Minn. Stat. §§ 124D.23 and 245.491. Traverse County Connections was formed as a children’s mental health and family services collaborative for the purposes of providing coordinated children and family services and to create an integrated system of services for children and families with multiple and special needs. This collaborative includes Traverse County Social Services, Horizon Public Health, Wheaton Public Schools, Browns Valley Public Schools, Traverse County Court Services, the Life Center, West Central Minnesota Community Action, and Prairie Community Services.

Control of Traverse County Connections is vested in a collaborative governing board and an Executive Committee. The governing board is composed of one member and an alternate from each agency involved, except for Prairie Community Services. The Board has revenue authority and approves the annual budget. The Executive Committee comprises a representative from each agency and a parent nominated from the area. The Executive Committee has design and policy oversight authority as well as authority over expenditures.

**TRAVERSE COUNTY
WHEATON, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Traverse County Connections (Continued)

In the event of withdrawal from Traverse County Connections, the withdrawing party shall give a 180-day notice. The withdrawing party shall not be entitled to a refund of monies contributed to the collaborative prior to the effective date of withdrawal. The governing board shall continue to exist if the collaborative is terminated for the limited purpose of discharging the collaborative's debts and liabilities, settling its affairs, and disposing of integrated fund assets, if any.

Financing is provided by state and federal grants and contributions from the member parties. Traverse County, in an agent capacity, reports the cash transactions of Traverse County Connections as a custodial fund on its financial statements. Traverse County did not make any contributions to Traverse County Connections in 2021.

Viking Library System

Traverse County, along with ten cities and five other counties, participates in the Viking Library System in order to establish, continue, strengthen, and improve library services in the participating cities and counties. The Viking Library System was created as a public library service in 1975 by the Counties of Douglas, Grant, Otter Tail, and Stevens, along with the Cities of Alexandria, Elbow Lake, Fergus Falls, Hancock, and Morris. Additions to the Library System included the Cities of Browns Valley, Glenwood, New York Mills, Perham, and Wheaton in 1976; Pope County in 1981, Traverse County in 1983, and the City of Pelican Rapids in 1988. In 1992, the City of Alexandria library became the Douglas County library.

The Viking Library System is governed by a governing board which consists of 19 members. Each County Board appoints a resident of the county, each member library board appoints a representative, and any library with a service area population over 15,000 has an additional representative. Currently, the Fergus Falls and Douglas County have additional representatives. During 2021, Traverse County provided \$35,497 to the Viking Library System.

Complete financial information can be obtained from: Viking Library System, 1915 Fir Avenue West, Fergus Falls, Minnesota 56537.

**TRAVERSE COUNTY
WHEATON, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

B. Joint Ventures (Continued)

Western Probation Services

Big Stone, Grant, Stevens, Traverse, and Wilkin Counties participate in a joint venture to provide corrections services to the five-county area. The joint powers agreement was effective June 1, 1962.

Court services are headquartered in Wheaton, Minnesota, with office locations at the county seats of the member counties.

The two probation officers for the five-county area are appointed by three area judges, who also set the probation officer salaries. The Minnesota Department of Corrections reimburses Traverse County for a portion of the probation officer salaries. The remaining expenses are allocated to each participating county based on population. During 2021, Traverse County contributed \$33,488 to the entity.

Traverse County acts as fiscal agent. Traverse County reports the probation activity in the Western Probation Services Custodial Fund.

Counties Providing Technology

Counties Providing Technology (CPT) was established in 2018, under the authority conferred upon by member parties by Minn. Stat. § 471.59, for the purpose of purchasing the former software vendor, Computer Professionals Unlimited, Inc. (CPUI), and to provide for the development, operation, and maintenance of technology applications and systems. CPT is comprised of 31 members, of which 24 are voting members of CPT and seven are non-voting members.

Control is vested in the CPT Board, which consists of one individual appointed by each voting member county's Board of Commissioners. The joint powers agreement provides that initial operating capital contributed by the original members is to be repaid from any excess in fund balance at the end of the fiscal year, in proportion to the initial contribution. Excess funds beyond the initial capital contribution shall be distributed to members as determined by the CPT Board. Full repayment of initial capital contributed by members joining after the original signatories to the initial agreement is not to be required to be completed prior to the CPT Board distributing excess fund balances to other members.

**TRAVERSE COUNTY
WHEATON, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Counties Providing Technology (Continued)

Financing is primarily from county member contributions. During 2021, Traverse County did not provide any contributions to CPT. Current financial information can be obtained from: Stevens County Auditor/Treasurer, 400 Colorado Avenue, Suite 303, Morris, Minnesota 56267.

C. Related Organization

Traverse County Housing and Redevelopment Authority

The Traverse County Housing and Redevelopment Authority (HRA) has its own governing board appointed by the Traverse County Board of Commissioners. The County's accountability for the organization does not extend beyond making the appointments. In 2013, the HRA issued \$785,000 of General Obligation Government Housing Refunding Bonds, Series 2013A, for the full advance refunding of the General Obligation Governmental Housing Refunding Bonds, Series 2005A, on behalf of Traverse County, which is responsible for making the payments.

D. Lease of Property

On December 1, 2010, Traverse County entered into a lease with LSS of Traverse, LLC, (LSS) whereby LSS is renting the property of Prairieview Place and operating it as a congregate housing facility. The amended lease expiring November 30, 2021, required monthly payments to be made by LSS to Traverse County in amounts equal to the required debt service of Prairieview Place's debts, approximately \$6,900 per month. The twelve-month lease agreement commencing December 1, 2021, requires a minimum monthly payment of \$6,923 per month.

On December 1, 2010, Traverse County entered into a lease with LSS of Traverse, LLC, (LSS) whereby LSS is renting the property of the Traverse Care Center and operating it as a skilled nursing facility. The amended lease expiring November 30, 2021, required monthly payments to be made by LSS to Traverse County in amounts equal to the required debt service of Traverse Care Center's debts, approximately \$21,600 per month. The twelve-month lease agreement commencing December 1, 2021, requires a minimum monthly payment of \$13,077 per month. Twelve retirees of the Traverse Care Center continue to receive other postemployment benefits through Traverse County.

**TRAVERSE COUNTY
WHEATON, MINNESOTA**

6. Subsequent Event

During 2022, final settlement agreements were reached with pharmaceutical companies and distributors as part of the National Prescription Opiate Litigation. For Traverse County, the amount to be received as a result of this litigation is \$200,691 to be received over 18 years, which has been recorded as due from other governments in the current year. The Minnesota Opioids State-Subdivision Memorandum of Agreement was signed January 24, 2022.

REQUIRED SUPPLEMENTARY INFORMATION

**TRAVERSE COUNTY
WHEATON, MINNESOTA**

EXHIBIT A-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 3,365,292	\$ 3,365,292	\$ 3,381,624	\$ 16,332
Special assessments	75,000	75,000	75,862	862
Licenses and permits	9,293	9,293	13,088	3,795
Intergovernmental	790,622	790,622	1,556,838	766,216
Charges for services	477,717	477,717	429,586	(48,131)
Fines and forfeits	-	-	340	340
Investment earnings	30,000	30,000	4,618	(25,382)
Miscellaneous	165,884	165,884	211,155	45,271
Total Revenues	\$ 4,913,808	\$ 4,913,808	\$ 5,673,111	\$ 759,303
Expenditures				
Current				
General government				
Commissioners	\$ 204,724	\$ 204,724	\$ 217,598	\$ (12,874)
Law library	2,500	2,500	6,387	(3,887)
County coordinator	137,728	137,728	130,697	7,031
County auditor/treasurer	282,820	282,820	296,900	(14,080)
License bureau	110,700	110,700	116,973	(6,273)
County assessor	250,556	250,556	250,302	254
Elections	3,500	3,500	3,382	118
Accounting and auditing	54,000	54,000	55,477	(1,477)
Data processing	166,478	166,478	177,299	(10,821)
Attorney	196,066	196,066	171,927	24,139
Recorder	188,197	188,197	196,458	(8,261)
Buildings and plant	165,871	165,871	160,900	4,971
Veterans service officer	87,595	87,595	78,728	8,867
Other general government	205,331	205,331	358,661	(153,330)
Total general government	\$ 2,056,066	\$ 2,056,066	\$ 2,221,689	\$ (165,623)
Public safety				
Sheriff	\$ 899,465	\$ 899,465	\$ 971,735	\$ (72,270)
Boat and water	29,025	29,025	-	29,025
Coroner	8,000	8,000	11,740	(3,740)
Enhanced 911 system	315,835	315,835	469,410	(153,575)
Jail	501,421	501,421	562,428	(61,007)
Probation officer	129,238	129,238	33,488	95,750
Civil defense	103,476	103,476	101,858	1,618
Total public safety	\$ 1,986,460	\$ 1,986,460	\$ 2,150,659	\$ (164,199)

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

Page 95

**TRAVERSE COUNTY
WHEATON, MINNESOTA**

**EXHIBIT A-1
(Continued)**

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Current (Continued)				
Sanitation				
Solid waste	\$ 174,515	\$ 174,515	\$ 181,604	\$ (7,089)
Culture and recreation				
County fair	\$ 12,500	\$ 12,500	\$ 12,500	\$ -
Parks	17,000	17,000	23,432	(6,432)
Other culture and recreation	43,497	43,497	8,000	35,497
Total culture and recreation	<u>\$ 72,997</u>	<u>\$ 72,997</u>	<u>\$ 43,932</u>	<u>\$ 29,065</u>
Conservation of natural resources				
County extension	\$ 140,223	\$ 140,223	\$ 120,787	\$ 19,436
Buffer aid allocation	62,014	62,014	62,014	-
Soil and water conservation	157,212	157,212	227,659	(70,447)
Weed control	65,182	65,182	60,665	4,517
Total conservation of natural resources	<u>\$ 424,631</u>	<u>\$ 424,631</u>	<u>\$ 471,125</u>	<u>\$ (46,494)</u>
Economic development				
Community development	\$ 34,255	\$ 34,255	\$ 28,987	\$ 5,268
Intergovernmental				
Public health	\$ 35,884	\$ 35,884	\$ 35,270	\$ 614
Library	-	-	35,497	(35,497)
Total intergovernmental	<u>\$ 35,884</u>	<u>\$ 35,884</u>	<u>\$ 70,767</u>	<u>\$ (34,883)</u>
Debt service				
Principal	\$ -	\$ -	\$ 66,517	\$ (66,517)
Interest	-	-	4,231	(4,231)
Total debt service	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 70,748</u>	<u>\$ (70,748)</u>
Total Expenditures	<u>\$ 4,784,808</u>	<u>\$ 4,784,808</u>	<u>\$ 5,239,511</u>	<u>\$ (454,703)</u>

**TRAVERSE COUNTY
WHEATON, MINNESOTA**

**EXHIBIT A-1
(Continued)**

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Excess of Revenues Over (Under) Expenditures	\$ 129,000	\$ 129,000	\$ 433,600	\$ 304,600
Other Financing Sources (Uses)				
Transfers out	\$ (150,000)	\$ (150,000)	\$ -	\$ 150,000
Capital leases	-	-	58,775	58,775
Insurance recoveries	-	-	14,350	14,350
Total Other Financing Sources (Uses)	\$ (150,000)	\$ (150,000)	\$ 73,125	\$ 223,125
Net Change in Fund Balance	\$ (21,000)	\$ (21,000)	\$ 506,725	\$ 527,725
Fund Balance – January 1	3,244,456	3,244,456	3,244,456	-
Fund Balance – December 31	\$ 3,223,456	\$ 3,223,456	\$ 3,751,181	\$ 527,725

**TRAVERSE COUNTY
WHEATON, MINNESOTA**

EXHIBIT A-2

**BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 1,601,055	\$ 1,601,055	\$ 1,603,386	\$ 2,331
Licenses and permits	-	-	5,100	5,100
Intergovernmental	4,380,099	4,380,099	4,789,513	409,414
Charges for services	382,440	382,440	324,474	(57,966)
Miscellaneous	58,531	58,531	33,266	(25,265)
Total Revenues	\$ 6,422,125	\$ 6,422,125	\$ 6,755,739	\$ 333,614
Expenditures				
Current				
Highways and streets				
Administration	\$ 509,863	\$ 509,863	\$ 291,463	\$ 218,400
Authorized work	32,000	32,000	7,162	24,838
Engineering	106,673	106,673	129,720	(23,047)
Construction	2,608,431	2,608,431	2,613,866	(5,435)
Maintenance	1,802,303	1,802,303	1,877,815	(75,512)
Equipment maintenance and shops	883,077	883,077	763,042	120,035
Material and services for resale	85,970	85,970	60,505	25,465
Total highways and streets	\$ 6,028,317	\$ 6,028,317	\$ 5,743,573	\$ 284,744
Intergovernmental				
Highways and streets	\$ 305,000	\$ 305,000	\$ 287,219	\$ 17,781
Debt service				
Principal	\$ -	\$ -	\$ 33,962	\$ (33,962)
Interest	-	-	1	(1)
Total debt service	\$ -	\$ -	\$ 33,963	\$ (33,963)
Total Expenditures	\$ 6,333,317	\$ 6,333,317	\$ 6,064,755	\$ 268,562
Excess of Revenues Over (Under) Expenditures	\$ 88,808	\$ 88,808	\$ 690,984	\$ 602,176

**TRAVERSE COUNTY
WHEATON, MINNESOTA**

**EXHIBIT A-2
(Continued)**

**BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Other Financing Sources (Uses)				
Insurance recoveries	\$ -	\$ -	\$ 38,996	\$ 38,996
Proceeds from sale of capital assets	-	-	14	14
Total Other Financing Sources (Uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 39,010</u>	<u>\$ 39,010</u>
Net Change in Fund Balance	\$ 88,808	\$ 88,808	\$ 729,994	\$ 641,186
Fund Balance – January 1	2,038,212	2,038,212	2,038,212	-
Increase (decrease) in inventories	<u>-</u>	<u>-</u>	<u>91,236</u>	<u>91,236</u>
Fund Balance – December 31	<u><u>\$ 2,127,020</u></u>	<u><u>\$ 2,127,020</u></u>	<u><u>\$ 2,859,442</u></u>	<u><u>\$ 732,422</u></u>

**TRAVERSE COUNTY
WHEATON, MINNESOTA**

EXHIBIT A-3

**BUDGETARY COMPARISON SCHEDULE
SOCIAL SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 766,479	\$ 766,479	\$ 768,821	\$ 2,342
Intergovernmental	1,107,462	1,107,462	1,074,397	(33,065)
Charges for services	48,250	48,250	13,987	(34,263)
Miscellaneous	158,650	158,650	194,747	36,097
Total Revenues	\$ 2,080,841	\$ 2,080,841	\$ 2,051,952	\$ (28,889)
Expenditures				
Current				
Human services				
Income maintenance	\$ 713,411	\$ 713,411	\$ 652,065	\$ 61,346
Social services	1,367,430	1,367,430	1,293,744	73,686
Total human services	\$ 2,080,841	\$ 2,080,841	\$ 1,945,809	\$ 135,032
Debt service				
Principal	\$ -	\$ -	\$ 2,626	\$ (2,626)
Interest	-	-	191	(191)
Total debt service	\$ -	\$ -	\$ 2,817	\$ (2,817)
Total Expenditures	\$ 2,080,841	\$ 2,080,841	\$ 1,948,626	\$ 132,215
Net Change in Fund Balance	\$ -	\$ -	\$ 103,326	\$ 103,326
Fund Balance – January 1	1,807,398	1,807,398	1,807,398	-
Fund Balance – December 31	\$ 1,807,398	\$ 1,807,398	\$ 1,910,724	\$ 103,326

**TRAVERSE COUNTY
WHEATON, MINNESOTA**

EXHIBIT A-4

**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
OTHER POSTEMPLOYMENT BENEFITS
DECEMBER 31, 2021**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability				
Service cost	\$ 289,052	\$ 258,970	\$ 214,422	\$ 240,441
Interest	233,589	274,219	317,884	312,519
Differences between expected and actual experience	(93,860)	-	(744,358)	-
Changes of assumption or other inputs	346,522	656,862	(1,872,628)	-
Benefit payments	<u>(377,561)</u>	<u>(384,821)</u>	<u>(368,661)</u>	<u>(360,103)</u>
Net change in total OPEB liability	\$ 397,742	\$ 805,230	\$ (2,453,341)	\$ 192,857
Total OPEB Liability – Beginning	<u>7,953,164</u>	<u>7,147,934</u>	<u>9,601,275</u>	<u>9,408,418</u>
Total OPEB Liability – Ending	<u><u>\$ 8,350,906</u></u>	<u><u>\$ 7,953,164</u></u>	<u><u>\$ 7,147,934</u></u>	<u><u>\$ 9,601,275</u></u>
Covered-employee payroll	\$ 3,732,197	\$ 3,738,688	\$ 3,629,794	\$ 3,749,608
Total OPEB liability (asset) as a percentage of covered-employee payroll	223.75%	212.73%	196.92%	256.06%

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

**TRAVERSE COUNTY
WHEATON, MINNESOTA**

EXHIBIT A-5

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA GENERAL EMPLOYEES RETIREMENT PLAN
DECEMBER 31, 2021**

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 Traverse 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
2021	0.0376 %	\$ 1,605,688	\$ 49,100	\$ 1,654,788	\$ 2,709,990	59.25 %	87.00 %
2020	0.0375	2,248,296	69,408	2,317,704	2,674,799	84.05	79.06
2019	0.0370	2,045,647	63,664	2,109,311	2,620,645	78.06	80.23
2018	0.0381	2,113,632	69,243	2,182,875	2,558,746	82.60	79.53
2017	0.0397	2,534,422	31,880	2,566,302	2,461,647	102.96	75.90
2016	0.0370	3,004,216	39,254	3,043,470	2,285,768	131.43	68.91
2015	0.0364	1,886,437	N/A	1,886,437	2,141,011	88.11	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

**TRAVERSE COUNTY
WHEATON, MINNESOTA**

EXHIBIT A-6

**SCHEDULE OF CONTRIBUTIONS
PERA GENERAL EMPLOYEES RETIREMENT PLAN
DECEMBER 31, 2021**

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)
2021	\$ 207,916	\$ 207,916	\$ -	\$ 2,772,217	7.50 %
2020	208,639	208,639	-	2,781,851	7.50
2019	201,458	201,458	-	2,686,101	7.50
2018	188,820	188,820	-	2,517,592	7.50
2017	187,462	187,462	-	2,498,276	7.50
2016	186,551	186,551	-	2,487,346	7.50
2015	162,109	162,109	-	2,161,449	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.

**TRAVERSE COUNTY
WHEATON, MINNESOTA**

EXHIBIT A-7

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA PUBLIC EMPLOYEES POLICE AND FIRE PLAN
DECEMBER 31, 2021**

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 Traverse 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
2021	0.0369 %	\$ 284,829	\$ 12,786	\$ 297,615	\$ 435,665	65.38 %	93.66 %
2020	0.0362	477,155	11,255	488,410	408,850	116.71	87.19
2019	0.0370	393,902	N/A	393,902	390,674	100.83	89.26
2018	0.0355	378,393	N/A	378,393	373,980	101.18	88.84
2017	0.0350	472,542	N/A	472,542	341,814	138.25	85.43
2016	0.0320	1,284,216	N/A	1,284,216	300,196	427.79	63.88
2015	0.0320	363,595	N/A	363,595	296,162	122.77	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.

**TRAVERSE COUNTY
WHEATON, MINNESOTA**

EXHIBIT A-8

**SCHEDULE OF CONTRIBUTIONS
PERA PUBLIC EMPLOYEES POLICE AND FIRE PLAN
DECEMBER 31, 2021**

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)
2021	\$ 77,667	\$ 77,667	\$ -	\$ 438,794	17.70 %
2020	77,357	77,357	-	437,045	17.70
2019	67,777	67,777	-	399,863	16.95
2018	61,883	61,883	-	381,992	16.20
2017	55,954	55,954	-	345,394	16.20
2016	54,138	54,138	-	334,185	16.20
2015	46,325	46,325	-	285,958	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.

**TRAVERSE COUNTY
WHEATON, MINNESOTA**

EXHIBIT A-9

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA PUBLIC EMPLOYEES LOCAL GOVERNMENT CORRECTIONAL SERVICE RETIREMENT PLAN
DECEMBER 31, 2021**

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
2021	0.2693 %	\$ (44,241)	\$ 595,347	(7.43) %	101.61 %
2020	0.2472	67,075	537,938	12.47	96.67
2019	0.2497	34,571	532,691	6.49	98.17
2018	0.2503	41,167	514,572	8.00	97.64
2017	0.2400	683,355	461,954	147.93	67.89
2016	0.2300	840,222	430,324	195.25	58.16
2015	0.2300	35,558	405,161	8.78	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.

**TRAVERSE COUNTY
WHEATON, MINNESOTA**

EXHIBIT A-10

**SCHEDULE OF CONTRIBUTIONS
PERA PUBLIC EMPLOYEES LOCAL GOVERNMENT CORRECTIONAL SERVICE RETIREMENT PLAN
DECEMBER 31, 2021**

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)
2021	\$ 55,725	\$ 55,725	\$ -	\$ 636,855	8.75 %
2020	50,529	50,529	-	577,479	8.75
2019	47,566	47,566	-	543,612	8.75
2018	44,927	44,927	-	513,457	8.75
2017	41,869	41,869	-	478,503	8.75
2016	40,380	40,380	-	461,489	8.75
2015	35,184	35,184	-	402,101	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.

**TRAVERSE COUNTY
WHEATON, MINNESOTA**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2021

1. General Budget Policies

The County Board adopts estimated revenue and expenditure budgets for the General Fund, special revenue funds, and the Debt Service Fund. The expenditure budget is approved at the fund level. The appropriated budget is prepared by fund, function, and department. The County's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require approval of the County Board. The legal level of budgetary control (the level at which expenditures may not legally exceed appropriations) is the fund level.

The budgets may be amended or modified at any time by the County Board. Expenditures may not legally exceed budgeted appropriations. Comparisons of final budgeted revenues and expenditures to actual are presented in the required supplementary information for the General Fund and special revenue funds.

2. Budget Basis of Accounting

Budgets are adopted on a basis consistent with generally accepted accounting principles.

3. Excess of Expenditures Over Budget

The following individual fund had expenditures in excess of final budget for the year ended December 31, 2021:

	<u>Expenditures</u>	<u>Final Budget</u>	<u>Excess</u>
General Fund	\$ 5,239,511	\$ 4,784,808	\$ 454,703

4. 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.

**TRAVERSE COUNTY
WHEATON, MINNESOTA**

5. Employer Contributions to Other Postemployment Benefits

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

The following changes in actuarial assumptions occurred in 2021:

- The health care trend rates were changed to better anticipate short-term and long-term medical increases.
- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2018 Generational Improvement Scale to the Pub-2010 Public Retirement Plans General Headcount-Weighted Mortality Tables with MP-2020 Generational Improvement Scale.
- The inflation rate was changed from 2.50 percent to 2.00 percent.
- The discount rate was changed from 2.90 percent to 2.00 percent.
- The salary increase rates were changed from a flat 3.00 percent for all employees to rates which vary by service and contract group.
- The retirement and withdrawal rates for non-public safety employees were updated to reflect the latest experience study.

The following changes in actuarial assumptions occurred in 2020:

- The discount rate used changed from 3.80 percent to 2.90 percent.

The following changes in actuarial assumptions occurred in 2019:

- The discount rate used changed from 3.30 percent to 3.80 percent.
- The health care trend rates were changed to better anticipate short-term and long-term medical increases. Rates have been chosen based on a review of historical health care increase rates, projected health care increase rates, and projected health care expenditures as a percentage of gross domestic product (GDP).

**TRAVERSE COUNTY
WHEATON, MINNESOTA**

5. Employer Contributions to Other Postemployment Benefits (Continued)

- The mortality tables were updated from the RP-2014 Headcount-Weighted Mortality Tables (blue collar for public safety, white collar for others) with MP-2016 Generational Improvement Scale to the RP-2014 Headcount-Weighted Mortality Tables (blue collar for public safety, white collar for others) with MP-2018 Generational Improvement Scale.
- The retirement and withdrawal tables for public safety employees were updated. The rates are based on Public Employees Retirement Association of Minnesota (PERA) actuarial experience studies. The most recent four-year experience study for the Police and Fire Plan was completed in 2016.

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

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

6. 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

2021

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

**TRAVERSE COUNTY
WHEATON, MINNESOTA**

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

General Employees Retirement Plan (Continued)

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 change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Employee Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 Disabled Annuitant Mortality table to the Pub-2010 General/Teacher Disabled Retiree Mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.

**TRAVERSE COUNTY
WHEATON, MINNESOTA**

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

General Employees Retirement Plan

2020 (Continued)

- The assumed number of married male new retirees electing the 100 percent Joint and Survivor option changed from 35 percent to 45 percent. The assumed number of married female new retirees electing the 100 percent Joint and Survivor option changed from 15 percent to 30 percent. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.
- Augmentation for current privatized members was reduced to 2.00 percent for the period July 1, 2020, through December 31, 2023, and 0.00 percent thereafter. Augmentation was eliminated for privatizations occurring after June 30, 2020.

2019

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

2018

- The mortality projection scale was changed from Scale MP-2015 to Scale MP-2017.
- The assumed benefit increase rate was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter, to 1.25 percent per year.
- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.

**TRAVERSE COUNTY
WHEATON, MINNESOTA**

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

General Employees Retirement Plan

2018 (Continued)

- 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.
- 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.

**TRAVERSE COUNTY
WHEATON, MINNESOTA**

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

General Employees Retirement Plan (Continued)

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

2021

- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent.
- The inflation assumption was changed from 2.50 percent to 2.25 percent.
- The payroll growth assumption was changed from 3.25 percent to 3.00 percent.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 Public Safety Mortality table. The mortality improvement scale was changed from Scale MP-2019 to Scale MN-2020.
- The base mortality table for disabled annuitants was changed from the RP-2014 Healthy Annuitant Mortality table (with future mortality improvement according to Scale MP-2019) to the Pub-2010 Public Safety Disabled Annuitant Mortality table (with future mortality improvement according to Scale MP-2020).

**TRAVERSE COUNTY
WHEATON, MINNESOTA**

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

Public Employees Police and Fire Plan

2021 (Continued)

- Assumed rates of salary increase were modified as recommended in the July 14, 2020, experience study. The overall impact is a decrease in gross salary increase rates.
- Assumed rates of retirement were changed as recommended in the July 14, 2020, experience study. The changes result in slightly more unreduced retirements and fewer assumed early retirements.
- Assumed rates of withdrawal were changed from select and ultimate rates to service-based rates. The changes result in more assumed terminations.
- Assumed rates of disability were increased for ages 25-44 and decreased for ages over 49. Overall, proposed rates result in more projected disabilities.
- Assumed percent married for active female members was changed from 60 percent to 70 percent. Minor changes to form of payment assumptions were applied.

2020

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

2019

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

**TRAVERSE COUNTY
WHEATON, MINNESOTA**

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

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.

**TRAVERSE COUNTY
WHEATON, MINNESOTA**

6. 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.

**TRAVERSE COUNTY
WHEATON, MINNESOTA**

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

Public Employees Police and Fire Plan

2017 (Continued)

- The assumed post-retirement benefit increase rate was changed from 1.00 percent for all years to 1.00 percent per year through 2064 and 2.50 percent thereafter.
- The single discount rate was changed from 5.60 percent per annum to 7.50 percent per annum.

2016

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2037 and 2.50 percent per year thereafter, to 1.00 percent for all future years.
- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was changed from 7.90 percent to 5.60 percent.
- The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

Public Employees Local Government Correctional Service Retirement Plan

2021

- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent.
- The inflation assumption was changed from 2.50 percent to 2.25 percent.
- The payroll growth assumption was changed from 3.25 percent to 3.00 percent.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 Public Safety Mortality table. The mortality improvement scale was changed from Scale MP-2019 to Scale MN-2020.

**TRAVERSE COUNTY
WHEATON, MINNESOTA**

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

Public Employees Local Government Correctional Service Retirement Plan

2021 (Continued)

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

2020

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

2019

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

**TRAVERSE COUNTY
WHEATON, MINNESOTA**

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

Public Employees Local Government Correctional Service Retirement Plan (Continued)

2018

- The single discount rate was changed from 5.96 percent per annum to 7.50 percent per annum.
- The mortality projection scale was changed from Scale MP-2016 to Scale MP-2017.
- The assumed post-retirement benefit increase was changed from 2.50 percent per year to 2.00 percent per year.
- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 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.

**TRAVERSE COUNTY
WHEATON, MINNESOTA**

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

Public Employees Local Government Correctional Service Retirement Plan (Continued)

2017

- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016 and is applied to healthy and disabled members. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the RP-2014 disabled annuitant mortality table (with future mortality improvement according to Scale MP-2016).
- The CSA load was 30 percent for vested and non-vested, deferred members. The CSA load has been changed to 35 percent for vested members and 1.00 percent for non-vested members.
- The single discount rate was changed from 5.31 percent per annum to 5.96 percent per annum.

2016

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

SUPPLEMENTARY INFORMATION

GOVERNMENTAL FUNDS

**TRAVERSE COUNTY
WHEATON, MINNESOTA**

EXHIBIT B-1

**BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 190,063	\$ 190,063	\$ 186,380	\$ (3,683)
Investment earnings	-	-	18	18
Miscellaneous	-	-	5,200	5,200
Total Revenues	<u>\$ 190,063</u>	<u>\$ 190,063</u>	<u>\$ 191,598</u>	<u>\$ 1,535</u>
Expenditures				
Debt service				
Principal	\$ 155,000	\$ 155,000	\$ 155,000	\$ -
Interest	35,063	35,063	61,614	(26,551)
Administrative charges	-	-	1,628	(1,628)
Total Expenditures	<u>\$ 190,063</u>	<u>\$ 190,063</u>	<u>\$ 218,242</u>	<u>\$ (28,179)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (26,644)</u>	<u>\$ (26,644)</u>
Fund Balance – January 1	<u>248,308</u>	<u>248,308</u>	<u>248,308</u>	<u>-</u>
Fund Balance – December 31	<u><u>\$ 248,308</u></u>	<u><u>\$ 248,308</u></u>	<u><u>\$ 221,664</u></u>	<u><u>\$ (26,644)</u></u>

**TRAVERSE COUNTY
WHEATON, MINNESOTA**

FIDUCIARY FUNDS

CUSTODIAL FUNDS

Taxes and Penalties Custodial Fund – to account for the collection of taxes and penalties and their payment to the various taxing districts.

State Revenue Custodial Fund – to account for the state’s share of collections and their payment to the state.

Traverse County Connections Custodial Fund – to account for the receipt and payment of federal, state, and local grants and membership contributions for the Children’s Mental Health and Family Services Collaborative.

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

Western Probation Services Custodial Fund – to account for the collection and payment of funds of the Western Probation Services joint venture.

**TRAVERSE COUNTY
WHEATON, MINNESOTA**

**COMBINING STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS – CUSTODIAL FUNDS
DECEMBER 31, 2021**

	<u>Taxes and Penalties</u>	<u>State Revenue</u>
<u>Assets</u>		
Cash and pooled investments	\$ 77,078	\$ 5,545
Taxes and special assessments receivable for other governments	130,617	908
Due from other governments	-	-
	<hr/>	<hr/>
Total Assets	\$ 207,695	\$ 6,453
<u>Liabilities</u>		
Due to others	\$ -	\$ -
Salaries payable	-	-
Advance from other funds	-	-
Due to other governments	77,078	5,545
	<hr/>	<hr/>
Total Liabilities	\$ 77,078	\$ 5,545
<u>Net Position</u>		
Restricted for individuals, organizations, and other governments	\$ 130,617	\$ 908
	<hr/> <hr/>	<hr/> <hr/>

EXHIBIT C-1

<u>Traverse County Connections</u>	<u>Jail Canteen</u>	<u>Western Probation Services</u>	<u>Total Custodial Funds</u>
\$ 27,673	\$ 22	\$ 122,185	\$ 232,503
-	-	-	131,525
-	-	180,245	180,245
<u>\$ 27,673</u>	<u>\$ 22</u>	<u>\$ 302,430</u>	<u>\$ 544,273</u>
\$ -	\$ -	\$ 237	\$ 237
-	-	1,466	1,466
-	-	175,000	175,000
-	-	-	82,623
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 176,703</u>	<u>\$ 259,326</u>
<u>\$ 27,673</u>	<u>\$ 22</u>	<u>\$ 125,727</u>	<u>\$ 284,947</u>

**TRAVERSE COUNTY
WHEATON, MINNESOTA**

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS – CUSTODIAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>Taxes and Penalties</u>	<u>State Revenue</u>
<u>Additions</u>		
Contributions from individuals	\$ -	\$ -
Property tax collections for other governments	4,665,426	315,550
Fees collected for state	-	1,611,404
Payments from state	-	-
Payments from other entities	-	-
	<hr/>	<hr/>
Total Additions	\$ 4,665,426	\$ 1,926,954
<u>Deductions</u>		
Payments of property tax to other governments	\$ 4,709,753	\$ -
Payments to state	-	1,933,194
Administrative expense	-	-
Payments to other individuals/entities	-	-
	<hr/>	<hr/>
Total Deductions	\$ 4,709,753	\$ 1,933,194
Change in Net Position	\$ (44,327)	\$ (6,240)
Net Position – January 1	\$ 174,944	\$ 7,148
Net Position – December 31	\$ 130,617	\$ 908

EXHIBIT C-2

<u>Traverse County Connections</u>	<u>Jail Canteen</u>	<u>Western Probation Services</u>	<u>Total Custodial Funds</u>
\$ -	\$ 30,644	\$ -	\$ 30,644
-	-	-	4,980,976
-	-	-	1,611,404
26,135	-	1,685	27,820
2,201	-	340,594	342,795
<u>\$ 28,336</u>	<u>\$ 30,644</u>	<u>\$ 342,279</u>	<u>\$ 6,993,639</u>
\$ -	\$ -	-	\$ 4,709,753
-	-	-	1,933,194
2,614	-	-	2,614
18,236	30,657	304,591	353,484
<u>\$ 20,850</u>	<u>\$ 30,657</u>	<u>\$ 304,591</u>	<u>\$ 6,999,045</u>
<u>\$ 7,486</u>	<u>\$ (13)</u>	<u>\$ 37,688</u>	<u>\$ (5,406)</u>
<u>\$ 20,187</u>	<u>\$ 35</u>	<u>\$ 88,039</u>	<u>\$ 290,353</u>
<u>\$ 27,673</u>	<u>\$ 22</u>	<u>\$ 125,727</u>	<u>\$ 284,947</u>

OTHER SCHEDULES

**TRAVERSE COUNTY
WHEATON, MINNESOTA**

EXHIBIT D-1

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021**

Appropriations and Shared Revenue

State

Highway users tax	\$	3,795,113
Market value credit		120,481
PERA rate reimbursement		12,658
Disparity reduction aid		18,575
Police aid		61,338
County program aid		490,341
Enhanced 911		109,116
Select Committee on Recycling and the Environment (SCORE)		36,220
Aquatic invasive species aid		27,025
Riparian protection aid		113,572
Out of home placement aid		4,354
		4,354

Total appropriations and shared revenue **\$ 4,788,793**

Reimbursement for Services

State

Minnesota Department of Human Services	\$	94,099
		94,099

Payments

Local

Local contributions	\$	73,479
Payments in lieu of taxes		26,734
		26,734

Total payments **\$ 100,213**

Grants

State

Minnesota Department of Corrections	\$	11,059
Employment & Economic Development		256,250
Public Safety		119,406
Transportation		188,134
Human Services		334,671
Veterans Affairs		7,500
Board of Water and Soil Resources Board		160,031
Pollution Control Agency		300
		300

Total state **\$ 1,077,351**

**TRAVERSE COUNTY
WHEATON, MINNESOTA**

**EXHIBIT D-1
(Continued)**

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021**

Grants (Continued)

Federal

Department of	
Agriculture	\$ 76,085
Treasury	316,512
Transportation	125,300
Health and Human Services	456,426
Homeland Security	385,969
	<hr/>
Total federal	\$ 1,360,292
	<hr/>
Total state and federal grants	\$ 2,437,643
	<hr/>
Total Intergovernmental Revenue	\$ 7,420,748
	<hr/> <hr/>

**TRAVERSE COUNTY
WHEATON, MINNESOTA**

EXHIBIT D-2

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2021**

Federal Grantor Pass-Through Agency Program or Cluster Title	Assistance Listing Number	Pass-Through Grant Numbers	Expenditures
U.S. Department of Agriculture			
Passed Through Minnesota Department of Human Services SNAP Cluster State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	212MN101S2514	\$ 76,085
U.S. Department of Transportation			
Passed Through Minnesota Department of Transportation Highway Planning and Construction Cluster COVID-19 – Highway Planning and Construction	20.205	8821224	\$ 124,385
Passed Through City of St. Cloud E-911 Grant Program	20.615	A-DECN-NGGIS-2019-CMESB-1	<u>915</u>
Total U.S. Department of Transportation			\$ 125,300
U.S. Department of Treasury			
Direct COVID-19 – Coronavirus State and Local Fiscal Recovery Funds	21.027		\$ 633,024
U.S. Department of Health and Human Services			
Passed Through Minnesota Department of Human Services Promoting Safe and Stable Families	93.556	212MN101S2514	\$ 3,387
Temporary Assistance for Needy Families	93.558	2101MNTANF	80,717
Child Support Enforcement	93.563	2001MNCES	51,690
Child Support Enforcement (Total Child Support Enforcement 93.563 \$57,953)	93.563	2101MNCSES	6,263
Refugee and Entrant Assistance – State Administered Programs CCDF Cluster	93.566	2101MNRCA	132
Child Care and Development Block Grant	93.575	2101MNCDF	326
Community-Based Child Abuse Prevention Grants	93.590	1901MNBCAP	1,707
Stephanie Tubbs Jones Child Welfare Services Program	93.645	2001MNCWSS	2,046
Foster Care – Title IV-E	93.658	2101MNFOS	81,670
Social Services Block Grant	93.667	2101MNSOSR	51,969
John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674	2101MNCILP	1,356
Children's Health Insurance Program	93.767	2105MNS021	385

**TRAVERSE COUNTY
WHEATON, MINNESOTA**

**EXHIBIT D-2
(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2021**

Federal Grantor Pass-Through Agency Program or Cluster Title	Assistance Listing Number	Pass-Through Grant Numbers	Expenditures
U.S. Department of Health and Human Services			
Passed Through Minnesota Department of Human Services (Continued)			
Medicaid Cluster			
Medical Assistance Program	93.778	2105MN5ADM	193,911
Medical Assistance Program	93.778	2105MN5MAP	525
(Total Medical Assistance Program 93.778 \$194,436)			<hr/>
Total U.S. Department of Health and Human Services			<u>\$ 476,084</u>
U.S. Department of Homeland Security			
Passed Through Minnesota Department of Public Safety			
Disaster Grants – Public Assistance (Presidentially Declared Disasters)	97.036	PA-05-MN-4442	<u>\$ 385,969</u>
Total U.S. Department of Homeland Security			<u>\$ 385,969</u>
Total Federal Awards			<u><u>\$ 1,696,462</u></u>

The County did not pass any federal awards through to subrecipients during the year ended December 31, 2021.

Totals by Cluster

Total expenditures for SNAP Cluster	\$ 76,085
Total expenditures for Highway Planning and Construction Cluster	124,385
Total expenditures for CCDF Cluster	326
Total expenditures for Medicaid Cluster	194,436

**TRAVERSE COUNTY
WHEATON, MINNESOTA**

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2021

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 Traverse 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 Traverse County under programs of the federal government for the year ended December 31, 2021. 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 Traverse County, it is not intended to and does not present the financial position or changes in net position of Traverse 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

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

**TRAVERSE COUNTY
WHEATON, MINNESOTA**

3. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	\$ 1,360,292
Unavailable revenue in 2020, recognized as revenue in 2021	
Refugee and Entrant Assistance – State Administered Programs (AL No. 93.566)	(21)
Grants received more than 60 days after year-end, considered unavailable revenue in 2021	
COVID-19 State and Local Fiscal Recovery Funds (AL No. 21.027)	316,512
Temporary Assistance for Needy Families (AL No. 93.558)	19,333
Community-Based Child Abuse Prevention Grants (AL No. 93.590)	87
Children’s Health Insurance Program (AL No. 93.767)	259
	<hr/>
Expenditures per Schedule of Expenditures of Federal Awards	<u>\$ 1,696,462</u>

MANAGEMENT AND COMPLIANCE SECTION



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

Independent Auditor's Report

Board of Commissioners
Traverse County
Wheaton, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Traverse County, Minnesota, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated October 12, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Traverse 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 preceding paragraph 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 identified deficiencies in internal control that we consider to be a material weakness and a significant deficiency.

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the entity's

financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2021-002 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2021-001 to be a significant deficiency.

Report on Compliance and Other Matters

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

Minnesota Legal Compliance

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

Other Item

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

Traverse County's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Traverse County's responses to the internal control and management practice findings identified in our audit and described in the accompanying 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

October 12, 2022



**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

Independent Auditor's Report

Board of County Commissioners
Traverse County
Wheaton, Minnesota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Traverse County's compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of Traverse County's major federal programs for the year ended December 31, 2021. Traverse County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, Traverse County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2021.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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

October 12, 2022

**TRAVERSE COUNTY
WHEATON, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

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? **No**
- Significant deficiencies identified? **None reported**

Type of auditor’s report issued on compliance for major federal programs: **Unmodified**

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

The major federal programs are:

Assistance Listing Number	Name of Federal Program or Cluster
20.205	Highway Planning and Construction Cluster
21.027	COVID-19 – Coronavirus State and Local Fiscal Recovery Funds
97.036	Disaster Grants – Public Assistance (Presidentially Declared Disasters)

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

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

**TRAVERSE COUNTY
WHEATON, MINNESOTA**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2021

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

2021-001 Segregation of Duties

Prior Year Finding Number: 2020-001

Repeat Finding Since: 1996

Type of Finding: Internal Control Over Financial Reporting

Severity of Deficiency: Significant Deficiency

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.

Condition: Several of the County's departments that collect fees lack proper segregation of duties. These departments generally have one staff person who is responsible for billing, collecting, recording, and depositing receipts as well as reconciling bank accounts.

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 Traverse 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 amounts that would be material in relation to the financial statements in a timely period by employees in the normal course of performing their assigned functions.

Cause: The County indicated that because of the small size of staff and because of unexpected staff absences, it is difficult to properly segregate duties.

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 implemented by staff to the extent possible.

View of Responsible Official: Acknowledged

**TRAVERSE COUNTY
WHEATON, MINNESOTA**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2021

2021-002 Audit Adjustments

Prior Year Finding Number: N/A

Repeat Finding Since: N/A

Type of Finding: Internal Control Over Financial Reporting

Severity of Deficiency: Material Weakness

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

Condition: Material audit adjustments were identified that resulted in significant changes to the County's financial statements.

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

Effect: The following audit adjustments were reviewed and approved by management and are reflected in the financial statements.

- The Debt Service Fund required an adjustment to decrease accounts payable and debt service expenditures by \$168,501 for 2022 related debt payments.
- The Traverse Care Center Enterprise Fund required an adjustment to decrease accounts payable and expenses by \$202,093 for 2022 related debt payments.
- The Prairieview Place Enterprise Fund required an adjustment of \$20,000 to decrease liabilities and transfers in order to properly record advances.

Cause: The debt payments were marked as accrual in error and the advance activity was overlooked by staff when financial statement information was prepared.

**TRAVERSE COUNTY
WHEATON, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2021**

Recommendation: We recommend the County review internal controls currently in place and design and implement procedures to improve internal controls over financial reporting which will prevent, or detect and correct, misstatements in the financial statements. The updated controls should include review of the balances and supporting documentation by a qualified individual to identify potential misstatements.

View of Responsible Official: Acknowledge

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

None.

IV. OTHER FINDINGS AND RECOMMENDATIONS

2021-003 Prairieview Place Enterprise Fund and Traverse Care Center Enterprise Fund Deficit Net Position

Prior Year Finding Number: 2020-003

Repeat Finding Since: 1997

Type of Finding: Management Practice

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 net position.

Condition: As of December 31, 2021, the assets and deferred outflows of resources in the County's Prairieview Place Enterprise Fund and Traverse Care Center Enterprise Fund did not exceed liabilities and deferred inflows of resources, resulting in a deficit net position.

Context: As of December 31, 2021, the Prairieview Place Enterprise Fund had a deficit net position of \$131,500, which is an increase in net position from the \$157,641 deficit reported in the prior year. As of December 31, 2021, the Traverse Care Center Enterprise Fund had a deficit net position of \$2,196,035, which is a decrease in net position from the \$2,104,503 deficit reported in the prior year.

Effect: A fund with a deficit net position does not have sufficient assets to meet its financial obligations or liabilities.

**TRAVERSE COUNTY
WHEATON, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2021**

Cause: The County determined it was no longer economically feasible to operate the Traverse Care Center and Prairieview Place, as a result the operations were leased out beginning in 2010. The County receives lease revenue from the lessee to cover the bond payments, but until the bonds are paid off, the County does not have sufficient assets or operating revenues to improve the financial condition of the Traverse Care Center and Prairieview Place Enterprise Funds.

Recommendation: We recommend the County monitor fund net position and eliminate the deficit net position by increasing revenues or appropriating sufficient funds to cover expenses.

View of Responsible Official: Acknowledge



Traverse County Minnesota

County Auditor/Treasurer
Kit D. Johnson, Auditor/Treasurer
702 2nd Ave N
Wheaton, MN 56296
Phone: 1-320-422-7740
[Email: kit.johnson@co.traverse.mn.us](mailto:kit.johnson@co.traverse.mn.us)

REPRESENTATION OF TRAVERSE COUNTY WHEATON, MINNESOTA

CORRECTIVE ACTION PLAN FOR THE YEAR ENDED DECEMBER 31, 2021

Finding Number: 2021-001

Finding Title: Segregation of Duties

Name of Contact Person Responsible for Corrective Action:

Kit Johnson, County Auditor/Treasurer

Corrective Action Planned:

Traverse County management is aware of the segregation of duties issues that arise as a result of our small department staff sizes. Traverse County will continually assess these areas and implement internal controls when possible to help alleviate this issue.

Anticipated Completion Date:

March 1, 2023

Finding Number: 2021-002

Finding Title: Audit Adjustments

Name of Contact Person Responsible for Corrective Action:

Kit Johnson, County Auditor/Treasurer

Corrective Action Planned:

Traverse County staff will work to ensure that financial statements are prepared in accordance with generally accepted accounting principles.

Anticipated Completion Date:

December 31, 2022

Finding Number: 2021-003

Finding Title: Prairieview Place and Traverse Care Center Deficit Net Position

Name of Contact Person Responsible for Corrective Action:

Kit Johnson, County Auditor/Treasurer

Corrective Action Planned:

Traverse County management is fully aware of the financial condition of Prairieview Place and the Traverse Care Center. Traverse County is currently leasing both facilities and hopes that the relationship with the tenant will continue to work well for both parties and the residents of Traverse County, eventually lowering the debt and solving this issue.

Anticipated Completion Date:

December 31, 2033



Traverse County Minnesota

County Auditor/Treasurer
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REPRESENTATION OF TRAVERSE COUNTY WHEATON, MINNESOTA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED DECEMBER 31, 2021

Finding Number: 2020-001
Year of Finding Origination: 1996
Finding Title: Segregation of Duties

Summary of Condition: Several of the County’s departments that collect fees lack proper segregation of duties. These departments generally have one staff person who is responsible for billing, collecting, recording, and depositing receipts as well as reconciling bank accounts.

Summary of Corrective Action Previously Reported: Traverse County management is aware of the segregation of duties issues that arise as a result of our small department staff sizes. Traverse County will continually assess these areas and implement internal controls when possible to help alleviate this issue.

Status: Not Corrected. The County understands the risk and is willing to assume the responsibility.

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

Finding Number: 2020-002
Year of Finding Origination: 2020
Finding Title: Subrecipient Monitoring
Program: U.S. Department of the Treasury’s COVID-19 – Coronavirus Relief Fund (Assistance Listing #21.019)

Summary of Condition: The documentation on file for one subrecipient did not include an agreement or other signed acknowledgement of program requirements to support the subrecipient had an understanding of the requirements before the funds were provided. Award information,

including CFDA number, was not provided to the two subrecipients tested. Additionally, the County has documented policies and procedures for subrecipient monitoring, but none of the procedures were performed over the subrecipients.

Summary of Corrective Action Previously Reported: Traverse County doesn't have a lot of experience with subrecipient monitoring. The County believed that since the government entities that we issued grants to had already spent the funds on approved expenditures and furnished us with the receipts, that the need for monitoring was in fact complete. Traverse County staff will continue to educate ourselves regarding the processes required regarding subrecipient monitoring.

Status: Fully Corrected. Corrective action was taken.

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

Yes _____ No X

Finding Number: 2020-003

Year of Finding Origination: 1997

Finding Title: Prairieview Place and Traverse Care Center Deficit Net Position

Summary of Condition: As of December 31, 2020, the assets and deferred outflows of resources in the County's Prairieview Place Enterprise Fund and Traverse Care Center Enterprise Fund did not exceed liabilities and deferred inflows of resources, resulting in deficit net position.

Summary of Corrective Action Previously Reported: Traverse County management is fully aware of the financial condition of Prairieview Place and the Traverse Care Center. Traverse County is currently leasing both facilities and hopes that the relationship with the tenant will continue to work well for both parties and the residents of Traverse County, eventually lowering the debt and solving this issue.

Status: Not Corrected. The County understands the issue and anticipates outstanding debt will need to be paid off before net position begins to recover.

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

Yes _____ No X