

State of Minnesota



Office of the State Auditor

Julie Blaha
State Auditor

**Traverse County
Wheaton, Minnesota**

Year Ended December 31, 2022

Description of the Office of the State Auditor

The Office of the State Auditor (OSA) helps ensure financial integrity and accountability in local government financial activities. The OSA is the constitutional office that oversees more than \$40 billion in annual financial activity by local governments and approximately \$20 billion of federal funding financial activity.

The OSA performs around 90 financial and compliance audits per year and has oversight responsibilities for over 3,300 local units of government throughout the state. The office maintains the following seven divisions:

- **Audit Practice:** Helps ensure fiscal integrity by conducting financial and compliance audits of local governments and the federal compliance audit of the State of Minnesota.
- **Constitution:** Connects with the public via external communication, media relations, legislative coordination, and public engagements for the State Auditor.

This division also supports the State Auditor's service on the State Executive Council, State Board of Investment, Land Exchange Board, Public Employees Retirement Association Board, Minnesota Housing Finance Agency, the Minnesota Historical Society, and the Rural Finance Authority Board.

- **Government Information:** Collects, analyzes, and shares local government financial data to assist in policy and spending decisions; administers and supports financial tools including the Small Cities and Towns Accounting System (CTAS) software and infrastructure comparison tools.
- **Legal/Special Investigations:** Provides legal analysis and counsel to the OSA and responds to outside inquiries about Minnesota local law relevant to local government finances; investigates local government financial records in response to specific allegations of theft, embezzlement, or unlawful use of public funds or property.
- **Operations:** Ensures the office runs efficiently by providing fiscal management and technology support to the office.
- **Pension:** Analyzes investment, financial, and actuarial reporting for Minnesota's local public pension plans and monitors pension plan operations.
- **Tax Increment Financing (TIF):** Promotes compliance and accountability in local governments' use of tax increment financing through education, reporting, and compliance reviews.

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Traverse County Wheaton, Minnesota

Year Ended December 31, 2022



Office of the State Auditor

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

Traverse County Wheaton, Minnesota

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Introductory Section

Traverse County Wheaton, Minnesota

Organization 2022

Office	Name	Term Expires
Commissioners		
District 1	Todd Johnson, Chair	January 2023
District 2	Kayla Schmidt, Vice Chair	January 2027
District 3	Mark Gail	January 2025
District 4	David Salberg	January 2023
District 5	Dwight Nelson*	January 2025
County Officers		
Elected		
Attorney	Matthew Franzese	January 2027
Auditor/Treasurer	Kit Johnson	January 2027
County Sheriff	Trevor Wright	January 2027
Appointed		
County Coordinator	Lisa Zahl	Indefinite
Assessor	Dianne Reinart	January 2025
County Engineer	Chad Gillespie	May 2023
Coroner	Stanley Gallagher, D.O.	January 2023
Examiner of Titles	Matthew Franzese	Indefinite
Social Services Director	Stacy Hennen	Indefinite
Veterans Service Officer	Russ Foster**	April 2027
County Recorder	Jody Hofer	Indefinite
Registrar of Titles	Jody Hofer	Indefinite

*Thomas Monson Jr. resigned as of May 4, 2022, and Dwight Nelson was appointed on May 17, 2022

**Dustin Kindelberger resigned June 7, 2022. On July 26, 2022, Traverse County approved to share Wilkin County Veterans Service Officer, Russ Foster

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, 2022, 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, 2022, and the respective changes in financial position, and, where applicable, its 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.

Emphasis of Matter – Change in Accounting Principle

As discussed in Note 1 to the financial statements, in 2022, the County adopted new accounting guidance by implementing the provisions of Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, which represents a change in accounting principles. Our opinion is not modified with respect to this matter.

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, the Road and Bridge Special Revenue Fund, and the 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 GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Traverse County's basic financial statements. The Debt Service Fund Budgetary Comparison Schedule, combining statements for fiduciary funds, and Schedule of Intergovernmental Revenue 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 19, 2023, 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 19, 2023

/s/Chad Struss

Chad Struss, CPA
Deputy State Auditor

Management's Discussion and Analysis

Traverse County Wheaton, Minnesota

Management's Discussion and Analysis December 31, 2022 (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, 2022. 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 \$48,112,893, of which \$48,194,832 is the net investment in capital assets. Of the governmental activities' net position, \$3,229,989 is restricted to specific purposes/uses by the County, and unrestricted is a deficit (\$3,311,928).
- Business-type activities (Traverse Care Center and Prairieview Place) have a deficit total net position of (\$2,156,087), of which there is a negative net investment in capital assets balance of (\$513,561).
- Traverse County's net position increased by \$2,682,771 for the year ended December 31, 2022. Of the increase, \$2,796,596 was in the governmental activities' net position, while the business-type activities' net position decreased by \$113,825.
- The net cost of Traverse County's governmental activities for the year ended December 31, 2022, was \$4,144,878. General revenues totaling \$6,941,474 funded the net cost.
- Traverse County's governmental funds' fund balances decreased by \$96,772 in 2022. This decrease consisted of a \$488,643 increase in the General Fund, a decrease of \$1,353,730 in the Road and Bridge Special Revenue Fund, an increase of \$410,426 in the Social Services Special Revenue Fund, and an increase of \$357,889 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 30 through 67 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 2021 is presented.

	Table 1 Net Position					
	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Assets						
Current and other assets	\$12,509,609	\$12,176,223	\$ (398,271)	\$ (242,404)	\$12,111,338	\$11,933,819
Capital assets	49,301,607	46,840,215	1,449,912	1,686,421	50,751,519	48,526,636
Total Assets	\$61,811,216	\$59,016,438	\$ 1,051,641	\$ 1,444,017	\$62,862,857	\$60,460,455
Deferred Outflows of Resources						
Deferred pension outflows	\$ 2,687,050	\$ 1,985,794	\$ -	\$ -	\$ 2,687,050	\$ 1,985,794
Deferred other postemployment benefits outflows	669,738	927,926	121,754	119,336	791,492	1,047,262
Deferred charges on bond refunding	-	-	37,065	44,477	37,065	44,477
Total Deferred Outflows of Resources	\$ 3,356,788	\$ 2,913,720	\$ 158,819	\$ 163,813	\$ 3,515,607	\$ 3,077,533
Liabilities						
Long-term liabilities	\$15,968,781	\$12,459,703	\$ 3,259,118	\$ 3,501,718	\$19,227,899	\$15,961,421
Other liabilities	502,894	518,331	16,953	18,453	519,847	536,784
Total Liabilities	\$16,471,675	\$12,978,034	\$ 3,276,071	\$ 3,520,171	\$19,747,746	\$16,498,205
Deferred Inflows of Resources						
Deferred pension inflows	\$ 103,588	\$ 2,648,561	\$ -	\$ -	\$ 103,588	\$ 2,648,561
Deferred other postemployment benefits inflows	479,848	701,993	90,476	415,194	570,324	1,117,187
Total Deferred Inflows of Resources	\$ 583,436	\$ 3,350,554	\$ 90,476	\$ 415,194	\$ 673,912	\$ 3,765,748
Net Position						
Net investment in capital assets	\$48,194,832	\$45,554,727	\$ (513,561)	\$ (522,814)	\$47,681,271	\$45,031,913
Restricted	3,229,989	2,986,521	-	-	3,229,989	2,986,521
Unrestricted	(3,311,928)	(2,939,678)	(1,642,526)	(1,804,721)	(4,954,454)	(4,744,399)
Total Net Position, as reported	\$48,112,893	\$45,601,570	\$ (2,156,087)	\$ (2,327,535)	\$45,956,806	\$43,274,035

Traverse County's total net position as of December 31, 2022, is \$45,956,806. The governmental activities and the business-type activities of the County report deficit unrestricted net position of (\$3,311,928) and (\$1,642,526), respectively.

Table 2
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Revenues						
Program revenues						
Fees, charges, fines, and other	\$ 1,467,855	\$ 1,157,162	\$ 230	\$ 10,626	\$ 1,468,085	\$ 1,167,788
Operating grants and contributions	6,204,020	6,957,324	-	-	6,204,020	6,957,324
Capital grants and contributions	1,092,186	470,432	-	-	1,092,186	470,432
General revenues						
Property taxes	6,133,673	5,919,193	-	-	6,133,673	5,919,193
Other taxes	3,983	6,107	-	-	3,983	6,107
Grants, gifts, and miscellaneous	803,818	772,675	231,500	342,000	1,035,318	1,114,675
Total Revenues	\$ 15,705,535	\$ 15,282,893	\$ 231,730	\$ 352,626	\$ 15,937,265	\$ 15,635,519
Expenses						
General government	\$ 2,144,559	\$ 2,189,463	\$ -	\$ -	\$ 2,144,559	\$ 2,189,463
Public safety	2,523,400	1,856,239	-	-	2,523,400	1,856,239
Highways and streets	5,475,143	5,092,743	-	-	5,475,143	5,092,743
Sanitation	167,836	178,835	-	-	167,836	178,835
Human services	1,939,107	1,882,337	-	-	1,939,107	1,882,337
Health	35,622	35,270	-	-	35,622	35,270
Culture and recreation	77,258	73,771	-	-	77,258	73,771
Conservation of natural resources	454,116	466,785	-	-	454,116	466,785
Economic development	36,791	28,987	-	-	36,791	28,987
Interest	55,107	64,132	-	-	55,107	64,132
Traverse Care Center	-	-	290,108	361,083	290,108	361,083
Prairieview Place	-	-	55,447	56,934	55,447	56,934
Total Expenses	\$ 12,908,939	\$ 11,868,562	\$ 345,555	\$ 418,017	\$ 13,254,494	\$ 12,286,579
Increase (Decrease) in Net Position	\$ 2,796,596	\$ 3,414,331	\$ (113,825)	\$ (65,391)	\$ 2,682,771	\$ 3,348,940
Net Position – January 1, as restated	45,316,297*	42,187,239	(2,042,262)*	(2,262,144)	43,274,035	39,925,095
Net Position – December 31, as reported	\$ 48,112,893	\$ 45,601,570	\$ (2,156,087)	\$ (2,327,535)	\$ 45,956,806	\$ 43,274,035

*Amount includes a prior period adjustment.

The County's activities increased net position by 6.2 percent (\$45,956,806 for 2022 compared to \$43,274,035 for 2021).

Governmental Activities

The cost of all governmental activities in 2022 was \$12,908,939. 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 \$4,144,878, because some of the cost was paid by those who directly benefited from the programs (\$1,467,855) or by other governments and organizations that subsidized certain programs with grants and contributions (\$7,296,206). General revenues totaling \$6,941,474 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	
	2022	2021	2022	2021
Highways and streets	\$ 5,475,143	\$ 5,092,743	\$ (395,796)	\$ (8,522)
Public safety	2,523,400	1,856,239	2,016,948	1,454,554
General government	2,144,559	2,189,463	1,535,751	1,585,008
Human services	1,939,107	1,882,337	1,027,681	134,715
Conservation of natural resources	454,116	466,785	(215,741)	151,462
All others	372,614	380,995	176,035	(33,573)
Total	\$ 12,908,939	\$ 11,868,562	\$ 4,144,878	\$ 3,283,644

Business-Type Activities

Revenues for Traverse County's business-type activities (see Table 2) were \$231,730, and expenses were \$345,555.

The County's Funds

Upon completing the year, Traverse County's governmental funds' fund balance decreased by \$96,772. This decrease was due to an increase of \$488,643 in the General Fund, a decrease of \$1,353,730 in the Road and Bridge Special Revenue Fund, an increase of \$410,426 in the Social Services Special Revenue Fund, and a decrease of \$357,889 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 \$810,097 primarily due to intergovernmental revenues of \$647,329. 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 \$342,488, primarily due to greater than anticipated expenditures in Buildings and Plant (\$238,483), Sheriff (\$81,156), Enhanced 911 system (\$45,811), Jail (43,219), and Debt Service Expenditures (\$77,113).

Capital Assets and Debt Administration

Capital Assets

At the end of 2022, Traverse County had \$50,751,519 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 \$2,224,883, or 4.60 percent, from the previous year.

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

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Land	\$ 204,281	\$ 204,281	\$ 16,175	\$ 16,175	\$ 220,456	\$ 220,456
Right-of-way	962,548	962,548	-	-	962,548	962,548
Construction in progress	5,625	-	-	-	5,625	-
Buildings	2,222,644	2,332,648	1,413,600	1,638,969	3,636,244	3,971,617
Land improvements	215,061	64,653	-	-	215,061	64,653
Machinery, furniture and equipment	1,444,141	1,715,959	20,137	31,277	1,464,278	1,747,236
Infrastructure	43,942,507	41,560,126	-	-	43,942,507	41,560,126
Leased equipment	304,800	-	-	-	304,800	-
Totals	\$ 49,301,607	\$ 46,840,215	\$ 1,449,912	\$ 1,686,421	\$ 50,751,519	\$ 48,526,636

Long-Term Debt

As of December 31, 2022, Traverse County had \$4,630,000 in long-term obligations, compared with \$5,035,000 as of December 31, 2021.

Table 5
Outstanding Debt at Year-End

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
General obligation bonds	\$ 2,670,000	\$ 2,825,000	\$ 300,000	\$ 370,000	\$ 2,970,000	\$ 3,195,000
Revenue bonds	-	-	1,660,000	1,840,000	1,660,000	1,840,000
Totals	\$ 2,670,000	\$ 2,825,000	\$ 1,960,000	\$ 2,210,000	\$ 4,630,000	\$ 5,035,000

Economic Factors and Next Year's Budgets

Traverse County's elected and appointed officials considered many factors when setting the fiscal year 2023 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 2023 net levy of \$6,377,191.52 an increase of 2.89 percent from the 2022 levy of \$6,198,333.40.

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 (2022), Traverse County was the third lowest "Average Effective Rate for All Property" and ranked as the eighteenth 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, 2022**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>Assets</u>			
Current assets			
Cash and pooled investments	\$ 7,987,094	\$ 171,729	\$ 8,158,823
Taxes receivable			
Delinquent	42,890	-	42,890
Accounts receivable – net	35,459	-	35,459
Due from other governments	3,548,223	-	3,548,223
Internal balances	570,000	(570,000)	-
Advance to other governments	175,000	-	175,000
Inventories	150,943	-	150,943
Noncurrent assets			
Capital assets			
Non-depreciable	1,172,454	16,175	1,188,629
Depreciable or amortizable – net of accumulated depreciation and amortization	48,129,153	1,433,737	49,562,890
Total Assets	<u>\$ 61,811,216</u>	<u>\$ 1,051,641</u>	<u>\$ 62,862,857</u>
<u>Deferred Outflows of Resources</u>			
Deferred other postemployment benefits outflows	\$ 669,738	\$ 121,754	\$ 791,492
Deferred pension outflows	2,687,050	-	2,687,050
Deferred charges on bond refunding	-	37,065	37,065
Total Deferred Outflows of Resources	<u>\$ 3,356,788</u>	<u>\$ 158,819</u>	<u>\$ 3,515,607</u>

**Traverse County
Wheaton, Minnesota**

Exhibit 1
(Continued)

**Statement of Net Position
December 31, 2022**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>Liabilities</u>			
Current liabilities			
Accounts payable	\$ 180,492	\$ -	\$ 180,492
Salaries payable	92,511	-	92,511
Due to other governments	87,966	-	87,966
Contracts payable	74,012	-	74,012
Accrued interest payable	17,913	16,953	34,866
Unearned revenue	50,000	-	50,000
Compensated absences payable – current	277,198	-	277,198
General obligation bonds payable – current	525,000	75,000	600,000
Revenue bonds payable – current	-	190,000	190,000
Leases payable – current	83,408	-	83,408
Noncurrent liabilities			
Compensated absences payable	142,189	-	142,189
General obligation bonds payable	2,162,669	226,736	2,389,405
Revenue bonds payable	-	1,492,627	1,492,627
Leases payable	81,686	-	81,686
Other postemployment benefits liability	7,149,680	1,274,755	8,424,435
Net pension liability	5,546,951	-	5,546,951
Total Liabilities	<u>\$ 16,471,675</u>	<u>\$ 3,276,071</u>	<u>\$ 19,747,746</u>
<u>Deferred Inflows of Resources</u>			
Deferred other postemployment benefits inflows	\$ 479,848	\$ 90,476	\$ 570,324
Deferred pension inflows	103,588	-	103,588
Total Deferred Inflows of Resources	<u>\$ 583,436</u>	<u>\$ 90,476</u>	<u>\$ 673,912</u>
<u>Net Position</u>			
Net investment in capital assets	\$ 48,194,832	\$ (513,561)	\$ 47,681,271
Restricted for			
General government	232,466	-	232,466
Public safety	164,897	-	164,897
Highways and streets	1,985,689	-	1,985,689
Human services	39,270	-	39,270
Sanitation	12,593	-	12,593
Debt service	562,268	-	562,268
Conservation of natural resources	232,806	-	232,806
Unrestricted	(3,311,928)	(1,642,526)	(4,954,454)
Total Net Position	<u>\$ 48,112,893</u>	<u>\$ (2,156,087)</u>	<u>\$ 45,956,806</u>

Traverse County Wheaton, Minnesota

Statement of Activities For the Year Ended December 31, 2022

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Fees, Charges, Fines, and Other</u>
Governmental activities		
General government	\$ 2,144,559	\$ 222,199
Public safety	2,523,400	285,944
Highways and streets	5,475,143	479,218
Sanitation	167,836	74,962
Human services	1,939,107	220,777
Health	35,622	-
Culture and recreation	77,258	10,258
Conservation of natural resources	454,116	170,424
Economic development	36,791	4,073
Interest	55,107	-
Total governmental activities	\$ 12,908,939	\$ 1,467,855
Business-type activities		
Traverse Care Center	\$ 290,108	\$ 230
Prairieview Place	55,447	-
Total business-type activities	\$ 345,555	\$ 230
Total	\$ 13,254,494	\$ 1,468,085

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, as restated

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
\$ 386,609	\$ -	\$ (1,535,751)	\$ -	\$ (1,535,751)
220,508	-	(2,016,948)	-	(2,016,948)
4,299,535	1,092,186	395,796	-	395,796
107,286	-	14,412	-	14,412
690,649	-	(1,027,681)	-	(1,027,681)
-	-	(35,622)	-	(35,622)
-	-	(67,000)	-	(67,000)
499,433	-	215,741	-	215,741
-	-	(32,718)	-	(32,718)
-	-	(55,107)	-	(55,107)
\$ 6,204,020	\$ 1,092,186	\$ (4,144,878)	\$ -	\$ (4,144,878)
\$ -	\$ -	\$ -	\$ (289,878)	\$ (289,878)
-	-	-	(55,447)	(55,447)
\$ -	\$ -	\$ -	\$ (345,325)	\$ (345,325)
\$ 6,204,020	\$ 1,092,186	\$ (4,144,878)	\$ (345,325)	\$ (4,490,203)
		\$ 6,133,673	\$ -	\$ 6,133,673
		3,983	-	3,983
		652,984	-	652,984
		26,639	-	26,639
		(5,268)	-	(5,268)
		129,463	231,500	360,963
		\$ 6,941,474	\$ 231,500	\$ 7,172,974
		\$ 2,796,596	\$ (113,825)	\$ 2,682,771
		45,316,297	(2,042,262)	43,274,035
		\$ 48,112,893	\$ (2,156,087)	\$ 45,956,806

Fund Financial Statements

Governmental Funds

**Traverse County
Wheaton, Minnesota**

Exhibit 3

**Balance Sheet
Governmental Funds
December 31, 2022**

	<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	\$ 3,677,297	\$ 1,421,739	\$ 2,307,486	\$ 579,072	\$ 7,985,594
Petty cash and change funds	1,400	-	100	-	1,500
Taxes receivable					
Delinquent	27,085	9,957	4,787	1,061	42,890
Accounts receivable – net	27,689	4,169	3,601	-	35,459
Due from other funds	31,016	-	-	-	31,016
Due from other governments	5,111	3,428,558	198,693	48	3,632,410
Advance to other funds	745,000	-	-	-	745,000
Inventories	-	150,943	-	-	150,943
Total Assets	<u>\$ 4,514,598</u>	<u>\$ 5,015,366</u>	<u>\$ 2,514,667</u>	<u>\$ 580,181</u>	<u>\$ 12,624,812</u>
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>					
Liabilities					
Accounts payable	\$ 65,362	\$ 70,858	\$ 44,272	\$ -	\$ 180,492
Salaries payable	51,080	28,327	13,104	-	92,511
Contracts payable	-	74,012	-	-	74,012
Due to other funds	-	-	115,203	-	115,203
Due to other governments	69,211	1,156	17,599	-	87,966
Unearned revenue	50,000	-	-	-	50,000
Total Liabilities	<u>\$ 235,653</u>	<u>\$ 174,353</u>	<u>\$ 190,178</u>	<u>\$ -</u>	<u>\$ 600,184</u>
Deferred Inflows of Resources					
Unavailable revenue	<u>\$ 39,121</u>	<u>\$ 3,335,301</u>	<u>\$ 3,339</u>	<u>\$ 628</u>	<u>\$ 3,378,389</u>

**Traverse County
Wheaton, Minnesota**

**Exhibit 3
(Continued)**

**Balance Sheet
Governmental Funds
December 31, 2022**

	<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	\$ -	\$ 150,943	\$ -	\$ -	\$ 150,943
Advances	745,000	-	-	-	745,000
Restricted for					
Law library	6,592	-	-	-	6,592
Recorder's equipment	93,896	-	-	-	93,896
Recorder's compliance fund	110,747	-	-	-	110,747
Enhanced 911	164,897	-	-	-	164,897
Invasive species aid	232,806	-	-	-	232,806
HAVA grant	21,231	-	-	-	21,231
Solid waste assessments	12,593	-	-	-	12,593
Opioid settlement	-	-	39,270	-	39,270
Debt service	-	-	-	579,553	579,553
Highway allotments	-	102,442	-	-	102,442
Assigned to					
Road and bridge	-	1,252,327	-	-	1,252,327
Capital projects	882,676	-	-	-	882,676
Social services	-	-	2,281,880	-	2,281,880
Unassigned	1,969,386	-	-	-	1,969,386
Total Fund Balances	<u>\$ 4,239,824</u>	<u>\$ 1,505,712</u>	<u>\$ 2,321,150</u>	<u>\$ 579,553</u>	<u>\$ 8,646,239</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 4,514,598</u>	<u>\$ 5,015,366</u>	<u>\$ 2,514,667</u>	<u>\$ 580,181</u>	<u>\$ 12,624,812</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, 2022**

Fund balance – total governmental funds (Exhibit 3)	\$	8,646,239
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets, net of accumulated depreciation and amortization, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		49,301,607
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Deferred outflows of resources resulting from the other postemployment benefits liability are not available resources and, therefore, are not reported in governmental funds.		669,738
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Deferred outflows of resources resulting from pension obligations are not available resources and, therefore, are not reported in governmental funds.		2,687,050
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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.		3,378,389
--	--	-----------

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	(419,387)	
General obligation bonds	(2,687,669)	
Leases payable	(165,094)	
Other postemployment benefits liability	(7,149,680)	
Net pension liability	(5,546,951)	(15,986,694)

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.		(479,848)
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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.		(103,588)
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Net Position of Governmental Activities (Exhibit 1)	\$	<u>48,112,893</u>
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**Traverse County
Wheaton, Minnesota**

Exhibit 5

**Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended December 31, 2022**

	<u>General</u>	<u>Road and Bridge</u>	<u>Social Services</u>	<u>Debt Service</u>	<u>Total</u>
Revenues					
Taxes	\$ 3,514,058	\$ 1,649,415	\$ 797,146	\$ 172,251	\$ 6,132,870
Special assessments	74,959	-	-	136,699	211,658
Licenses and permits	7,658	2,000	-	-	9,658
Intergovernmental	1,476,884	4,455,245	1,243,808	258,838	7,434,775
Charges for services	501,667	355,845	15,870	-	873,382
Investment earnings	(4,524)	-	19	77	(4,428)
Settlements	-	-	39,251	-	39,251
Miscellaneous	171,406	57,076	205,929	-	434,411
Total Revenues	\$ 5,742,108	\$ 6,519,581	\$ 2,302,023	\$ 567,865	\$ 15,131,577
Expenditures					
Current					
General government	\$ 2,222,796	\$ -	\$ -	\$ -	\$ 2,222,796
Public safety	2,251,249	-	-	-	2,251,249
Highways and streets	-	7,477,531	-	-	7,477,531
Sanitation	164,919	-	-	-	164,919
Human services	-	-	1,899,746	-	1,899,746
Culture and recreation	37,324	-	-	-	37,324
Conservation of natural resources	447,301	-	-	-	447,301
Economic development	36,791	-	-	-	36,791
Intergovernmental					
Public health	35,622	-	-	-	35,622
Culture and recreation	36,384	-	-	-	36,384
Highways and streets	-	429,437	-	-	429,437
Debt service					
Principal	73,665	32,722	2,019	155,000	263,406
Interest	3,448	-	216	52,931	56,595
Administrative charges	-	-	-	2,045	2,045
Total Expenditures	\$ 5,309,499	\$ 7,939,690	\$ 1,901,981	\$ 209,976	\$ 15,361,146
Excess of Revenues Over (Under) Expenditures	\$ 432,609	\$ (1,420,109)	\$ 400,042	\$ 357,889	\$ (229,569)

**Traverse County
Wheaton, Minnesota**

Exhibit 5
(Continued)

**Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended December 31, 2022**

	<u>General</u>	<u>Road and Bridge</u>	<u>Social Services</u>	<u>Debt Service</u>	<u>Total</u>
Other Financing Sources (Uses)					
Leases issued	\$ 33,280	\$ -	\$ 10,384	\$ -	\$ 43,664
Insurance recoveries	22,754	7,653	-	-	30,407
Proceeds from sale of capital assets	-	66,847	-	-	66,847
	<u>-</u>	<u>66,847</u>	<u>-</u>	<u>-</u>	<u>66,847</u>
Total Other Financing Sources (Uses)	<u>\$ 56,034</u>	<u>\$ 74,500</u>	<u>\$ 10,384</u>	<u>\$ -</u>	<u>\$ 140,918</u>
Net Change in Fund Balance	\$ 488,643	\$ (1,345,609)	\$ 410,426	\$ 357,889	\$ (88,651)
Fund Balance – January 1	3,751,181	2,859,442	1,910,724	221,664	8,743,011
Increase (decrease) in inventories	-	(8,121)	-	-	(8,121)
	<u>-</u>	<u>(8,121)</u>	<u>-</u>	<u>-</u>	<u>(8,121)</u>
Fund Balance – December 31	<u>\$ 4,239,824</u>	<u>\$ 1,505,712</u>	<u>\$ 2,321,150</u>	<u>\$ 579,553</u>	<u>\$ 8,646,239</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, 2022**

Net change in fund balance – total governmental funds (Exhibit 5)	\$	(88,651)
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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	\$	3,378,389	
Unavailable revenue – January 1		(2,888,553)	489,836

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 and amortization 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	\$	4,651,358	
Current year depreciation and amortization		(2,189,966)	2,461,392

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		3,533	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 leases	\$	108,406	
Leases issued		(43,664)	64,742

**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, 2022**

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	\$	(8,121)	
Change in net pension asset		(44,241)	
Change in deferred other postemployment benefits outflows		(218,987)	
Change in deferred pension outflows		701,256	
Change in compensated absences		(12,964)	
Change in other postemployment benefits liability		(62,955)	
Change in net pension liability		(3,656,434)	
Change in deferred other postemployment benefits inflows		468,217	
Change in deferred pension inflows		<u>2,544,973</u>	<u>(289,256)</u>

Change in Net Position of Governmental Activities (Exhibit 2)

\$ 2,796,596

Proprietary Funds

**Traverse County
Wheaton, Minnesota**

Exhibit 7

**Statement of Net Position
Proprietary Funds
December 31, 2022**

	Business-Type Activities – Enterprise Funds		
	Prairieview Place	Traverse Care Center	Totals
<u>Assets</u>			
Current assets			
Cash and pooled investments	\$ 7,661	\$ 164,068	\$ 171,729
Noncurrent assets			
Capital assets			
Nondepreciable	\$ -	\$ 16,175	\$ 16,175
Depreciable – net of accumulated depreciation	240,203	1,193,534	1,433,737
Total noncurrent assets	\$ 240,203	\$ 1,209,709	\$ 1,449,912
Total Assets	\$ 247,864	\$ 1,373,777	\$ 1,621,641
<u>Deferred Outflows of Resources</u>			
Deferred other postemployment benefits outflows	\$ -	\$ 121,754	\$ 121,754
Deferred charges on bond refunding	-	37,065	37,065
Total Deferred Outflows of Resources	\$ -	\$ 158,819	\$ 158,819
<u>Liabilities</u>			
Current liabilities			
Accrued interest payable	\$ -	\$ 16,953	\$ 16,953
General obligation bonds payable – current	75,000	-	75,000
Revenue bonds payable – current	-	190,000	190,000
Total current liabilities	\$ 75,000	\$ 206,953	\$ 281,953
Noncurrent liabilities			
Advance from other funds	\$ 50,000	\$ 520,000	\$ 570,000
Other postemployment benefits liability	-	1,274,755	1,274,755
General obligation bonds payable – long-term	226,736	-	226,736
Revenue bonds payable – long-term	-	1,492,627	1,492,627
Total noncurrent liabilities	\$ 276,736	\$ 3,287,382	\$ 3,564,118
Total Liabilities	\$ 351,736	\$ 3,494,335	\$ 3,846,071

**Traverse County
Wheaton, Minnesota**

Exhibit 7
(Continued)

**Statement of Net Position
Proprietary Funds
December 31, 2022**

	Business-Type Activities – Enterprise Funds		
	Prairieview Place	Traverse Care Center	Totals
<u>Deferred Inflows of Resources</u>			
Deferred other postemployment benefits inflows	\$ -	\$ 90,476	\$ 90,476
<u>Net Position</u>			
Net investment in capital assets	\$ (61,533)	\$ (452,028)	\$ (513,561)
Unrestricted	(42,339)	(1,600,187)	(1,642,526)
Total Net Position	\$ (103,872)	\$ (2,052,215)	\$ (2,156,087)

**Traverse County
Wheaton, Minnesota**

Exhibit 8

**Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2022**

	Business-Type Activities – Enterprise Funds		
	Prairieview Place	Traverse Care Center	Totals
Operating Expenses			
Employee benefits and payroll taxes	\$ -	\$ 52,198	\$ 52,198
Professional services	1,461	1,025	2,486
Insurance	-	662	662
Depreciation	45,754	190,755	236,509
Total Operating Expenses	\$ 47,215	\$ 244,640	\$ 291,855
Operating Income (Loss)	\$ (47,215)	\$ (244,640)	\$ (291,855)
Nonoperating Revenues (Expenses)			
Lease revenue	\$ 83,075	\$ 148,425	\$ 231,500
Miscellaneous	-	230	230
Interest expense	(8,232)	(45,468)	(53,700)
Total Nonoperating Revenues (Expenses)	\$ 74,843	\$ 103,187	\$ 178,030
Change in Net Position	\$ 27,628	\$ (141,453)	\$ (113,825)
Net Position – January 1, as restated	(131,500)	(1,910,762)	(2,042,262)
Net Position – December 31	\$ (103,872)	\$ (2,052,215)	\$ (2,156,087)

**Traverse County
Wheaton, Minnesota**

Exhibit 9

**Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2022
Increase (Decrease) in Cash and Cash Equivalents**

	Business-Type Activities – Enterprise Funds		
	Prairieview Place	Traverse Care Center	Totals
Cash Flows from Operating Activities			
Payments to suppliers and employees	\$ (1,461)	\$ (85,173)	\$ (86,634)
Nonoperating revenue received	83,075	148,425	231,500
Net cash provided by (used in) operating activities	\$ 81,614	\$ 63,252	\$ 144,866
Cash Flows from Noncapital Financing Activities			
Activities			
Proceeds from advance from other funds	\$ -	\$ 150,000	\$ 150,000
Proceeds from HRA forfeiture	-	230	230
Net cash provided by (used in) noncapital financing activities	\$ -	\$ 150,230	\$ 150,230
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	(8,578)	(42,385)	(50,963)
Net cash provided by (used in) capital and related financing activities	\$ (78,578)	\$ (222,385)	\$ (300,963)
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 3,036	\$ (8,903)	\$ (5,867)
Cash and Cash Equivalents at January 1	4,625	172,971	177,596
Cash and Cash Equivalents at December 31	\$ 7,661	\$ 164,068	\$ 171,729

**Traverse County
Wheaton, Minnesota**

Exhibit 9
(Continued)

**Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2022
Increase (Decrease) in Cash and Cash Equivalents**

	Business-Type Activities – Enterprise Funds		
	Prairieview Place	Traverse Care Center	Totals
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities			
Operating income (loss)	<u>\$ (47,215)</u>	<u>\$ (244,640)</u>	<u>\$ (291,855)</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities			
Depreciation and amortization	\$ 45,754	\$ 190,755	\$ 236,509
Nonoperating revenue received	83,075	148,425	231,500
(Increase) decrease in deferred other postemployment benefits outflows	-	36,782	36,782
Increase (decrease) in deferred other postemployment benefits inflows	-	(78,646)	(78,646)
Increase (decrease) in other postemployment benefits liability	-	10,576	10,576
Total adjustments	<u>\$ 128,829</u>	<u>\$ 307,892</u>	<u>\$ 436,721</u>
Net Cash Provided by (Used in) Operating Activities	<u><u>\$ 81,614</u></u>	<u><u>\$ 63,252</u></u>	<u><u>\$ 144,866</u></u>
Non-Cash Investing, Capital, and Related Financing Activities			
Adjustment due to prior year error in capital assets	\$ -	\$ 1,109	\$ 1,109

Fiduciary Funds

**Traverse County
Wheaton, Minnesota**

Exhibit 10

**Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2022**

	Social Welfare Private-Purpose Trust Fund	Custodial Funds
<u>Assets</u>		
Cash and pooled investments	\$ -	\$ 264,948
Taxes and special assessments receivable for other governments	-	137,230
Due from other funds	-	84,187
Due from other governments	-	182,922
Total Assets	\$ -	\$ 669,287
<u>Liabilities</u>		
Due to others	\$ -	\$ 787
Salaries payable	-	4,515
Advance from other funds	-	175,000
Due to other governments	-	171,894
Total Liabilities	\$ -	\$ 352,196
<u>Net Position</u>		
Restricted for individuals, organizations, and other governments	\$ -	\$ 317,091

**Traverse County
Wheaton, Minnesota**

Exhibit 11

**Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended December 31, 2022**

	Social Welfare Private-Purpose Trust Fund	Custodial Funds
<u>Additions</u>		
Contributions from individuals	\$ 9,984	\$ 29,110
Property tax collections for other governments	-	5,176,961
Fees collected for state	-	1,475,463
Payments from state	-	55,706
Payments from other entities	-	321,314
Total Additions	\$ 9,984	\$ 7,058,554
<u>Deductions</u>		
Payments of property tax to other governments	\$ -	\$ 4,836,157
Payments to state	-	1,810,562
Administrative expense	-	4,957
Payments to other individuals/entities	9,984	374,734
Total Additions	\$ 9,984	\$ 7,026,410
Change in Net Position	\$ -	\$ 32,144
Net Position – January 1	\$ -	\$ 284,947
Net Position – December 31	\$ -	\$ 317,091

Traverse County Wheaton, Minnesota

Notes to the Financial Statements As of and for the Year Ended December 31, 2022

Note 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, 2022. 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.

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 joint ventures and a related organization, which are described in Note 5 – Summary of Significant Contingencies and Other Items.

Basic Financial Statements

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.

Basic Financial Statements

Government-Wide Statements

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.

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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, segment, 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.

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.

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 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 contains additional information related to this lease.

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

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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 leases are reported as other financing sources.

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.

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

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.

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, 2022. 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 2022 were \$4,069.

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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.

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 2017 through 2022 and noncurrent special assessments payable in 2023 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.

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.

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.

Capital Assets

Capital assets, which include property, plant, equipment, infrastructure assets (such as roads, bridges, sidewalks, and similar items), right-to-use assets acquired under leasing arrangements, 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.

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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, while right-to-use assets are amortized over the shorter of the underlying assets estimated useful life or the lease term:

Estimated Useful Lives of Capital Assets

Assets	Years
Buildings	25-40
Land improvements	30-35
Infrastructure	15-70
Machinery, furniture, and equipment	3-15
Right-to-use equipment	3-10

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.

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 interest 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 leases are reported as an other financing source at the present value of the future minimum lease payments as of the inception date.

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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.

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 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.

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.

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 amortization, and reduced by outstanding debt attributed to the acquisition, construction, or improvement of the assets.

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- 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.

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 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.

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

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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, 2022, unrestricted fund balance for the General Fund and Special Revenue Funds, except the Road and Bridge Fund, was at or above the minimum fund balance level.

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.

Change in Accounting Principles

During the year ended December 31, 2022, Traverse County adopted new accounting guidance by implementing the provisions of Governmental Accounting Standards Board (GASB) No. 87, *Leases*, which establishes criteria for accounting and financial reporting for leases. The implementation of this statement resulted in changing the presentation of the government-wide financial statements by increasing the beginning balances of the right-to-use capital assets and decreasing beginning balances of the depreciated capital assets by \$339,968.

Prior Period Adjustment

The County recognized a prior period adjustment in the current year that affected deferred outflows of resources and deferred inflows of resources related to postemployment benefits. Beginning net position of the governmental activities and business-type activities were decreased and increased, respectively, by \$285,273 due to a change in the policy for determining the portion of the County's postemployment benefits applicable to governmental and business-type activities.

Restatement of Net Position		
	Governmental Activities	Business-Type Activities
Net Position/Fund balance January 1, 2022, as previously reported	\$ 45,601,570	\$ (2,327,535)
Prior period adjustment	(285,273)	285,273
Net Position/Fund Balance, January 1, 2022, as restated	\$ 45,316,297	\$ (2,042,262)

Note 2 – Stewardship, Compliance, and Accountability

Deficit Net Position

Funds with Deficit Net Position as of December 31, 2022

Prairieview Place Enterprise Fund	\$ 103,872
Traverse Care Center Enterprise Fund	2,052,215

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

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Excess Expenditures Over Budget

The Debt Service Fund had expenditures in excess of budget for the year ended December 31, 2022:

Excess of Expenditures Over Budget					
Expenditures		Final Budget		Excess	
\$	209,976	\$	191,244	\$	18,732

Note 3 – Detailed Notes

Assets and Deferred Outflows of Resources

Deposits and Investments

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

Reconciliation of the County's Total Cash and Investments to the Basic Financial Statements as of December 31, 2022	
Government-wide statement of net position	
Governmental activities	
Cash and pooled investments	\$ 7,987,094
Business-type activities	
Cash and pooled investments	171,729
Statement of fiduciary net position	
Cash and pooled investments	264,948
Total Cash and Investments	<u>\$ 8,423,771</u>

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

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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, 2022, the County had \$388,621 of deposits exposed to custodial credit risk.

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.

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

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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, 2022, the County did not have any investments subject to custodial credit risk.

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, 2022, and information relating to potential investment risks:

Cash and Investments and Information Relating to Potential Investment Risk as of December 31, 2022

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					
UBS Bank USA	N/R	N/A	>5%	06/17/2024	\$ 93,957
UBS Bank USA	N/R	N/A	>5%	06/24/2024	93,880
Goldman Sachs Bank USA	N/R	N/A	>5%	01/21/2025	92,999
Comenity Bank	N/R	N/A	>5%	05/13/2025	90,962
Total negotiable certificates of deposit with brokers					<u>\$ 371,798</u>
Investment pools/mutual funds					
MAGIC Fund	N/R	N/A	<5%	N/A	<u>\$ 7,100</u>
Total investments					<u>\$ 378,898</u>
Checking					\$ 4,988,128
Savings					2,562,883
Non-negotiable certificates of deposit					492,362
Change funds					<u>1,500</u>
Total Cash and Investments					<u>\$ 8,423,771</u>

N/R – Not Rated

N/A – Not Applicable

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

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- *Level 3:* Unobservable inputs.

At December 31, 2022, the County had the following recurring fair value measurements:

Recurring Fair Value Measurements as of December 31, 2022

	December 31, 2022	Fair Value Measurements Using		
		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	\$ 371,798	\$ -	\$ 371,798	\$ -
Investments measured at the net asset value (NAV)				
MAGIC Portfolio	\$ 7,100			

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

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

Receivables

Receivables as of December 31, 2022, for the County's governmental activities are as follows:

Governmental Activities' Receivables as of December 31, 2022

	Receivable	Less: Allowance for Uncollectible Accounts	Net Receivables	Amounts not Scheduled for Collection During the Subsequent Year
Governmental Activities				
Taxes	\$ 42,890	\$ -	\$ 42,890	-
Accounts receivable	374,415	(338,956)	35,459	-
Due from other governments	3,548,223	-	3,548,223	-
Total Governmental Activities	\$ 3,965,528	\$ (338,956)	\$ 3,626,572	\$ -

Traverse County Wheaton, Minnesota

There are no business-type activities receivables as of December 31, 2022.

Capital Assets

Capital asset activity for the year ended December 31, 2022, was as follows:

Governmental Activities

Changes in Capital Assets for the Year Ended December 31, 2022

	Beginning Balance, as Restated*	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 204,281	\$ -	\$ -	\$ 204,281
Right-of-way	962,548	-	-	962,548
Construction in progress	-	5,625	-	5,625
Total capital assets not depreciated	\$ 1,166,829	\$ 5,625	\$ -	\$ 1,172,454
Capital assets depreciated				
Buildings	\$ 5,360,449	\$ -	\$ -	\$ 5,360,449
Land improvements	213,358	167,377	-	380,735
Machinery, furniture, and equipment	5,751,023	503,121	273,239	5,980,905
Infrastructure	62,544,785	3,929,730	-	66,474,515
Total capital assets depreciated	\$ 73,869,615	\$ 4,600,228	\$ 273,239	\$ 78,196,604
Less: accumulated depreciation for				
Buildings	\$ 3,027,801	\$ 110,004	\$ -	\$ 3,137,805
Land improvements	148,705	16,969	-	165,674
Machinery, furniture, and equipment	4,375,032	434,971	273,239	4,536,764
Infrastructure	20,984,659	1,547,349	-	22,532,008
Total accumulated depreciation	\$ 28,536,197	\$ 2,109,293	\$ 273,239	\$ 30,372,251
Total capital assets depreciated, net	\$ 45,333,418	\$ 2,490,935	\$ -	\$ 47,824,353
Capital assets amortized				
Leased equipment	\$ 339,968	\$ 45,505	\$ -	\$ 385,473
Less: accumulated depreciation for				
Leased equipment	\$ -	\$ 80,673	\$ -	\$ 80,673
Total capital assets amortized, net	\$ 339,968	\$ (35,168)	\$ -	\$ 304,800
Total Capital Assets, Net	\$ 46,840,215	\$ 2,461,392	\$ -	\$ 49,301,607

* – See change in Accounting Principles note in Note 1.

Traverse County Wheaton, Minnesota

Business-Type Activities

Changes in Capital Assets for the Year Ended December 31, 2022

	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	\$ 4,774,646	\$ 225,369	\$ -	\$ 5,000,015
Land improvements	19,304	-	-	19,304
Machinery, furniture, and equipment	218,978	11,140	-	230,118
Total accumulated depreciation	\$ 5,012,928	\$ 236,509	\$ -	\$ 5,249,437
Total capital assets depreciated, net	\$ 1,670,246	\$ (236,509)	\$ -	\$ 1,433,737
Business-Type Activities Capital Assets, Net	\$ 1,686,421	\$ (236,509)	\$ -	\$ 1,449,912

Construction in progress consists of right of way appraisal.

Depreciation and Amortization Expense Charged to Functions/Programs

Governmental Activities	
General government	\$ 105,699
Public safety	106,659
Highways and streets, including depreciation of infrastructure assets	1,944,246
Human services	25,154
Sanitation	1,657
Culture and recreation	3,550
Conservation of natural resources	3,001
Total Depreciation and Amortization Expense – Governmental Activities	<u>\$ 2,189,966</u>
Business-Type Activities	
Traverse Care Center	\$ 190,755
Prairieview Place	45,754
Total Depreciation Expense Business-Type Activities	<u>\$ 236,509</u>

Traverse County Wheaton, Minnesota

Interfund Receivables, Payables, and Transfers

Due To/From Other Funds

Interfund Balances as of December 31, 2022

Receivable Fund	Payable Fund	Amount
General Fund	Social Services Special Revenue Fund	\$ 31,016
State Revenue Custodial Fund	Social Services Special Revenue Fund	84,187
Total Due To/Due From Other Funds		<u>\$ 115,203</u>

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.

Advances To/From Other Funds

Interfund Balances as of December 31, 2022

Receivable Fund	Payable Fund	Amount
General Fund	Prairieview Place Enterprise Fund	\$ 50,000
	Traverse Care Center Enterprise Fund	520,000
	Western Probation Services Custodial Fund	175,000
Total Advance To/From Other Funds		<u>\$ 745,000</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. In 2022, the General Fund advanced \$150,000 to the Traverse Care Center Enterprise Fund for cash flows as a result of the decreased lease revenue. 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

Liabilities and Deferred Inflows of Resources

Deferred Inflows of Resources – Unavailable Revenue

Unavailable revenue consists of taxes, state and federal grants, and charges for services not collected soon enough after year-end to pay liabilities of the current period.

Deferred Inflows of Resources for the Year Ended December 31, 2022

	Taxes	Grants	Other	Total
Governmental funds				
General Fund	\$ 16,944	\$ -	\$ 22,177	\$ 39,121
Special Revenue Funds				
Road and Bridge	5,863	3,329,438	-	3,335,301
Social Services	2,809	530	-	3,339
Debt Service Fund	628	-	-	628
Total	\$ 26,244	\$ 3,329,968	\$ 22,177	\$ 3,378,389

Construction and Other Commitments

The County has no active construction projects as of December 31, 2022.

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. Lease agreements range from three to five years and have been recorded at the present value of their future minimum lease payments as of the inception date. Lease payments are paid by the General Fund, Road and Bridge Special Revenue Fund, and Social Services Special Revenue Fund.

Future Minimum Lease Obligations and Net Present Value of Minimum Lease Payments As of December 31, 2022

Year Ending December 31	Principal	Interest
2023	\$ 83,408	\$ 3,299
2024	56,558	1,917
2025	16,954	551
2026	6,565	238
2027	1,609	46
Total governmental activities lease payments	\$ 165,094	\$ 6,051

Traverse County Wheaton, Minnesota

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. In 2022, the County Board approved applying pre-paid special assessment collections totaling \$255,000 as a one-time principal payment, above the required installment amount of \$110,000 due in 2023. The debt service requirements below reflect the updated bond payment schedule.

Bonds Payable as of December 31, 2022

Type of Indebtedness	Final Maturity	Installment Amount	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2022
General obligation bonds					
2020A G.O. Drainage Bonds	2037	\$95,000- \$115,000 \$140,000-	1.00-2.00	\$ 1,820,000	\$ 1,820,000
2015A G.O. Crossover Refunding Bonds	2027	\$180,000	2.50-2.75	1,595,000	850,000
Add: unamortized premium					17,669
Total General Obligation Bonds, Net					<u>\$ 2,687,669</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.

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.

Traverse County Wheaton, Minnesota

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 was \$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 was \$819,923. Principal payments are made by the Prairieview Place Enterprise Fund.

Bonds Payable as of December 31, 2022

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2022
2013A G.O. Governmental Housing Refunding Bonds	2027	\$65,000- \$80,000	1.05-2.50	\$ 785,000	\$ 300,000
Add: unamortized premium					1,736
Total G.O. Bonds, Net					<u>\$ 301,736</u>
2012A G.O. Nursing Home Revenue Refunding Bonds	2030	\$160,000- \$225,000	2.00-2.80	\$ 3,350,000	\$ 1,660,000
Add: unamortized premium					22,627
Total General Obligation Bonds, Net					<u>\$ 1,682,627</u>

Debt Service Requirements

Debt service requirements at December 31, 2022, were as follows:

Governmental Activities

Debt Service Requirements as of December 31, 2022

Year Ending December 31	G.O. Crossover Refunding Bonds, Series 2015A		G.O. Drainage Bonds, Series 2020A	
	Principal	Interest	Principal	Interest
2023	\$ 160,000	\$ 20,137	\$ 365,000	\$ 11,785
2024	165,000	16,075	95,000	23,095
2025	170,000	11,888	95,000	22,050
2026	175,000	7,356	95,000	20,910
2027	180,000	2,475	100,000	19,640
2028-2032	-	-	510,000	75,230
2033-2037	-	-	560,000	28,065
Total	<u>\$ 850,000</u>	<u>\$ 57,931</u>	<u>\$ 1,820,000</u>	<u>\$ 200,775</u>

Traverse County Wheaton, Minnesota

Business-Type Activities

Debt Service Requirements as of December 31, 2022

Year Ending December 31	General Obligation Bonds		Revenue Bonds	
	Principal	Interest	Principal	Interest
2023	\$ 75,000	\$ 7,283	\$ 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	-	-	210,000	20,455
2028-2032	-	-	660,000	27,455
Total	\$ 300,000	\$ 18,678	\$ 1,660,000	\$ 176,837

Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2022, was as follows:

Governmental Activities

Changes in Long-Term Liabilities for the Year Ended December 31, 2022

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Long-term liabilities					
G.O. bonds payable	\$ 2,825,000	\$ -	\$ 155,000	\$ 2,670,000	\$ 525,000
Unamortized bond premium	21,202	-	3,533	17,669	-
Leases	229,836	43,664	108,406	165,094	83,408
Compensated absences	406,423	329,113	316,149	419,387	277,198
Governmental Activities Long-Term Liabilities	\$ 3,482,461	\$ 372,777	\$ 583,088	\$ 3,272,150	\$ 885,606

Business-Type Activities

Changes in Long-Term Liabilities for the Year Ended December 31, 2022

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Long-term liabilities					
Bonds payable					
General obligation refunding bonds	\$ 370,000	\$ -	\$ 70,000	\$ 300,000	\$ 75,000
Revenue bonds	1,840,000	-	180,000	1,660,000	190,000
Premium on bonds	27,537	-	3,174	24,363	-
Business-Type Activities Long-Term Liabilities	\$ 2,237,537	\$ -	\$ 253,174	\$ 1,984,363	\$ 265,000

Traverse County Wheaton, Minnesota

Other Postemployment Benefits (OPEB)

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.

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.

Employees Covered by the OPEB Benefit Terms As of the December 31, 2022, Actuarial Valuation

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

Total OPEB Liability

The County's total OPEB liability of \$8,424,435 was measured as of January 1, 2022, 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

The total OPEB liability for fiscal year-end December 31, 2022, reporting was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

OPEB Actuarial Assumptions and Other Inputs

Actuarial cost method	Entry Age, level percentage of pay
Inflation	2.00 percent
Salary increases	Service graded table
Medical trend	6.25 percent as of January 1, 2022, decreasing to 5.00 percent over five 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 the measurement date.

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.

Changes in the Total OPEB Liability

Changes in the Total OPEB Liability For the Year Ended December 31, 2022

Balance at December 31, 2021	<u>\$ 8,350,906</u>
Changes for the year	
Service cost	\$ 297,724
Interest	169,060
Benefit payments	<u>(393,255)</u>
Net change	<u>\$ 73,529</u>
Balance at December 31, 2022	<u><u>\$ 8,424,435</u></u>

Traverse County Wheaton, Minnesota

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:

Sensitivity of the Total OPEB Liability to Changes In the Discount Rate as of December 31, 2022

	Discount Rate	Total OPEB Liability
1% Decrease	1.00%	\$ 9,313,780
Current	2.00%	8,424,435
1% Increase	3.00%	7,653,531

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:

Sensitivity of the Total OPEB Liability to Changes In the Health Care Trend Rates as of December 31, 2022

	Health Care Trend Rate	Total OPEB Liability
1% Decrease	5.25% Decreasing to 4.00%	\$ 7,504,556
Current	6.25% Decreasing to 5.00%	8,424,435
1% Increase	7.25% Decreasing to 6.00%	9,500,838

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

For the year ended December 31, 2022, the County recognized OPEB expense of \$137,925. The County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB as of December 31, 2022

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience of the plan	\$ -	\$ 195,800
Changes in actuarial assumptions	436,003	374,524
Contributions subsequent to the measurement date	355,489	-
Total	<u>\$ 791,492</u>	<u>\$ 570,324</u>

The \$355,489 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, 2023.

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Schedule of Amortization of Deferred Outflows And Inflows of Resources Related to OPEB As of December 31, 2022

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

Changes in Actuarial Assumptions

There were no changes in actuarial assumptions for 2022.

Pension Plans

Defined Benefit Pension Plans

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.

Local government employees of a county-administered facility who are responsible for the direct security, custody, and control of the 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.

Traverse County Wheaton, Minnesota

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 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 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

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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.

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 2021.

Member and Employer Required Contribution Rates

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

Employer Contributions For the Year Ended December 31, 2022

General Employees Plan	\$ 215,684
Police and Fire Plan	83,282
Correctional Plan	54,085

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

Pension Costs

General Employees Plan

At December 31, 2022, the County reported a liability of \$3,009,613 for its proportionate share of the General Employees Plan's net pension liability. The net pension liability was measured as of June 30, 2022, 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, 2021, through June 30, 2022, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2022, the County's proportion was 0.0380 percent. It was 0.0376 percent measured as of June 30, 2021. The County recognized pension expense of \$431,958 for its proportionate share of the General Employees Plan's pension expense.

Legislation requires the State of Minnesota to contribute \$16 million to the General Employees Plan annually until September 15, 2031. The County recognized an additional \$13,179 as grant revenue and pension expense for its proportionate share of the State of Minnesota's pension expense related to the special funding situation.

Traverse County Wheaton, Minnesota

General Employees Plan Employer's Share of the Net Pension Liability and the State's Related Liability As of December 31, 2022

The County's proportionate share of the net pension liability	\$ 3,009,613
State of Minnesota's proportionate share of the net pension liability associated with the County	<u>88,201</u>
Total	<u>\$ 3,097,814</u>

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:

General Employees Plan Deferred Outflows of Resources and Deferred Inflows of Resources As of December 31, 2022

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 25,139	\$ 31,804
Changes in actuarial assumptions	674,177	12,080
Difference between projected and actual investment earnings	62,771	-
Changes in proportion	22,720	-
Contributions paid to PERA subsequent to the measurement date	<u>114,538</u>	<u>-</u>
Total	<u>\$ 899,345</u>	<u>\$ 43,884</u>

The \$114,538 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, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

General Employees Plan Schedule of Amortization of Deferred Outflows and Inflows of Resources As of December 31, 2022

Year Ended December 31	Pension Expense Amount
2023	\$ 275,821
2024	280,531
2025	(87,604)
2026	272,175

Traverse County Wheaton, Minnesota

Police and Fire Plan

At December 31, 2022, the County reported a liability of \$1,588,336 for its proportionate share of the Police and Fire Plan's net pension liability. The net pension liability was measured as of June 30, 2022, 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, 2021, through June 30, 2022, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2022, the County's proportion was 0.0365 percent. It was 0.0369 percent measured as of June 30, 2021. The County recognized pension expense of \$164,686 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, 2022. 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.

Legislation requires the State of Minnesota to pay direct state aid of \$9 million on October 1 each year until full funding is reached, or July 1, 2048, whichever is earlier. The County recognized an additional \$13,461 as grant revenue and pension expense for its proportionate share of the State of Minnesota's pension expense related to the special funding situation.

Police and Fire Plan
Employer's Share of the Net Pension Liability and the State's Related Liability
As of December 31, 2022

The County's proportionate share of the net pension liability	\$ 1,588,336
State of Minnesota's proportionate share of the net pension liability associated with the County	<u>69,397</u>
Total	<u>\$ 1,657,733</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 \$3,285 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.

Traverse County Wheaton, Minnesota

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:

**Police and Fire Plan
Deferred Outflows of Resources and Deferred Inflows of Resources
As of December 31, 2022**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 97,299	\$ -
Changes in actuarial assumptions	938,611	19,962
Difference between projected and actual investment earnings	16,143	-
Changes in proportion	12,607	6,836
Contributions paid to PERA subsequent to the measurement date	46,515	-
Total	\$ 1,111,175	\$ 26,798

The \$46,515 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, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

**Police and Fire Plan
Schedule of Amortization of
Deferred Outflows and Inflows of Resources
As of December 31, 2022**

Year Ended December 31	Pension Expense Amount
2023	\$ 193,728
2024	203,042
2025	180,048
2026	329,406
2027	131,638

Correctional Plan

At December 31, 2022, the County reported a liability of \$949,002 for its proportionate share of the Correctional Plan's net pension liability. The net pension liability was measured as of June 30, 2022, 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, 2021, through June 30, 2022, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2022, the County's proportion was 0.2855 percent. It was 0.2693 percent measured as of June 30, 2021. The County recognized pension expense of \$240,778 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:

Traverse County Wheaton, Minnesota

Correctional Plan Deferred Outflows of Resources and Deferred Inflows of Resources As of December 31, 2022

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 29,823
Changes in actuarial assumptions	603,495	1,222
Difference between projected and actual investment earnings	39,856	-
Changes in proportion	2,998	1,861
Contributions paid to PERA subsequent to the measurement date	30,181	-
Total	<u>\$ 676,530</u>	<u>\$ 32,906</u>

The \$30,181 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, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Correctional Plan Schedule of Amortization of Deferred Outflows and Inflows of Resources As of December 31, 2022

Year Ended December 31	Pension Expense Amount
2023	\$ 274,535
2024	282,976
2025	(20,307)
2026	76,239

Total Pension Expense

The total pension expense for all plans recognized by the County for the year ended December 31, 2022, was \$837,422.

Traverse County Wheaton, Minnesota

Actuarial Assumptions

The total pension liability in the June 30, 2022, actuarial valuation was determined using the individual entry-age normal actuarial cost method and the following additional actuarial assumptions:

Actuarial Assumptions for the Year Ended June 30, 2022

	General Employees Fund	Police and Fire Fund	Correctional Fund
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 disability rates 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 per year through December 31, 2054, and 1.50 percent per year thereafter. 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, 2022, valuations 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 July 12, 2022, 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.

Pension Plan Investment Target Allocation and Best Estimates of Geometric Real Rates of Return for Each Major Asset Class

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

Traverse County Wheaton, Minnesota

Discount Rate

The discount rate used to measure the total pension liability was 6.50 percent for the General Employees Plan in 2022, which remained consistent with 2021. 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 position of the General Employees Plan was 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.

In the Police and Fire Plan and Correctional Plan, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members through June 30, 2060, and June 30, 2061, respectively. Beginning in fiscal year ended June 30, 2061, for the Police and Fire Plan and June 30, 2062, for the Correctional Plan, projected benefit payments exceed the funds' projected fiduciary net position. Benefit payments projected after were discounted at the municipal bond rate of 3.69 percent, based on the weekly rate closest to but not later than the measurement date of the Fidelity 20-Year Municipal GO AA Index. An equivalent single discount rate of 5.40 percent for the Police and Fire Plan and 5.42 percent for the Correctional Plan was determined that produced approximately the same present value of projected benefits when applied to all years of projected benefits as the present value of projected benefits using 6.50 percent applied to all years of projected benefits to the point of asset depletion and 3.69 percent thereafter.

Changes in Actuarial Assumptions and Plan Provisions

The following changes in actuarial assumptions occurred in 2022:

General Employees Plan

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

Police and Fire Plan

- The single discount rate changed from 6.50 percent to 5.40 percent.
- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

Correctional Plan

- The single discount rate changed from 6.50 percent to 5.42 percent.
- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.
- The benefit increase assumption was changed from 2.00 percent per annum to 2.00 percent per annum through December 31, 2054, and 1.50 percent per annum thereafter.

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

Traverse County Wheaton, Minnesota

it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate.

Sensitivity of the Employer's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate As of December 31, 2022

	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
1% Decrease	5.50%	\$ 4,753,841	4.40%	\$ 2,403,743	4.42%	\$ 1,671,620
Current	6.50%	3,009,613	5.40%	1,588,336	5.42%	949,002
1% Increase	7.50%	1,579,076	6.40%	929,128	6.42%	380,863

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.

Defined Contribution Plan

Three council members 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 the Employer For the Year Ended December 31, 2022

	Employee	Employer
Contribution amount	\$ 3,089	\$ 3,089
Percentage of covered payroll	5.00%	5.00%

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Note 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 2022 and 2023. 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.

Note 5 – Summary of Significant Contingencies and Other Items

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.

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.

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.

Traverse County Wheaton, Minnesota

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 2022, Traverse County contributed \$35,108 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.

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 2022, 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, Chippewa, Clearwater, Cottonwood, Hubbard, Jackson, Kandiyohi, Lac qui Parle, Lincoln, Lyon, Nobles, Redwood, Swift, and Yellow Medicine Counties were later added to PrimeWest Health. Southwest Health and Human Services represents Lincoln, Lyon, and Pipestone Counties in this agreement. 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 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.

Traverse County Wheaton, Minnesota

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 2022.

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; one County Commissioners from each participating County; three local providers; three consumers, and one Managed Care Organization. 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 2022, 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 custodial 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.

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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 \$77,801 to this organization in 2022. 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.

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 2022.

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.

Traverse County Wheaton, Minnesota

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 2022, Traverse County provided \$36,384 to the Viking Library System.

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

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 2022, Traverse County contributed \$33,340 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. Traverse County and 23 other counties are members of CPT. Each member county provided an initial contribution to start up CPT and provide funds for the purchase of CPUI. CPT purchased CPUI in September 2018 for a purchase price of \$3,600,000. In March 2022, Pope County made a contribution to join CPT.

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. Once the initial contribution is repaid, there is no remaining equity interest for the member counties.

Financing is primarily from county member contributions. During 2022, 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.

Traverse County Wheaton, Minnesota

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.

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 twelve-month lease agreements commencing December 1, 2021 and December 1, 2022, required minimum monthly payments of \$6,923 per month. LSS informed the County Board on March 7, 2023, of their intent to terminate the lease as of September 30, 2023. Traverse County signed a lease agreement with Minnewaska Community Health Services for renting the property of Prairieview Place and operating it as a congregate housing facility commencing October 1, 2023.

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 twelve-month lease agreements commencing December 1, 2021 and December 1, 2022, required minimum monthly payment of \$13,077 per month. LSS informed the County Board on March 7, 2023, of their intent to terminate the lease as of September 30, 2023. Traverse County signed a lease agreement with Minnewaska Community Health Services for renting the property of Traverse Care Center and operating it as a skilled nursing facility commencing October 1, 2023. Twelve retirees of the Traverse Care Center continue to receive other postemployment benefits through Traverse County.

Required Supplementary Information

**Traverse County
Wheaton, Minnesota**

Exhibit A-1

**Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2022**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
Revenues				
Taxes	\$ 3,479,214	\$ 3,479,214	\$ 3,514,058	\$ 34,844
Special assessments	75,000	75,000	74,959	(41)
Licenses and permits	9,288	9,288	7,658	(1,630)
Intergovernmental	829,555	829,555	1,476,884	647,329
Charges for services	415,989	415,989	501,667	85,678
Investment earnings	15,000	15,000	(4,524)	(19,524)
Miscellaneous	107,965	107,965	171,406	63,441
Total Revenues	\$ 4,932,011	\$ 4,932,011	\$ 5,742,108	\$ 810,097
Expenditures				
Current				
General government				
Commissioners	\$ 208,178	\$ 208,178	\$ 221,416	\$ (13,238)
Law library	3,000	3,000	3,679	(679)
County coordinator	143,873	143,873	152,128	(8,255)
County auditor/treasurer	299,022	299,022	317,561	(18,539)
License bureau	119,282	119,282	123,816	(4,534)
County assessor	265,328	265,328	266,797	(1,469)
Elections	31,077	31,077	33,904	(2,827)
Accounting and auditing	50,000	50,000	48,509	1,491
Data processing	104,375	104,375	120,207	(15,832)
Attorney	192,637	192,637	172,383	20,254
Recorder	174,832	174,832	187,888	(13,056)
Buildings and plant	164,961	164,961	403,444	(238,483)
Veterans service officer	93,058	93,058	78,871	14,187
Other general government	204,051	204,051	92,193	111,858
Total general government	\$ 2,053,674	\$ 2,053,674	\$ 2,222,796	\$ (169,122)
Public safety				
Sheriff	\$ 968,083	\$ 968,083	\$ 1,049,239	\$ (81,156)
Boat and water	26,954	26,954	2,160	24,794
Coroner	10,000	10,000	7,632	2,368
Enhanced 911 system	372,596	372,596	418,407	(45,811)
Jail	582,595	582,595	625,814	(43,219)
Probation officer	43,895	43,895	33,340	10,555
Civil defense	109,007	109,007	114,657	(5,650)
Total public safety	\$ 2,113,130	\$ 2,113,130	\$ 2,251,249	\$ (138,119)

**Traverse County
Wheaton, Minnesota**

Exhibit A-1
(Continued)

**Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2022**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Expenditures				
Current (Continued)				
Sanitation				
Solid waste	\$ 185,583	\$ 185,583	\$ 164,919	\$ 20,664
Culture and recreation				
County fair	\$ 12,500	\$ 12,500	\$ -	\$ 12,500
Parks	16,000	16,000	17,024	(1,024)
Other culture and recreation	44,284	44,284	20,300	23,984
Total culture and recreation	\$ 72,784	\$ 72,784	\$ 37,324	\$ 35,460
Conservation of natural resources				
County extension	\$ 123,737	\$ 123,737	\$ 115,792	\$ 7,945
Buffer aid allocation	62,333	62,333	62,333	-
Soil and water conservation	222,042	222,042	202,434	19,608
Weed control	64,173	64,173	66,742	(2,569)
Total conservation of natural resources	\$ 472,285	\$ 472,285	\$ 447,301	\$ 24,984
Economic development				
Community development	\$ 34,555	\$ 34,555	\$ 36,791	\$ (2,236)
Intergovernmental				
Public health	\$ 35,000	\$ 35,000	\$ 35,622	\$ (622)
Library	-	-	36,384	(36,384)
Total intergovernmental	\$ 35,000	\$ 35,000	\$ 72,006	\$ (37,006)
Debt service				
Principal	\$ -	\$ -	\$ 73,665	\$ (73,665)
Interest	-	-	3,448	(3,448)
Total debt service	\$ -	\$ -	\$ 77,113	\$ (77,113)
Total Expenditures	\$ 4,967,011	\$ 4,967,011	\$ 5,309,499	\$ (342,488)

**Traverse County
Wheaton, Minnesota**

Exhibit A-1
(Continued)

**Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2022**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
Excess of Revenues Over (Under)				
Expenditures	\$ (35,000)	\$ (35,000)	\$ 432,609	\$ 467,609
Other Financing Sources (Uses)				
Transfers out	\$ (150,000)	\$ (150,000)	\$ -	\$ 150,000
Leases issued	-	-	33,280	33,280
Insurance recoveries	-	-	22,754	22,754
Total Other Financing Sources (Uses)	\$ (150,000)	\$ (150,000)	\$ 56,034	\$ 206,034
Net Change in Fund Balance	\$ (185,000)	\$ (185,000)	\$ 488,643	\$ 673,643
Fund Balance – January 1	3,751,181	3,751,181	3,751,181	-
Fund Balance – December 31	\$ 3,566,181	\$ 3,566,181	\$ 4,239,824	\$ 673,643

**Traverse County
Wheaton, Minnesota**

Exhibit A-2

**Budgetary Comparison Schedule
Road and Bridge Special Revenue Fund
For the Year Ended December 31, 2022**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	\$ 1,646,609	\$ 1,646,609	\$ 1,649,415	\$ 2,806
Licenses and permits	-	-	2,000	2,000
Intergovernmental	5,973,289	5,973,289	4,455,245	(1,518,044)
Charges for services	382,439	382,439	355,845	(26,594)
Miscellaneous	58,531	58,531	57,076	(1,455)
Total Revenues	\$ 8,060,868	\$ 8,060,868	\$ 6,519,581	\$ (1,541,287)
Expenditures				
Current				
Highways and streets				
Administration	\$ 474,011	\$ 474,011	\$ 304,206	\$ 169,805
Authorized work	32,000	32,000	11,915	20,085
Engineering	131,422	131,422	140,647	(9,225)
Construction	3,890,996	3,890,996	3,955,476	(64,480)
Maintenance	1,992,797	1,992,797	1,952,300	40,497
Equipment maintenance and shops	930,296	930,296	1,000,978	(70,682)
Material and services for resale	91,040	91,040	112,009	(20,969)
Total highways and streets	\$ 7,542,562	\$ 7,542,562	\$ 7,477,531	\$ 65,031
Intergovernmental				
Highways and streets	\$ 321,748	\$ 321,748	\$ 429,437	\$ (107,689)
Debt service				
Principal	\$ -	\$ -	\$ 32,722	\$ (32,722)
Total Expenditures	\$ 7,864,310	\$ 7,864,310	\$ 7,939,690	\$ (75,380)
Excess of Revenues Over (Under)				
Expenditures	\$ 196,558	\$ 196,558	\$ (1,420,109)	\$ (1,616,667)

**Traverse County
Wheaton, Minnesota**

Exhibit A-2
(Continued)

**Budgetary Comparison Schedule
Road and Bridge Special Revenue Fund
For the Year Ended December 31, 2022**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Other Financing Sources (Uses)				
Insurance recoveries	\$ -	\$ -	\$ 7,653	\$ 7,653
Proceeds from sale of capital assets	30,000	30,000	66,847	36,847
Total Other Financing Sources (Uses)	\$ 30,000	\$ 30,000	\$ 74,500	\$ 44,500
Net Change in Fund Balance	\$ 226,558	\$ 226,558	\$ (1,345,609)	\$ (1,572,167)
Fund Balance – January 1	2,859,442	2,859,442	2,859,442	-
Increase (decrease) in inventories	-	-	(8,121)	(8,121)
Fund Balance – December 31	\$ 3,086,000	\$ 3,086,000	\$ 1,505,712	\$ (1,580,288)

**Traverse County
Wheaton, Minnesota**

Exhibit A-3

**Budgetary Comparison Schedule
Social Services Special Revenue Fund
For the Year Ended December 31, 2022**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	\$ 797,852	\$ 797,852	\$ 797,146	\$ (706)
Intergovernmental	1,157,876	1,157,876	1,243,808	85,932
Charges for services	31,950	31,950	15,870	(16,080)
Investment earnings	-	-	19	19
Settlements	-	-	39,251	39,251
Miscellaneous	157,051	157,051	205,929	48,878
Total Revenues	\$ 2,144,729	\$ 2,144,729	\$ 2,302,023	\$ 157,294
Expenditures				
Current				
Human services				
Income maintenance	\$ 740,837	\$ 740,837	\$ 738,604	\$ 2,233
Social services	1,403,892	1,403,892	1,161,142	242,750
Total human services	\$ 2,144,729	\$ 2,144,729	\$ 1,899,746	\$ 244,983
Debt service				
Principal	\$ -	\$ -	\$ 2,019	\$ (2,019)
Interest	-	-	216	(216)
Total debt service	\$ -	\$ -	\$ 2,235	\$ (2,235)
Total Expenditures	\$ 2,144,729	\$ 2,144,729	\$ 1,901,981	\$ 242,748
Excess of Revenues Over (Under)				
Expenditures	\$ -	\$ -	\$ 400,042	\$ 400,042
Other Financing Sources (Uses)				
Leases issued	-	-	10,384	10,384
Net Change in Fund Balance	\$ -	\$ -	\$ 410,426	\$ 410,426
Fund Balance – January 1	1,910,724	1,910,724	1,910,724	-
Fund Balance – December 31	\$ 1,910,724	\$ 1,910,724	\$ 2,321,150	\$ 410,426

**Traverse County
Wheaton, Minnesota**

Exhibit A-4

**Schedule of Changes in Total OPEB Liability and Related Ratios
Other Postemployment Benefits
December 31, 2022**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability					
Service cost	\$ 297,724	\$ 289,052	\$ 258,970	\$ 214,422	\$ 240,441
Interest	169,060	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>(393,255)</u>	<u>(377,561)</u>	<u>(384,821)</u>	<u>(368,661)</u>	<u>(360,103)</u>
Net change in total OPEB liability	\$ 73,529	\$ 397,742	\$ 805,230	\$ (2,453,341)	\$ 192,857
Total OPEB Liability – Beginning	<u>8,350,906</u>	<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>\$ 8,424,435</u>	<u>\$ 8,350,906</u>	<u>\$ 7,953,164</u>	<u>\$ 7,147,934</u>	<u>\$ 9,601,275</u>
 Covered-employee payroll	 \$ 3,844,163	 \$ 3,732,197	 \$ 3,738,688	 \$ 3,629,794	 \$ 3,749,608
Total OPEB liability (asset) as a percentage of covered-employee payroll	219.15%	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, 2022**

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
2022	0.0380 %	\$ 3,009,613	\$ 88,201	\$ 3,097,814	\$ 2,884,460	104.34 %	76.67 %
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, 2022**

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)
2022	\$ 215,684	\$ 215,684	\$ -	\$ 2,875,781	7.50 %
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, 2022**

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
2022	0.0365 %	\$ 1,588,336	\$ 69,397	\$ 1,657,733	\$ 443,850	357.85 %	70.53 %
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, 2022**

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)
2022	\$ 83,282	\$ 83,282	\$ -	\$ 470,518	17.70 %
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, 2022**

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
2022	0.2855 %	\$ 949,002	\$ 627,201	151.31 %	74.58 %
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, 2022**

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)
2022	\$ 54,085	\$ 54,085	\$ -	\$ 618,119	8.75 %
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, 2022

Note 1 – General Budget Policies

The County Board adopts estimated revenue and expenditure budgets for the General Fund and 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.

Note 2 – Budget Basis of Accounting

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

Note 3 – Excess of Expenditures Over Budget

The following individual major special revenue funds had expenditures in excess of budget for the year ended December 31, 2022:

	Expenditures	Final Budget	Excess
General Fund	\$ 5,309,449	\$ 4,967,011	\$ 342,488
Road and Bridge Special Revenue Fund	7,939,690	7,864,310	75,380

Note 4 – Employer Contributions to Other Postemployment Benefits

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

The following changes in actuarial 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.

Traverse County Wheaton, Minnesota

- 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).
- 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.

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

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

General Employees Retirement Plan

2022

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

Traverse County Wheaton, Minnesota

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.

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.
- 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.

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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.
- 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.

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.

Traverse County Wheaton, Minnesota

- 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

2022

- The single discount rate changed from 6.50 percent to 5.40 percent.
- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

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 MP-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.
- 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.

Traverse County Wheaton, Minnesota

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-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.
- 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.

Traverse County Wheaton, Minnesota

- The assumed percentage of female members electing joint and survivor annuities was increased.
- The assumed post-retirement benefit increase rate was changed from 1.00 percent for all years to 1.00 percent per year through 2064 and 2.50 percent thereafter.
- The single discount rate was changed from 5.60 percent per annum to 7.50 percent per annum.

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

2022

- The single discount rate changed from 6.50 percent to 5.42 percent.
- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.
- The benefit increase assumption was changed from 2.00 percent per annum to 2.00 percent per annum through December 31, 2054, and 1.50 percent per annum thereafter.

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 MP-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.
- Assumed rates of retirement were changed as recommended in the July 10, 2020, experience study. The

Traverse County Wheaton, Minnesota

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.

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.

2017

- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the

Traverse County Wheaton, Minnesota

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, 2022**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	\$ 176,244	\$ 176,244	\$ 172,251	\$ (3,993)
Special assessments	-	-	136,699	136,699
Intergovernmental	-	-	258,838	258,838
Investment earnings	-	-	77	77
Total Revenues	\$ 176,244	\$ 176,244	\$ 567,865	\$ 391,621
Expenditures				
Debt service				
Principal	\$ 155,000	\$ 155,000	\$ 155,000	\$ -
Interest	36,244	36,244	52,931	(16,687)
Administrative charges	-	-	2,045	(2,045)
Total Expenditures	\$ 191,244	\$ 191,244	\$ 209,976	\$ (18,732)
Net Change in Fund Balance	\$ (15,000)	\$ (15,000)	\$ 357,889	\$ 372,889
Fund Balance – January 1	221,664	221,664	221,664	-
Fund Balance – December 31	\$ 206,664	\$ 206,664	\$ 579,553	\$ 372,889

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 collection and payment of the state’s share of fees collected by the County.

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, 2022**

	<u>Taxes and Penalties</u>	<u>State Revenue</u>
<u>Assets</u>		
Cash and pooled investments	\$ 80,413	\$ 7,195
Taxes and special assessments receivable for other governments	136,764	466
Due from other funds	-	84,187
Due from other governments	-	-
Total Assets	<u>\$ 217,177</u>	<u>\$ 91,848</u>
<u>Liabilities</u>		
Due to others	\$ -	\$ -
Salaries payable	-	-
Advance from other funds	-	-
Due to other governments	80,413	91,382
Total Liabilities	<u>\$ 80,413</u>	<u>\$ 91,382</u>
<u>Net Position</u>		
Restricted for individuals, organizations, and other governments	<u>\$ 136,764</u>	<u>\$ 466</u>

Exhibit C-1

<u>Traverse County Connections</u>	<u>Jail Canteen</u>	<u>Western Probation Services</u>	<u>Total Custodial Funds</u>
\$ 45,891	\$ 163	\$ 131,286	\$ 264,948
-	-	-	137,230
-	-	-	84,187
-	-	182,922	182,922
<u>\$ 45,891</u>	<u>\$ 163</u>	<u>\$ 314,208</u>	<u>\$ 669,287</u>
\$ -	\$ -	\$ 787	\$ 787
-	-	4,515	4,515
-	-	175,000	175,000
-	-	99	171,894
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 180,401</u>	<u>\$ 352,196</u>
<u><u>\$ 45,891</u></u>	<u><u>\$ 163</u></u>	<u><u>\$ 133,807</u></u>	<u><u>\$ 317,091</u></u>

**Traverse County
Wheaton, Minnesota**

**Combining Statement of Changes in Fiduciary Net Position
Fiduciary Funds – Custodial Funds
For the Year Ended December 31, 2022**

	<u>Taxes and Penalties</u>	<u>State Revenue</u>
<u>Additions</u>		
Contributions from individuals	\$ -	\$ -
Property tax collections for other governments	4,842,304	334,657
Fees collected for state	-	1,475,463
Payments from state	-	-
Payments from other entities	-	-
Total Additions	\$ 4,842,304	\$ 1,810,120
<u>Deductions</u>		
Payments of property tax to other governments	\$ 4,836,157	\$ -
Payments to state	-	1,810,562
Administrative expense	-	-
Payments to other individuals/entities	-	-
Total Deductions	\$ 4,836,157	\$ 1,810,562
Change in Net Position	\$ 6,147	\$ (442)
Net Position – January 1	\$ 130,617	\$ 908
Net Position – December 31	\$ 136,764	\$ 466

Exhibit C-2

Traverse County Connections	Jail Canteen	Western Probation Services	Total Custodial Funds
\$ -	\$ 21,425	\$ 7,685	\$ 29,110
-	-	-	5,176,961
-	-	-	1,475,463
49,574	-	6,132	55,706
918	-	320,396	321,314
\$ 50,492	\$ 21,425	\$ 334,213	\$ 7,058,554
\$ -	\$ -	-	\$ 4,836,157
-	-	-	1,810,562
4,957	-	-	4,957
27,317	21,284	326,133	374,734
\$ 32,274	\$ 21,284	\$ 326,133	\$ 7,026,410
\$ 18,218	\$ 141	\$ 8,080	\$ 32,144
\$ 27,673	\$ 22	\$ 125,727	\$ 284,947
\$ 45,891	\$ 163	\$ 133,807	\$ 317,091

Other Schedule

**Traverse County
Wheaton, Minnesota**

Exhibit D-1

**Schedule of Intergovernmental Revenue
Governmental Funds
For the Year Ended December 31, 2022**

Appropriations and Shared Revenue

State

Highway users tax	\$ 4,358,279
Market value credit	124,656
PERA rate reimbursement	12,650
Disparity reduction aid	18,576
Police aid	62,669
County program aid	487,073
Enhanced 911	136,575
Select Committee on Recycling and the Environment (SCORE)	107,286
Aquatic invasive species aid	26,954
Riparian protection aid	113,782
Out of home placement aid	463

Total appropriations and shared revenue	<u>\$ 5,448,963</u>
--	----------------------------

Reimbursement for Services

State	\$ 145,826
Counties	165,857
Soil and Water Districts	10,029
Watershed Districts	92,981

Total reimbursement for services	<u>\$ 414,693</u>
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Payments

Local

Local contributions	\$ 53,161
Payments in lieu of taxes	26,639

Total payments	<u>\$ 79,800</u>
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Grants

State

Minnesota Department of	
Corrections	\$ 2,588
Public Safety	144
Human Services	402,201
Veterans Affairs	7,500
Board of Water and Soil Resources Board	87,056

Total state	<u>\$ 499,489</u>
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**Traverse County
Wheaton, Minnesota**

Exhibit D-1
(Continued)

**Schedule of Intergovernmental Revenue
Governmental Funds
For the Year Ended December 31, 2022**

Grants (Continued)

Federal

Department of	
Agriculture	\$ 93,426
Treasury	316,512
Transportation	3,660
Election Assistance Commission	25,041
Health and Human Services	537,875
Homeland Security	15,316
Total federal	\$ 991,830
Total state and federal grants	\$ 1,491,319
Total Intergovernmental Revenue	\$ 7,434,775

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, 2022, 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 19, 2023.

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 opinion 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.

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. 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. We identified a deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings and Recommendations as item 2022-001 that we consider 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, we noted that Traverse County failed to comply with the provisions of the depositories of public funds and public investments section of the *Minnesota Legal Compliance Audit Guide for Counties*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters, as described in the Schedule of Findings and Recommendations as item 2022-002. Also, 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, conflicts of interest, public indebtedness, claims and disbursements, and miscellaneous provisions sections of the *Minnesota Legal Compliance Audit Guide for Counties*, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the County's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

Other Item

Included in the Schedule of Findings and Recommendations 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 Traverse County's response to the internal control, legal compliance, and management practice findings identified in our audit and described in the accompanying Corrective Action Plan. The County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control 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/Chad Struss

Chad Struss, CPA
Deputy State Auditor

October 19, 2023

Traverse County Wheaton, Minnesota

Schedule of Findings and Recommendations For the Year Ended December 31, 2022

Section I – Financial Statement Findings

2022-001 Segregation of Duties

Prior Year Finding Number: 2021-001

Repeat Finding Since: 1996

Type of Finding: Internal Control Over Financial Reporting

Severity of Deficiency: Significant Deficiency

Criteria: An effective 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 ability of the County's employees, in the normal course of performing their assigned functions, to detect misstatements in amounts that would be material in relation to the financial statements in a timely period.

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: Acknowledge

Section II – Other Findings and Recommendations

2022-002 Insufficient Collateral

Prior Year Finding Number: N/A

Repeat Finding Since: N/A

Type of Finding: Minnesota Legal Compliance

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

Traverse County Wheaton, Minnesota

Condition: The fair market value of collateral pledged to secure uninsured deposits was not sufficient to meet the 110 percent requirement as of December 31, 2022.

Context: At December 31, 2022, deposits held with one financial institution were in excess of Federal Deposit Insurance Corporation (FDIC) coverage and pledged collateral by \$388,621. County staff identified that County deposits were exposed to custodial credit risk and acted to obtain additional collateral.

Effect: The County was not in compliance with Minnesota statutes and exposed County deposits to custodial credit risk.

Cause: The County deposited tax receipts into this financial institution because their primary bank which held sufficient collateral was permanently closing.

Recommendation: We recommend the County maintain adequate collateral pledged to secure deposits in accordance with Minn. Stat § 118A.03.

View of Responsible Official: Acknowledge

2022-003 Prairieview Place Enterprise Fund and Traverse Care Center Enterprise Fund Deficit Net Position

Prior Year Finding Number: 2021-003

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, 2022, 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, 2022, the Prairieview Place Enterprise Fund had a deficit net position of \$103,872, which is an increase in net position from the \$131,500 deficit reported in the prior year. As of December 31, 2022, the Traverse Care Center Enterprise Fund had deficit net position of \$2,052,215, which is a decrease in net position from the \$1,910,762 deficit net position (as restated) 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.

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 offset the cost of 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, 2022

Finding Number: 2022-001

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, 2024

Finding Number: 2022-002

Finding Title: Insufficient Collateral

Name of Contact Person Responsible for Corrective Action:

Kit Johnson, County Auditor/Treasurer

Corrective Action Planned:

Traverse County will do a better job communicating with the banks to make sure sufficient collateral is in place.

Anticipated Completion Date:

October 15, 2023



Traverse County Minnesota

County Auditor/Treasurer
Kit D. Johnson, Auditor/Treasurer
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Finding Number: 2022-003

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, 2022

Finding Number: 2021-001

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, recoding, 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 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. Traverse County will continue to assess the risks and move towards resolving the conditions that create this finding.

Corrective action taken was not significantly different than the action previously reported.

Finding Number: 2021-002

Year of Finding Origination: 2021

Finding Title: Audit Adjustments

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

Summary of Corrective Action Previously Reported: Traverse County staff will work to ensure that financial statements are prepared in accordance with generally accepted accounting principles.

Status: Fully Corrected. Corrective action was taken.

Corrective action taken was not significantly different than the action previously reported.



Traverse County Minnesota

County Auditor/Treasurer

Kit D. Johnson, Auditor/Treasurer

702 2nd Ave N

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Finding Number: 2021-003

Year of Finding Origination: 1997

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

Summary of 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.

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 the net position begins to recover.

Corrective action taken was not significantly different than the action previously reported.