State of Minnesota

Office of the State Auditor

Julie Blaha
State Auditor

Traverse County
Wheaton, Minnesota

Year Ended December 31, 2023

Traverse County
Wheaton, Minnesota

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Traverse County
Wheaton, Minnesota

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Introductory Section

Traverse County
Wheaton, Minnesota

Organization
2023

Office	Name	Term Expires
Commissioners		
District 1	Chad Metz	January 2027
District 2	Kayla Schmidt, Chair	January 2027
District 3	Mark Gail, Vice Chair	January 2025
District 4	Jerrel Olson	January 2027
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	April 2027
Coroner	Stanley Gallagher, D.O.	January 2024
Examiner of Titles	Matthew Franzese	Indefinite
Social Services Director	Stacy Hennen	Indefinite
Veterans Service Officer	Jared Lamm	September 2027
County Recorder	Jody Hofer	Indefinite
Registrar of Titles	Jody Hofer	Indefinite

Financial Section

STATE OF MINNESOTA

Julie Blaha
State Auditor

Office of the State Auditor

Suite 500
525 Park Street
Saint Paul, MN 55103

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, 2023, 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, 2023, 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.

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

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

Supplementary Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Traverse County's basic financial statements. The Budgetary Comparison Schedule – Debt Service Fund, combining statements for fiduciary funds, Schedule of Intergovernmental Revenue, and Schedule of Expenditures of Federal Awards and related notes, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* are presented for purposes of additional

analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information as identified above is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 29, 2024, on our consideration of Traverse 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 Traverse 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 Traverse County's internal control over financial reporting and compliance.

/s/Julie Blaha	*/s/Chad Struss*
Julie Blaha State Auditor	Chad Struss, CPA Deputy State Auditor

August 29, 2024

Management’s Discussion and Analysis

Traverse County
Wheaton, Minnesota

Management's Discussion and Analysis
December 31, 2023
(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, 2023. 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 $52,676,080, of which $49,339,361 is the net investment in capital assets. Of the governmental activities' net position, $4,997,118 is restricted to specific purposes/uses by the County, and unrestricted is a deficit ($1,660,399).

- Business-type activities (Traverse Care Center and Prairieview Place) have a deficit total net position of ($2,374,505), of which there is a negative net investment in capital assets balance of ($562,173).

- Traverse County's net position increased by $4,344,769 for the year ended December 31, 2023. Of the increase, $4,563,187 was in the governmental activities' net position, while the business-type activities' net position decreased by $218,418.

- The net cost of Traverse County's governmental activities for the year ended December 31, 2023, was $2,660,414. General revenues totaling $7,223,601 funded the net cost.

- Traverse County's governmental funds' fund balances increased by $1,088,945 in 2023. This increase consisted of a $622,843 increase in the General Fund, an increase of $628,738 in the Road and Bridge Special Revenue Fund, an increase of $63,496 in the Social Services Special Revenue Fund, and a decrease of $226,132 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.

<u>Governmental funds</u> 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.

<u>Proprietary funds</u> 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 33 through 69 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 2022 is presented.

Table 1
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Assets						
Current and other assets	$15,352,422	$12,509,609	$ (585,812)	$ (398,271)	$ 14,766,610	$ 12,111,338
Capital assets	50,139,367	49,301,607	1,215,538	1,449,912	51,354,905	50,751,519
Total Assets	$65,491,789	$61,811,216	$ 629,726	$ 1,051,641	$ 66,121,515	$ 62,862,857
Deferred Outflows of Resources						
Deferred other postemployment benefits outflows	$ 483,659	$ 669,738	$ 87,023	$ 121,754	$ 570,682	$ 791,492
Deferred pension outflows	1,923,146	2,687,050	-	-	1,923,146	2,687,050
Deferred charges on bond refunding	-	-	29,653	37,065	29,653	37,065
Total Deferred Outflows of Resources	$ 2,406,805	$ 3,356,788	$ 116,676	$ 158,819	$ 2,523,481	$ 3,515,607
Liabilities						
Long-term liabilities	$11,540,676	$15,968,781	$ 2,904,534	$ 3,259,118	$ 14,445,210	$ 19,227,899
Other liabilities	545,593	502,894	50,595	16,953	596,188	519,847
Total Liabilities	$12,086,269	$16,471,675	$ 2,955,129	$ 3,276,071	$ 15,041,398	$ 19,747,746
Deferred Inflows of Resources						
Deferred other postemployment benefits inflows	$ 883,287	$ 479,848	$ 165,778	$ 90,476	$ 1,049,065	$ 570,324
Deferred pension inflows	2,252,958	103,588	-	-	2,252,958	103,588
Total Deferred Inflows of Resources	$ 3,136,245	$ 583,436	$ 165,778	$ 90,476	$ 3,302,023	$ 673,912
Net Position						
Net investment in capital assets	$49,339,361	$48,194,832	$ (562,173)	$ (513,561)	$ 48,777,188	$ 47,681,271
Restricted	4,997,118	3,229,989	-	-	4,997,118	3,229,989
Unrestricted	(1,660,399)	(3,311,928)	(1,812,332)	(1,642,526)	(3,472,731)	(4,954,454)
Total Net Position, as reported	$52,676,080	$48,112,893	$ (2,374,505)	$ (2,156,087)	$ 50,301,575	$ 45,956,806

Traverse County's total net position as of December 31, 2023, is $50,301,575. The governmental activities and the business-type activities of the County report deficit unrestricted net position of ($1,660,399) and ($1,812,332), respectively.

Table 2
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Revenues						
Program revenues						
Fees, charges, fines, and other	$ 2,750,089	$ 1,467,855	$ -	$ 230	$ 2,750,089	$ 1,468,085
Operating grants and contributions	7,630,485	6,204,020	-	-	7,630,485	6,204,020
Capital grants and contributions	413,934	1,092,186	-	-	413,934	1,092,186
General revenues						
Property taxes	6,294,621	6,133,673	-	-	6,294,621	6,133,673
Other taxes	5,659	3,983	-	-	5,659	3,983
Grants, gifts, and miscellaneous	923,321	803,818	180,000	231,500	1,103,321	1,035,318
Total Revenues	$ 18,018,109	$ 15,705,535	$ 180,000	$ 231,730	$ 18,198,109	$ 15,937,265
Expenses						
General government	$ 2,272,161	$ 2,144,559	$ -	$ -	$ 2,272,161	$ 2,144,559
Public safety	2,228,347	2,523,400	-	-	2,228,347	2,523,400
Highways and streets	6,126,823	5,475,143	-	-	6,126,823	5,475,143
Sanitation	145,793	167,836	-	-	145,793	167,836
Human services	1,967,253	1,939,107	-	-	1,967,253	1,939,107
Health	46,121	35,622	-	-	46,121	35,622
Culture and recreation	82,729	77,258	-	-	82,729	77,258
Conservation of natural resources	506,954	454,116	-	-	506,954	454,116
Economic development	30,284	36,791	-	-	30,284	36,791
Interest	48,457	55,107	-	-	48,457	55,107
Traverse Care Center	-	-	323,093	290,108	323,093	290,108
Prairieview Place	-	-	75,325	55,447	75,325	55,447
Total Expenses	$ 13,454,922	$ 12,908,939	$ 398,418	$ 345,555	$ 13,853,340	$ 13,254,494
Increase (Decrease) in Net Position	$ 4,563,187	$ 2,796,596	$ (218,418)	$ (113,825)	$ 4,344,769	$ 2,682,771
Net Position – January 1, as restated	48,112,893	45,316,297*	(2,156,087)	(2,042,262)*	45,956,806	43,274,035
Net Position – December 31, as reported	$ 52,676,080	$ 48,112,893	$ (2,374,505)	$ (2,156,087)	$ 50,301,575	$ 45,956,806

*Amount includes a prior period adjustment.

The County's activities increased net position by 9.5 percent ($50,301,575 for 2023 compared to $45,956,806 for 2022).

Governmental Activities

The cost of all governmental activities in 2023 was $13,454,922. 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 $2,660,414, because some of the cost was paid by those who directly benefited from the programs ($2,750,089) or by other governments and organizations that subsidized certain programs with grants and contributions ($8,044,419). General revenues totaling $7,223,601 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	
	2023	2022	2023	2022
Highways and streets	$ 6,126,823	$ 5,475,143	$ (405,932)	$ (395,796)
General government	2,272,161	2,144,559	1,987,580	1,535,751
Public safety	2,228,347	2,523,400	1,402,918	2,016,948
Human services	1,967,253	1,939,107	640,837	1,027,681
Conservation of natural resources	506,954	454,116	(1,074,662)	(215,741)
All others	353,384	372,614	109,673	176,035
Total	$ 13,454,922	$ 12,908,939	$ 2,660,414	$ 4,144,878

Business-Type Activities

Revenues for Traverse County's business-type activities (see Table 2) were $180,000, and expenses were $398,418.

The County's Funds

Upon completing the year, Traverse County's governmental funds' fund balance increased by $1,088,945. This increase was due to an increase of $622,843 in the General Fund, an increase of $628,738 in the Road and Bridge Special Revenue Fund, an increase of $63,496 in the Social Services Special Revenue Fund, and a decrease of $226,132 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 $931,334 primarily due to intergovernmental revenues of $558,638. Actual revenues exceeded budgeted revenues primarily due to the unbudgeted PERA aid, state local housing aid, public safety aid, E911, and N911 revenues.

Actual expenditures were more than budgeted expenditures in the General Fund by $272,493, primarily due to greater than anticipated expenditures in Commissioners ($152,325), Enhanced 911 system ($69,084), Jail ($52,794), and Debt Service Expenditures ($70,044).

Capital Assets and Debt Administration

Capital Assets

At the end of 2023, Traverse County had $51,354,905 in a broad range of capital assets, net of accumulated depreciation and amortization. The investment in capital assets includes land, buildings, bridges, highways, machinery, furniture, and equipment (see Table 4). The investment in capital assets increased $603,386, or 1.19 percent, from the previous year.

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

	Governmental Activities 2023	Governmental Activities 2022	Business-Type Activities 2023	Business-Type Activities 2022	Total 2023	Total 2022
Land	$ 204,281	$ 204,281	$ 16,175	$ 16,175	$ 220,456	$ 220,456
Right-of-way	1,084,129	962,548	-	-	1,084,129	962,548
Construction in progress	-	5,625	-	-	-	5,625
Buildings	2,112,640	2,222,644	1,188,230	1,413,600	3,300,870	3,636,244
Land improvements	197,768	215,061	-	-	197,768	215,061
Machinery, furniture and equipment	1,840,319	1,444,141	11,133	20,137	1,851,452	1,464,278
Infrastructure	44,493,746	43,942,507	-	-	44,493,746	43,942,507
Leased equipment	206,484	304,800	-	-	206,484	304,800
Totals	$ 50,139,367	$ 49,301,607	$ 1,215,538	$ 1,449,912	$ 51,354,905	$ 50,751,519

Long-Term Debt

As of December 31, 2023, Traverse County had $4,010,870 in long-term obligations, compared with $4,795,094 as of December 31, 2022.

Table 5
Outstanding Debt at Year-End

	Governmental Activities 2023	Governmental Activities 2022	Business-Type Activities 2023	Business-Type Activities 2022	Total 2023	Total 2022
General obligation bonds	$ 2,145,000	$ 2,670,000	$ 300,000	$ 300,000	$ 2,445,000	$ 2,970,000
Revenue bonds	-	-	1,470,000	1,660,000	1,470,000	1,660,000
Leases	95,870	165,094	-	-	95,870	165,094
Totals	$ 2,240,870	$ 2,835,094	$ 1,770,000	$ 1,960,000	$ 4,010,870	$ 4,795,094

Economic Factors and Next Year's Budgets

Traverse County's elected and appointed officials considered many factors when setting the fiscal year 2024 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 2024 net levy of $6,960,223.86 an increase of 9.14 percent from the 2023 levy of $6,377,191.53.

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 (2024), Traverse County was tied for the tenth lowest "Average Effective Rate for All Property" and ranked as the thirty-fourth 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, 2023

	Governmental Activities	Business-Type Activities	Total
Assets			
Current assets			
Cash and pooled investments	$ 8,631,749	$ 179,188	$ 8,810,937
Receivables – net	5,627,515	-	5,627,515
Internal balances	765,000	(765,000)	-
Advance to other governments	175,000	-	175,000
Inventories	153,158	-	153,158
Noncurrent assets			
Capital assets			
Non-depreciable	1,288,410	16,175	1,304,585
Depreciable or amortizable – net of accumulated depreciation and amortization	48,850,957	1,199,363	50,050,320
Total Assets	**$ 65,491,789**	**$ 629,726**	**$ 66,121,515**
Deferred Outflows of Resources			
Deferred other postemployment benefits outflows	$ 483,659	$ 87,023	$ 570,682
Deferred pension outflows	1,923,146	-	1,923,146
Deferred charges on bond refunding	-	29,653	29,653
Total Deferred Outflows of Resources	**$ 2,406,805**	**$ 116,676**	**$ 2,523,481**
Liabilities			
Current liabilities			
Accounts payable and other current liabilities	$ 545,593	$ 50,595	$ 596,188
Long-term liabilities			
Due within one year	618,987	340,000	958,987
Due in more than one year	2,070,622	1,451,189	3,521,811
Other postemployment benefits liability	5,964,893	1,113,345	7,078,238
Net pension liability	2,886,174	-	2,886,174
Total Liabilities	**$ 12,086,269**	**$ 2,955,129**	**$ 15,041,398**
Deferred Inflows of Resources			
Deferred other postemployment benefits inflows	$ 883,287	$ 165,778	$ 1,049,065
Deferred pension inflows	2,252,958	-	2,252,958
Total Deferred Inflows of Resources	**$ 3,136,245**	**$ 165,778**	**$ 3,302,023**

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

Traverse County
Wheaton, Minnesota

Exhibit 1
(Continued)

Statement of Net Position
December 31, 2023

	Governmental Activities	Business-Type Activities	Total
Net Position			
Net investment in capital assets	$ 49,339,361	$ (562,173)	$ 48,777,188
Restricted for			
General government	230,057	-	230,057
Public safety	210,356	-	210,356
Highways and streets	3,941,689	-	3,941,689
Human services	63,582	-	63,582
Sanitation	20,609	-	20,609
Conservation of natural resources	449,563	-	449,563
Economic development	81,262	-	81,262
Unrestricted	(1,660,399)	(1,812,332)	(3,472,731)
Total Net Position	**$ 52,676,080**	**$ (2,374,505)**	**$ 50,301,575**

Traverse County
Wheaton, Minnesota

Statement of Activities
For the Year Ended December 31, 2023

	Expenses	Fees, Charges, Fines, and Other
Functions/Programs		
Governmental activities		
General government	$ 2,272,161	$ 235,491
Public safety	2,228,347	471,315
Highways and streets	6,126,823	513,106
Sanitation	145,793	74,000
Human services	1,967,253	189,647
Health	46,121	270
Culture and recreation	82,729	12,679
Conservation of natural resources	506,954	1,250,521
Economic development	30,284	3,060
Interest	48,457	-
Total governmental activities	**$ 13,454,922**	**$ 2,750,089**
Business-type activities		
Traverse Care Center	$ 323,093	$ -
Prairieview Place	75,325	-
Total business-type activities	**$ 398,418**	**$ -**
Total	**$ 13,853,340**	**$ 2,750,089**

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

Total general revenues

Change in net position

Net Position – Beginning

Net Position – Ending

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

Program Revenues				
Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities	Business-Type Activities	Total
$ 49,090	$ -	$ (1,987,580)	$ -	$ (1,987,580)
354,114	-	(1,402,918)	-	(1,402,918)
5,605,715	413,934	405,932	-	405,932
72,440	-	647	-	647
1,136,769	-	(640,837)	-	(640,837)
-	-	(45,851)	-	(45,851)
-	-	(70,050)	-	(70,050)
331,095	-	1,074,662	-	1,074,662
81,262	-	54,038	-	54,038
-	-	(48,457)	-	(48,457)
$ 7,630,485	**$ 413,934**	**$ (2,660,414)**	**$ -**	**$ (2,660,414)**
$ -	$ -	$ -	$ (323,093)	$ (323,093)
-	-	-	(75,325)	(75,325)
$ -	**$ -**	**$ -**	**$ (398,418)**	**$ (398,418)**
$ 7,630,485	**$ 413,934**	**$ (2,660,414)**	**$ (398,418)**	**$ (3,058,832)**
		$ 6,294,621	$ -	$ 6,294,621
		5,659	-	5,659
		734,882	-	734,882
		27,901	-	27,901
		106,201	-	106,201
		54,337	180,000	234,337
		$ 7,223,601	**$ 180,000**	**$ 7,403,601**
		$ 4,563,187	**$ (218,418)**	**$ 4,344,769**
		48,112,893	**(2,156,087)**	**45,956,806**
		$ 52,676,080	**$ (2,374,505)**	**$ 50,301,575**

Fund Financial Statements

Governmental Funds

Traverse County
Wheaton, Minnesota

Balance Sheet
Governmental Funds
December 31, 2023

	General	Road and Bridge
Assets		
Cash and pooled investments	$ 4,001,982	$ 1,972,238
Petty cash and change funds	1,500	-
Taxes receivable		
Delinquent	57,574	24,385
Special assessments receivable		
Delinquent	-	-
Noncurrent	-	-
Accounts receivable – net	30,927	2,091
Due from other funds	28,746	-
Due from other governments	60,858	4,138,744
Advance to other funds	940,000	-
Inventories	-	153,158
Total Assets	**$ 5,121,587**	**$ 6,290,616**
Liabilities, Deferred Inflows of Resources, and Fund Balances		
Liabilities		
Accounts payable	$ 87,918	$ 204,379
Salaries payable	57,374	25,577
Contracts payable	-	229
Due to other funds	-	-
Due to other governments	67,574	513
Total Liabilities	**$ 212,866**	**$ 230,698**
Deferred Inflows of Resources		
Unavailable revenue	**$ 46,054**	**$ 3,925,468**

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

	Special Revenue Funds Social Services	Judicial Ditch #6	Debt Service	Total
	$ 2,303,994	$ -	$ 351,935	$ 8,630,149
	100	-	-	1,600
		-		
	10,047	-	2,630	94,636
		-		
	-	32	-	32
	-	189,853	922,576	1,112,429
	3,259	-	-	36,277
	-	-	-	28,746
	184,362	-	-	4,383,964
	-	-	-	940,000
	-	-	-	153,158
	$ 2,501,762	**$ 189,885**	**$ 1,277,141**	**$ 15,380,991**
	$ 47,120	$ -	$ -	$ 339,417
	15,754	-	-	98,705
	-	-	-	229
	28,569	-	-	28,569
	21,210	32	-	89,329
	$ 112,653	**$ 32**	**$ -**	**$ 556,249**
	$ 4,463	**$ 189,853**	**$ 923,720**	**$ 5,089,558**

Traverse County
Wheaton, Minnesota

Balance Sheet
Governmental Funds
December 31, 2023

	General	Road and Bridge
Liabilities, Deferred Inflows of Resources, and Fund Balances (Continued)		
Fund Balances		
Nonspendable		
Inventories	$ -	$ 153,158
Advances	940,000	-
Restricted for		
Law library	2,293	-
Recorder's equipment	104,906	-
Recorder's compliance fund	122,858	-
Enhanced 911	210,356	-
Invasive species aid	259,710	-
Housing assistance	81,262	-
Solid waste assessments	20,609	-
Opioid settlement	-	-
Homeless prevention	-	-
Debt service	-	-
Highway allotments	-	90,399
Assigned to		
Road and bridge	-	1,890,893
Capital projects	898,901	-
Social services	-	-
Unassigned	2,221,772	-
Total Fund Balances	**$ 4,862,667**	**$ 2,134,450**
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	**$ 5,121,587**	**$ 6,290,616**

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

Special Revenue Funds			
Social Services	**Judicial Ditch #6**	**Debt Service**	**Total**
$ -	$ -	$ -	$ 153,158
-	-	-	940,000
-	-	-	2,293
-	-	-	104,906
-	-	-	122,858
-	-	-	210,356
-	-	-	259,710
-	-	-	81,262
-	-	-	20,609
49,744	-	-	49,744
13,838	-	-	13,838
-	-	353,421	353,421
-	-	-	90,399
-	-	-	1,890,893
-	-	-	898,901
2,321,064	-	-	2,321,064
-	-	-	2,221,772
$ 2,384,646	**$ -**	**$ 353,421**	**$ 9,735,184**
$ 2,501,762	**$ 189,885**	**$ 1,277,141**	**$ 15,380,991**

Traverse County
Wheaton, Minnesota

Exhibit 4

Reconciliation of Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position—Governmental Activities
December 31, 2023

Fund balance – total governmental funds (Exhibit 3)		**$ 9,735,184**
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.		50,139,367
Deferred outflows of resources resulting from the other postemployment benefits liability are not available resources and, therefore, are not reported in governmental funds.		483,659
Deferred outflows of resources resulting from pension obligations are not available resources and, therefore, are not reported in governmental funds.		1,923,146
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.		5,089,558
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	(434,603)	
General obligation bonds	(2,159,136)	
Leases payable	(95,870)	
Other postemployment benefits liability	(5,964,893)	
Net pension liability	(2,886,174)	(11,558,589)
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.		(883,287)
Deferred inflows of resources resulting from pension obligations are not due and payable in the current period and, therefore, are not reported in the governmental funds.		(2,252,958)
Net Position of Governmental Activities (Exhibit 1)		**$ 52,676,080**

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

Traverse County
Wheaton, Minnesota

Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended December 31, 2023

	General	Road and Bridge
Revenues		
Taxes	$ 3,640,224	$ 1,746,259
Special assessments	74,000	-
Licenses and permits	7,288	2,500
Intergovernmental	1,433,261	5,652,854
Charges for services	682,859	428,469
Investment earnings	108,208	-
Settlements	-	-
Miscellaneous	86,396	50,672
Total Revenues	**$ 6,032,236**	**$ 7,880,754**
Expenditures		
Current		
General government	$ 2,276,037	$ -
Public safety	2,302,022	-
Highways and streets	143,708	7,002,620
Human services	-	-
Culture and recreation	42,166	-
Conservation of natural resources	480,719	-
Economic development	30,284	-
Intergovernmental		
Public health	46,121	-
Culture and recreation	37,294	-
Highways and streets	-	254,944
Conservation of natural resources	-	-
Debt service		
Principal	67,250	17,041
Interest	2,794	132
Administrative charges	-	-
Total Expenditures	**$ 5,428,395**	**$ 7,274,737**
Excess of Revenues Over (Under) Expenditures	**$ 603,841**	**$ 606,017**

Special Revenue Funds Social Services	Judicial Ditch #6	Debt Service	Total
$ 707,385	$ -	$ 188,395	$ 6,282,263
-	36,117	99,154	209,271
-	-	-	9,788
1,201,727	-	58,613	8,346,455
2,559	-	-	1,113,887
731	-	1,102	110,041
9,742	-	-	9,742
187,088	-	-	324,156
$ 2,109,232	**$ 36,117**	**$ 347,264**	**$ 16,405,603**
$ -	$ -	$ -	$ 2,276,037
-	-	-	2,302,022
-	-	-	7,146,328
2,043,255	-	-	2,043,255
-	-	-	42,166
-	-	-	480,719
-	-	-	30,284
-	-	-	46,121
-	-	-	37,294
-	-	-	254,944
-	36,117	-	36,117
1,813	-	525,000	611,104
668	-	46,351	49,945
-	-	2,045	2,045
$ 2,045,736	**$ 36,117**	**$ 573,396**	**$ 15,358,381**
$ 63,496	**$ -**	**$ (226,132)**	**$ 1,047,222**

Traverse County
Wheaton, Minnesota

Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended December 31, 2023

	General	Road and Bridge
Other Financing Sources (Uses)		
Leases issued	$ 8,761	$ 8,119
Insurance recoveries	10,241	12,387
Total Other Financing Sources (Uses)	**$ 19,002**	**$ 20,506**
Net Change in Fund Balance	**$ 622,843**	**$ 626,523**
Fund Balance – January 1	**4,239,824**	**1,505,712**
Increase (decrease) in inventories	**-**	**2,215**
Fund Balance – December 31	**$ 4,862,667**	**$ 2,134,450**

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

Special Revenue Funds: Social Services	Special Revenue Funds: Judicial Ditch #6	Debt Service	Total
$ -	$ -	$ -	$ 16,880
-	-	-	22,628
$ -	**$ -**	**$ -**	**$ 39,508**
$ 63,496	**$ -**	**$ (226,132)**	**$ 1,086,730**
2,321,150	**-**	**579,553**	**8,646,239**
-	**-**	**-**	**2,215**
$ 2,384,646	**$ -**	**$ 353,421**	**$ 9,735,184**

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, 2023

Net change in fund balance – total governmental funds (Exhibit 5)		**$ 1,086,730**
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	$ 5,089,558	
Unavailable revenue – January 1	(3,378,389)	1,711,169
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	$ 3,177,749	
Current year depreciation and amortization	(2,339,989)	837,760
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	$ 525,000	
Amortization of bond premiums	3,533	528,533
Some capital asset additions were acquired through financing. In governmental funds, these arrangements are considered an other financing source, 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	$ 86,104	
Leases issued	(16,880)	69,224

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

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, 2023

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	$ 2,215	
Change in deferred other postemployment benefits outflows	(186,079)	
Change in deferred pension outflows	(763,904)	
Change in compensated absences	(15,216)	
Change in other postemployment benefits liability	1,184,787	
Change in net pension liability	2,660,777	
Change in deferred other postemployment benefits inflows	(403,439)	
Change in deferred pension inflows	(2,149,370)	329,771
Change in Net Position of Governmental Activities (Exhibit 2)		**$ 4,563,187**

Proprietary Funds

Traverse County
Wheaton, Minnesota

Exhibit 7

Statement of Net Position
Proprietary Funds
December 31, 2023

	Business-Type Activities – Enterprise Funds		
	Prairieview Place	Traverse Care Center	Totals
Assets			
Current assets			
Cash and pooled investments	**$ 58,110**	**$ 121,078**	**$ 179,188**
Noncurrent assets			
Capital assets			
Non-depreciable	$ -	$ 16,175	$ 16,175
Depreciable – net of accumulated depreciation	194,449	1,004,914	1,199,363
Total noncurrent assets	**$ 194,449**	**$ 1,021,089**	**$ 1,215,538**
Total Assets	**$ 252,559**	**$ 1,142,167**	**$ 1,394,726**
Deferred Outflows of Resources			
Deferred other postemployment benefits outflows	$ -	$ 87,023	$ 87,023
Deferred charges on bond refunding	-	29,653	29,653
Total Deferred Outflows of Resources	**$ -**	**$ 116,676**	**$ 116,676**
Liabilities			
Current liabilities			
Accounts payable	$ 3,060	$ 30,582	$ 33,642
Accrued interest payable	-	16,953	16,953
General obligation bonds payable – current	145,000	-	145,000
Revenue bonds payable – current	-	195,000	195,000
Total current liabilities	**$ 148,060**	**$ 242,535**	**$ 390,595**
Noncurrent liabilities			
Advance from other funds	$ 65,000	$ 700,000	$ 765,000
General obligation bonds payable – long-term	156,390	-	156,390
Revenue bonds payable – long-term	-	1,294,799	1,294,799
Other postemployment benefits liability	-	1,113,345	1,113,345
Total noncurrent liabilities	**$ 221,390**	**$ 3,108,144**	**$ 3,329,534**
Total Liabilities	**$ 369,450**	**$ 3,350,679**	**$ 3,720,129**

Traverse County
Wheaton, Minnesota

Exhibit 7
(Continued)

Statement of Net Position
Proprietary Funds
December 31, 2023

	Business-Type Activities – Enterprise Funds		
	Prairieview Place	Traverse Care Center	Totals
Deferred Inflows of Resources			
Deferred other postemployment benefits inflows	**$ -**	**$ 165,778**	**$ 165,778**
Net Position			
Net investment in capital assets	$ (106,941)	$ (455,232)	$ (562,173)
Unrestricted	(9,950)	(1,802,382)	(1,812,332)
Total Net Position	**$ (116,891)**	**$ (2,257,614)**	**$ (2,374,505)**

Traverse County
Wheaton, Minnesota

Exhibit 8

Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2023

	Business-Type Activities – Enterprise Funds		
	Prairieview Place	Traverse Care Center	Totals
Operating Expenses			
Employee benefits and payroll taxes	$ -	$ 36,593	$ 36,593
Professional services	26,110	49,967	76,077
Insurance	-	4,739	4,739
Services and charges	166	-	166
Depreciation	45,754	188,620	234,374
Total Operating Expenses	**$ 72,030**	**$ 279,919**	**$ 351,949**
Operating Income (Loss)	**$ (72,030)**	**$ (279,919)**	**$ (351,949)**
Nonoperating Revenues (Expenses)			
Lease revenue	$ 62,306	$ 117,694	$ 180,000
Interest expense	(3,295)	(43,174)	(46,469)
Total Nonoperating Revenues (Expenses)	**$ 59,011**	**$ 74,520**	**$ 133,531**
Change in Net Position	**$ (13,019)**	**$ (205,399)**	**$ (218,418)**
Net Position – January 1	**(103,872)**	**(2,052,215)**	**(2,156,087)**
Net Position – December 31	**$ (116,891)**	**$ (2,257,614)**	**$ (2,374,505)**

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

Traverse County
Wheaton, Minnesota

Exhibit 9

Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2023

	Business-Type Activities – Enterprise Funds		
	Prairieview Place	Traverse Care Center	Totals
Cash Flows from Operating Activities			
Payments to suppliers and employees	$ (23,216)	$ (112,094)	$ (135,310)
Nonoperating revenue received	62,306	117,694	180,000
Net cash provided by (used in) operating activities	**$ 39,090**	**$ 5,600**	**$ 44,690**
Cash Flows from Noncapital Financing Activities Activities			
Proceeds from advance from other funds	**$ 15,000**	**$ 180,000**	**$ 195,000**
Cash Flows from Capital and Related Financing Activities			
Principal paid on long-term debt	$ -	$ (190,000)	$ (190,000)
Interest paid on long-term debt	(3,641)	(38,590)	(42,231)
Net cash provided by (used in) capital and related financing activities	**$ (3,641)**	**$ (228,590)**	**$ (232,231)**
Net Increase (Decrease) in Cash and Cash Equivalents	**$ 50,449**	**$ (42,990)**	**$ 7,459**
Cash and Cash Equivalents at January 1	**7,661**	**164,068**	**171,729**
Cash and Cash Equivalents at December 31	**$ 58,110**	**$ 121,078**	**$ 179,188**
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities			
Operating income (loss)	**$ (72,030)**	**$ (279,919)**	**$ (351,949)**
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities			
Depreciation	$ 45,754	$ 188,620	$ 234,374
Nonoperating revenue received	62,306	117,694	180,000
Increase (decrease) in accounts payable	3,060	30,582	33,642
(Increase) decrease in deferred other postemployment benefits outflows	-	34,731	34,731
Increase (decrease) in deferred other postemployment benefits inflows	-	75,302	75,302
Increase (decrease) in other postemployment benefits liability	-	(161,410)	(161,410)
Total adjustments	**$ 111,120**	**$ 285,519**	**$ 396,639**
Net Cash Provided by (Used in) Operating Activities	**$ 39,090**	**$ 5,600**	**$ 44,690**

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

Fiduciary Funds

Traverse County
Wheaton, Minnesota

Exhibit 10

Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2023

	Social Welfare Private-Purpose Trust Fund	Custodial Funds
Assets		
Cash and pooled investments	$ 904	$ 231,580
Taxes and special assessments receivable for other governments	-	160,545
Accounts receivable	-	40,415
Due from other governments	-	299,499
Total Assets	**$ 904**	**$ 732,039**
Liabilities		
Due to others	$ -	$ 1,400
Salaries payable	-	4,820
Advance from other funds	-	175,000
Due to other funds	-	177
Due to other governments	-	41,808
Total Liabilities	**$ -**	**$ 223,205**
Net Position		
Restricted for individuals, organizations, and other governments	**$ 904**	**$ 508,834**

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

Traverse County
Wheaton, Minnesota

Exhibit 11

Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended December 31, 2023

Additions	Social Welfare Private-Purpose Trust Fund	Custodial Funds
Contributions from individuals	$ 10,923	$ 48,787
Property tax collections for other governments	-	5,160,941
Fees collected for state	-	1,379,018
Payments from state	-	222,629
Payments from other entities	-	300,376
Total Additions	**$ 10,923**	**$ 7,111,751**
Deductions		
Payments of property tax to other governments	$ -	$ 4,838,293
Payments to state	-	1,676,152
Administrative expense	-	1,821
Payments to other individuals/entities	10,019	403,742
Total Additions	**$ 10,019**	**$ 6,920,008**
Change in Net Position	**$ 904**	**$ 191,743**
Net Position – January 1	**$ -**	**$ 317,091**
Net Position – December 31	**$ 904**	**$ 508,834**

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, 2023. 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.

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

The statement of activities demonstrates the degree to which the direct expenses of each function of the County's governmental activities and different business-type activities are offset by program revenues. Direct expenses are those clearly identifiable with a specific function, 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. The County does not allocate indirect expenses to functions within the financial statements.

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 Judicial Ditch #6 Special Revenue Fund accounts for special assessment revenues levied against benefited property to finance the costs of the project completed on the drainage system.

- 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.

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, 2023. 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 2023 were $110,041.

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 2018 through 2023 and noncurrent special assessments payable in 2024 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, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value (entry price) on the date of donation.

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

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

Pension Plan

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association 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 that time. 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 statements 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 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 statements 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.

- 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 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, 2023, 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.

Note 2 – Stewardship, Compliance, and Accountability

Deficit Net Position

Funds with Deficit Net Position as of December 31, 2023

Prairieview Place Enterprise Fund	$	116,891
Traverse Care Center Enterprise Fund		2,257,614

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

Excess Expenditures Over Budget

The Debt Service Fund had expenditures in excess of budget for the year ended December 31, 2023:

Excess of Expenditures Over Budget

Expenditures	Final Budget	Excess
$ 573,396	$ 331,518	$ 241,878

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, 2023

Government-wide statement of net position		
Governmental activities		
Cash and pooled investments	$	8,631,749
Business-type activities		
Cash and pooled investments		179,188
Statement of fiduciary net position		
Cash and pooled investments		232,484
Total Cash and Investments	$	9,043,421

Deposits

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

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

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits may not be returned to it. The County's policy is to minimize deposit custodial credit risk by obtaining collateral or bond for all uninsured amounts on deposit and obtaining necessary documentation to show compliance with state law and a perfected security interest under federal law. As of December 31, 2023, the County's deposits were not 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) time deposits insured by the Federal Insurance Corporation, the National Credit Union Administration, or 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 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, 2023, 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.

The following table presents the County's deposit and investment balances at December 31, 2023, and information relating to potential investment risks:

Cash and Investments and Information Relating to Potential Investment Risk as of December 31, 2023

	Credit Risk		Concentration Risk	Interest Rate Risk	
Investment Type	Credit Rating	Rating Agency	Over 5 Percent of Portfolio	Maturity Date	Carrying (Fair) Value
Negotiable certificates of deposit with brokers					
UBS Bank USA	N/R	N/A	>5%	06/17/2024	$ 97,815
UBS Bank USA	N/R	N/A	>5%	06/24/2024	97,732
Goldman Sachs Bank USA	N/R	N/A	>5%	01/21/2025	95,780
Comenity Bank	N/R	N/A	>5%	05/13/2025	94,154
Total negotiable certificates of deposit with brokers					$ 385,481
Investment pools/mutual funds					
MAGIC Fund	N/R	N/A	<5%	N/A	$ 7,470
Total investments					$ 392,951
Checking					$ 3,514,554
Savings					4,641,514
Non-negotiable certificates of deposit					492,802
Change funds					1,600
Total Cash and Investments					$ 9,043,421

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
- *Level 3:* Unobservable inputs.

At December 31, 2023, the County had the following recurring fair value measurements:

Recurring Fair Value Measurements as of December 31, 2023

	December 31, 2023	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	$ 385,481	$ -	$ 385,481	$ -
Investments measured at the net asset value (NAV)				
MAGIC Portfolio	$ 7,470			

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 with other counties to enhance the investment earnings accruing to each member. The MAGIC fund currently consists of the MAGIC Portfolio.

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, 2023, for the County's governmental activities are as follows:

Governmental Activities' Receivables as of December 31, 2023

	Receivable	Less: Allowance for Uncollectible Accounts	Net Receivables	Amounts not Scheduled for Collection During the Subsequent Year
Governmental Activities				
Taxes receivable - delinquent	$ 94,636	$ -	$ 94,636	$ -
Special assessments receivable				
Noncurrent	1,112,429	-	1,112,429	1,027,901
Delinquent	32	-	32	-
Accounts receivable	399,111	(362,834)	36,277	-
Due from other governments	4,384,141	-	4,384,141	-
Total Governmental Activities	$ 5,990,349	$ (362,834)	$ 5,627,515	$ 1,027,901

There are no business-type activities receivables as of December 31, 2023.

Capital Assets

Capital asset activity for the year ended December 31, 2023, was as follows:

Governmental Activities

Changes in Capital Assets for the Year Ended December 31, 2023

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	$ 204,281	$ -	$ -	$ 204,281
Right-of-way	962,548	121,581	-	1,084,129
Construction in progress	5,625	-	5,625	-
Total capital assets not depreciated	$ 1,172,454	$ 121,581	$ 5,625	$ 1,288,410
Capital assets depreciated and amortized				
Buildings	$ 5,360,449	$ -	$ -	$ 5,360,449
Land improvements	380,735	8,306	-	389,041
Machinery, furniture, and equipment	5,980,905	922,098	431,752	6,471,251
Infrastructure	66,474,515	2,238,868	-	68,713,383
Leased equipment	385,473	20,350	50,099	355,724
Total capital assets depreciated and amortized	$ 78,582,077	$ 3,189,622	$ 481,851	$ 81,289,848
Less: accumulated depreciation and amortization for				
Buildings	$ 3,137,805	$ 110,004	$ -	$ 3,247,809
Land improvements	165,674	25,599	-	191,273
Machinery, furniture, and equipment	4,536,764	443,596	349,428	4,630,932
Infrastructure	22,532,008	1,687,629	-	24,219,637
Leased equipment	80,673	73,161	4,594	149,240
Total accumulated depreciation and amortization	$ 30,452,924	$ 2,339,989	$ 354,022	$ 32,438,891
Total capital assets depreciated and amortized, net	$ 48,129,153	$ 849,633	$ 127,829	$ 48,850,957
Total Capital Assets, Net	$ 49,301,607	$ 971,214	$ 133,454	$ 50,139,367

Business-Type Activities

Changes in Capital Assets for the Year Ended December 31, 2023

	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	$ 5,000,015	$ 225,370	$ -	$ 5,225,385
Land improvements	19,304	-	-	19,304
Machinery, furniture, and equipment	230,118	9,004	-	239,122
Total accumulated depreciation	$ 5,249,437	$ 234,374	$ -	$ 5,483,811
Total capital assets depreciated, net	$ 1,433,737	$ (234,374)	$ -	$ 1,199,363
Business-Type Activities Capital Assets, Net	$ 1,449,912	$ (234,374)	$ -	$ 1,215,538

Depreciation and Amortization Expense Charged to Functions/Programs

Governmental Activities	
General government	$ 125,299
Public safety	95,152
Highways and streets, including depreciation of infrastructure assets	2,109,355
Human services	5,257
Sanitation	1,657
Culture and recreation	3,269
Total Depreciation and Amortization Expense – Governmental Activities	$ 2,339,989
Business-Type Activities	
Traverse Care Center	$ 188,620
Prairieview Place	45,754
Total Depreciation Expense Business-Type Activities	$ 234,374

Interfund Receivables, Payables, and Transfers

Due To/From Other Funds

Interfund Balances as of December 31, 2023

Receivable Fund	Payable Fund	Amount
General Fund	Social Services Special Revenue Fund	$ 28,569
	Western Probation Services Custodial Fund	177
Total Due To/Due From Other Funds		$ 28,746

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, 2023

Receivable Fund	Payable Fund	Amount
General Fund	Prairieview Place Enterprise Fund	$ 65,000
	Traverse Care Center Enterprise Fund	700,000
	Western Probation Services Custodial Fund	175,000
Total Advance To/From Other Funds		$ 940,000

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. In 2023, the General Fund advanced $180,000 to the Traverse Care Center Enterprise Fund and $15,000 to Prairieview Place 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.

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, 2023

	Special Assessments	Taxes	Grants	Other	Total
Governmental funds					
General Fund	$ -	$ 28,053	$ -	$ 18,001	$ 46,054
Special Revenue Funds					
Road and Bridge	-	10,601	3,879,686	35,181	3,925,468
Social Services	-	4,463	-	-	4,463
Judicial Ditch #6	189,853	-	-	-	189,853
Debt Service Fund	922,576	1,144	-	-	923,720
Total	$ 1,112,429	$ 44,261	$ 3,879,686	$ 53,182	$ 5,089,558

Accounts Payable

Governmental Activities' Payables as of December 31, 2023

Accounts payable	$ 339,417
Salaries payable	98,705
Contracts payable	229
Due to other governments	89,329
Accrued interest payable	17,913
Total Payables	$ 545,593

Construction and Other Commitments

The County has no active construction projects as of December 31, 2023.

Leases

Governmental Activities

The County has entered into lease agreements as lessee for financing the acquisition of squad cars for the Sheriff's 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, 2023

Year Ending December 31	Principal	Interest
2024	$ 59,827	$ 1,194
2025	20,307	787
2026	10,003	391
2027	5,137	109
2028	596	2
Total governmental activities lease payments	$ 95,870	$ 2,483

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.

Bonds Payable as of December 31, 2023

Type of Indebtedness	Final Maturity	Installment Amount	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2023
General obligation bonds					
2020A G.O. Drainage Bonds	2037	$95,000-$115,000	1.00-2.00	$ 1,820,000	$ 1,455,000
2015A G.O. Crossover Refunding Bonds	2027	$140,000-$180,000	2.50-2.75	1,595,000	690,000
Add: unamortized premium					14,136
Total General Obligation Bonds, Net					$ 2,159,136

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, 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.

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

Business-Type Activities

In 2013, Traverse County issued General Obligation Governmental Housing Refunding Bonds, Series 2013A, in the amount of $785,000, with interest rates of 1.05 percent to 2.50 percent, to advance refund the General Obligation Housing Refunding Bonds, Series 2005A, with an interest rate of 5.00 percent. The net present value of the benefit 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, 2023

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2023
2013A G.O. Governmental Housing Refunding Bonds	2027	$65,000-$80,000	1.05-2.50	$ 785,000	$ 300,000
Add: unamortized premium					1,390
Total G.O. Bonds, Net					$ 301,390
2012A G.O. Nursing Home Revenue Refunding Bonds	2030	$160,000-$225,000	2.00-2.80	$ 3,350,000	$ 1,470,000
Add: unamortized premium					19,799
Total General Obligation Bonds, Net					$ 1,489,799

Debt Service Requirements

Debt service requirements at December 31, 2023, were as follows:

Governmental Activities

Debt Service Requirements as of December 31, 2023

Year Ending December 31	G.O. Crossover Refunding Bonds, Series 2015A Principal	G.O. Crossover Refunding Bonds, Series 2015A Interest	G.O. Drainage Bonds, Series 2020A Principal	G.O. Drainage Bonds, Series 2020A Interest
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	-	-	100,000	18,240
2029-2033	-	-	515,000	66,815
2034-2037	-	-	455,000	18,240
Total	$ 690,000	$ 37,794	$ 1,455,000	$ 188,990

Business-Type Activities

Debt Service Requirements as of December 31, 2023

Year Ending December 31	General Obligation Bonds Principal	General Obligation Bonds Interest	Revenue Bonds Principal	Revenue Bonds Interest
2023	$ 145,000	$ 9,161	$ 195,000	$ 34,548
2024	75,000	3,875	200,000	30,250
2025	80,000	2,000	205,000	25,540
2026	-	-	210,000	20,455
2027	-	-	215,000	15,035
2028-2032	-	-	445,000	12,420
Total	$ 300,000	$ 15,036	$ 1,470,000	$ 138,248

Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2023, was as follows:

Governmental Activities

Changes in Long-Term Liabilities for the Year Ended December 31, 2023

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Long-term liabilities					
G.O. bonds payable	$ 2,670,000	$ -	$ 525,000	$ 2,145,000	$ 260,000
Unamortized bond premium	17,669	-	3,533	14,136	-
Leases	165,094	16,880	86,104	95,870	59,827
Compensated absences	419,387	373,924	358,708	434,603	299,160
Governmental Activities Long-Term Liabilities	$ 3,272,150	$ 390,804	$ 973,345	$ 2,689,609	$ 618,987

Business-Type Activities

Changes in Long-Term Liabilities for the Year Ended December 31, 2023

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Long-term liabilities					
Bonds payable					
General obligation refunding bonds	$ 300,000	$ -	$ -	$ 300,000	$ 145,000
Revenue bonds	1,660,000	-	190,000	1,470,000	195,000
Premium on bonds	24,363	-	3,174	21,189	-
Business-Type Activities Long-Term Liabilities	$ 1,984,363	$ -	$ 193,174	$ 1,791,189	$ 340,000

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, 2023, Actuarial Valuation

Inactive employees or beneficiaries currently receiving benefit payments	42
Active plan participants	66
Total	108

Included in the amounts above are 12 retirees of the Traverse Care Center that continue to receive other postemployment benefits through Traverse County.

Total OPEB Liability

The County's total OPEB liability of $7,078,238 was measured as of January 1, 2023, 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.

The total OPEB liability for fiscal year-end December 31, 2023, 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	2.50 percent
Salary increases	Follow most recent PERA of Minnesota Actuarial Valuations
Medical trend	6.50 percent as of January 1, 2023, decreasing to 5.00 percent over six years and then to 4.00 percent over the next 48 years and 4.50 percent for post age sixty-five premiums

The current year discount rate is 4.00 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-2021 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, 2023

Balance at December 31, 2022	$ 8,424,435
Changes for the year	
Service cost	$ 207,659
Interest	169,105
Differences between expected and actual experience	(299,768)
Changes in assumptions	(1,067,704)
Benefit payments	(355,489)
Net change	$ (1,346,197)
Balance at December 31, 2023	$ 7,078,238

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, 2023

	Discount Rate	Total OPEB Liability
1% Decrease	1.50%	$ 7,748,813
Current	2.50%	7,078,238
1% Increase	3.50%	6,490,442

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, 2023

	Health Care Trend Rate	Total OPEB Liability
1% Decrease	5.50% Decreasing to 4.00%	$ 6,444,136
Current	6.50% Decreasing to 5.00%	7,078,238
1% Increase	7.50% Decreasing to 6.00%	7,805,868

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

For the year ended December 31, 2023, the County recognized OPEB expense of $(293,959). 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, 2023

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience of the plan	$ -	$ 800,776
Changes in actuarial assumptions	217,999	248,289
Contributions subsequent to the measurement date	352,683	-
Total	$ 570,682	$ 1,049,065

The $352,683 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, 2024.

Schedule of Amortization of Deferred Outflows And Inflows of Resources Related to OPEB As of December 31, 2023

Year Ended December 31	OPEB Expense Amount
2024	$ (147,329)
2025	(341,868)
2026	(341,869)

Changes in Actuarial Assumptions

The following changes in actuarial assumptions occurred in 2023:

- The discount rate used changed from 2.00 to 4.00 percent.
- The inflation rate used changed from 2.00 to 2.50 percent.
- The retirement, withdrawal, and salary increase rates for public safety employees were updated.
- The health care trend rates and mortality tables were updated.

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, while the Basic Plan and Minneapolis Employees Retirement Fund members are not covered. The Basic Plan was closed to new members in 1967. The Minneapolis Employees Retirement Fund was closed to new members in 1978 and merged into the General Employees Plan in 2015. All new members must participate in the Coordinated Plan, for which benefits vest after three 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, 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.

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.

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 a 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.

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 a 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. If on January 1, after the year of the 1.50 percent increase, the funding level increases above the applicable 85 percent or 80 percent funding status, the increase returns to 2.50 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 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 2022.

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, 2023

General Employees Plan	$	230,635
Police and Fire Plan		69,701
Correctional Plan		59,376

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

Pension Costs

General Employees Plan

At December 31, 2023, the County reported a liability of $2,180,836 for its proportionate share of the General Employees Plan's net pension liability. The net pension liability was measured as of June 30, 2023, 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, 2022, through June 30, 2023, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2023, the County's proportion was 0.0390 percent. It was 0.0380 percent measured as of June 30, 2022. The County recognized pension expense of $286,726 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 $270 as grant revenue and pension expense for its proportionate share of the State of Minnesota's pension expense related to the special funding situation.

General Employees Plan
Employer's Share of the Net Pension Liability and the State's Related Liability
As of December 31, 2023

The County's proportionate share of the net pension liability	$	2,180,836
State of Minnesota's proportionate share of the net pension liability associated with the County		60,155
Total	$	2,240,991

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, 2023

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 71,179	$ 14,484
Changes in actuarial assumptions	340,518	597,749
Difference between projected and actual investment earnings	-	76,970
Changes in proportion	69,439	-
Contributions paid to PERA subsequent to the measurement date	112,594	-
Total	$ 593,730	$ 689,203

The $112,594 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, 2024. 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, 2023

Year Ended December 31	Pension Expense Amount
2024	$ 71,912
2025	(296,224)
2026	63,555
2027	(47,310)

Police and Fire Plan

At December 31, 2023, the County reported a liability of $576,775 for its proportionate share of the Police and Fire Plan's net pension liability. The net pension liability was measured as of June 30, 2023, 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, 2022, through June 30, 2023, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2023, the County's proportion was 0.0348 percent. It was 0.0365 percent measured as of June 30, 2022. The County recognized pension expense of $148,112 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, 2023. 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 $1,401 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, 2023

The County's proportionate share of the net pension liability	$	576,775
State of Minnesota's proportionate share of the net pension liability associated with the County		23,269
Total	$	600,044

Legislation also requires the State of Minnesota to contribute $9 million to the Police and Fire Plan each year, until the plan is 90 percent funded, or until the State Patrol Plan is 90 percent funded, whichever occurs later. The County also recognized $3,006 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's on-behalf contribution to the Police and Fire Plan.

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

Police and Fire Plan
Deferred Outflows of Resources and Deferred Inflows of Resources
As of December 31, 2023

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 165,538	$ -
Changes in actuarial assumptions	734,143	811,302
Difference between projected and actual investment earnings	-	27,568
Changes in proportion	7,279	117,318
Contributions paid to PERA subsequent to the measurement date	38,488	-
Total	$ 945,448	$ 956,188

The $38,488 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, 2024. 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, 2023

Year Ended December 31	Pension Expense Amount
2024	$ 21,096
2025	(1,896)
2026	147,462
2027	(50,306)
2028	(165,584)

Correctional Plan

At December 31, 2023, the County reported a liability of $128,563 for its proportionate share of the Correctional Plan's net pension liability. The net pension liability was measured as of June 30, 2023, 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, 2022, through June 30, 2023, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2023, the County's proportion was 0.2844 percent. It was 0.2855 percent measured as of June 30, 2022. The County recognized pension expense of $106,161 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:

Correctional Plan
Deferred Outflows of Resources and Deferred Inflows of Resources
As of December 31, 2023

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 49,517	$ 11,178
Changes in actuarial assumptions	301,748	6,543
Difference between projected and actual investment earnings	-	586,521
Changes in proportion	1,499	3,325
Contributions paid to PERA subsequent to the measurement date	31,204	-
Total	$ 383,968	$ 607,567

The $31,204 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, 2024. 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, 2023

Year Ended December 31	Pension Expense Amount
2024	$ (313)
2025	(303,595)
2026	62,672
2027	(13,567)

Total Pension Expense

The total pension expense for all plans recognized by the County for the year ended December 31, 2023, was $540,999.

Actuarial Assumptions

The total pension liability in the June 30, 2023, 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, 2023

	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	7.00%	7.00%	7.00%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants were based on the Pub-2010 General Employee Mortality table for the General Employees Plan and the Pub-2010 Public Safety Employee Mortality tables for the Police and Fire and the Correctional Plans, with slight adjustments. Cost-of-living benefit increases for retirees are assumed to be 1.25 percent for the General Employees Plan and 2.00 percent for the Correctional Plan. For the Police and Fire Plan, cost-of-living benefit increases for retirees are 1.00 percent as set by state statute.

Actuarial assumptions used in the June 30, 2023, 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 June 29, 2023, was utilized.

The long-term expected rate of return on pension plan investments is 7.00 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%

Discount Rate

The discount rate used to measure the total pension liability was 7.00 percent in 2023. This was an increase from the 6.50 percent, 5.40 percent, and 5.42 percent used in 2022 for the General Employees Plan, the Police and Fire Plan, and the Correctional Plan, respectively. 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, the Police and Fire Plan, and the Correctional Plan were projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Actuarial Assumptions and Plan Provisions

The following changes in actuarial assumptions occurred in 2023:

General Employees Plan

- The investment return assumption and single discount rate were changed from 6.50 percent to 7.00 percent.
- A one-time direct state aid contribution of $170.1 million occurred on October 1, 2023.
- The vesting period for those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service.
- The benefit increase delay for early retirements on or after January 1, 2024, was eliminated.
- For Basic Plan members, a one-time, non-compounding benefit increase of 4.00 percent, minus the actual 2024 adjustment, will be payable in a lump sum for calendar year 2024 by March 31, 2024.
- For Coordinated Plan members, a one-time, non-compounding benefit increase of 2.50 percent, minus the actual 2024 adjustment, will be payable in a lump sum for calendar year 2024 by March 31, 2024.

Police and Fire Plan

- The investment return assumption was changed from 6.50 percent to 7.00 percent.

- The single discount rate changed from 5.40 percent to 7.00 percent.
- A one-time direct state aid contribution of $19.4 million occurred on October 1, 2023.
- The vesting requirement for new hires after June 30, 2014, was changed from a graded 20-year vesting schedule to a graded ten year vesting schedule, with 50 percent vesting after five years, increasing incrementally to 100 percent after ten years.
- A one-time, non-compounding benefit increase of 3.00 percent will be payable in a lump sum for calendar year 2024 by March 31, 2024.
- Psychological treatment is required effective July 1, 2023, prior to approval for a duty disability benefit for a psychological condition relating to the member's occupation.
- A total and permanent duty disability benefit was added effective July 1, 2023.

Correctional Plan

- The investment return rate was changed from 6.50 percent to 7.00 percent.
- The single discount rate changed from 5.42 percent to 7.00 percent.
- A one-time direct state aid contribution of $5.3 million occurred on October 1, 2023.
- A one-time, non-compounding benefit increase of 2.50 percent minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.
- The maximum benefit increase will revert back to 2.50 percent, if the maximum increase is 1.50 percent and the Plan's funding ratio improves to 85 percent for two consecutive years on a market value of assets basis.

Pension Liability Sensitivity

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

Sensitivity of the Employer's Proportionate Share of the
Net Pension Liability to Changes in the Discount Rate
As of December 31, 2023

	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	6.00%	$ 3,858,075	6.00%	$ 1,144,390	6.00%	$ 677,671
Current	7.00%	2,180,836	7.00%	576,775	7.00%	128,563
1% Increase	8.00%	801,244	8.00%	110,119	8.00%	(309,555)

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

Four board 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, 2023

	Employee	Employer
Contribution amount	$ 2,077	$ 2,077
Percentage of covered payroll	5.00%	5.00%

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 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 2023 and 2024. 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.

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 2023, Traverse County contributed $27,283 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 2023, Traverse County contributed $27,309 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.

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 2023.

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 2023, Traverse County did not make any contributions to the Consortium. Western Prairie Human Services, 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.

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 $82,974 to this organization in 2023. 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 2023.

Viking Library System

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

The Viking Library System is governed by a governing board which consists of 19 members. Each County Board appoints a resident of the county, each member library board appoints a representative, and any library with a service area population over 15,000 has an additional representative. Currently, the Fergus Falls and Douglas County have additional representatives. During 2023, Traverse County provided $37,294 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 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 majority of the probation officer salaries and operating expenses. The remaining expenses are allocated to each participating county based on population. During 2023, Traverse County contributed $28,770 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 2023, 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.

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

Traverse County entered into a lease agreement with Minnewaska Community Health Services commencing October 1, 2023, whereby Minnewaska Community Health Services is renting the properties of Prairieview Place and Traverse Care Center. Traverse County has leased the operations of Prairieview Place as a congregate housing facility and Traverse Care Center as a skilled nursing facility since 2010.

Required Supplementary Information

Traverse County
Wheaton, Minnesota

Exhibit A-1

Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2023

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget
Revenues				
Taxes	$ 3,637,264	$ 3,637,264	$ 3,640,224	$ 2,960
Special assessments	75,000	75,000	74,000	(1,000)
Licenses and permits	9,287	9,287	7,288	(1,999)
Intergovernmental	874,623	874,623	1,433,261	558,638
Charges for services	369,953	369,953	682,859	312,906
Investment earnings	25,000	25,000	108,208	83,208
Miscellaneous	109,775	109,775	86,396	(23,379)
Total Revenues	**$ 5,100,902**	**$ 5,100,902**	**$ 6,032,236**	**$ 931,334**
Expenditures				
Current				
General government				
Commissioners	$ 197,625	$ 197,625	$ 349,950	$ (152,325)
Law library	3,000	3,000	6,537	(3,537)
County coordinator	151,869	151,869	154,933	(3,064)
County auditor/treasurer	311,130	311,130	340,058	(28,928)
License bureau	125,969	125,969	129,127	(3,158)
County assessor	278,046	278,046	263,258	14,788
Elections	3,500	3,500	5,803	(2,303)
Accounting and auditing	52,000	52,000	52,321	(321)
Data processing	135,250	135,250	154,638	(19,388)
Attorney	193,510	193,510	195,730	(2,220)
Recorder	183,613	183,613	193,078	(9,465)
Buildings and plant	203,378	203,378	211,739	(8,361)
Veterans service officer	89,555	89,555	86,114	3,441
Other general government	204,912	204,912	132,751	72,161
Total general government	**$ 2,133,357**	**$ 2,133,357**	**$ 2,276,037**	**$ (142,680)**
Public safety				
Sheriff	$ 983,986	$ 983,986	$ 950,691	$ 33,295
Boat and water	28,904	28,904	-	28,904
Coroner	12,000	12,000	9,732	2,268
Enhanced 911 system	406,454	406,454	475,538	(69,084)
Jail	670,887	670,887	723,681	(52,794)
Probation officer	37,943	37,943	28,770	9,173
Civil defense	113,521	113,521	113,610	(89)
Total public safety	**$ 2,253,695**	**$ 2,253,695**	**$ 2,302,022**	**$ (48,327)**

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

Traverse County
Wheaton, Minnesota

Exhibit A-1
(Continued)

Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2023

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget
Expenditures				
Current (Continued)				
Sanitation				
Solid waste	**$ 147,386**	**$ 147,386**	**$ 143,708**	**$ 3,678**
Culture and recreation				
County fair	$ 12,500	$ 12,500	$ 12,500	$ -
Parks	16,000	16,000	21,766	(5,766)
Other culture and recreation	45,194	45,194	7,900	37,294
Total culture and recreation	**$ 73,694**	**$ 73,694**	**$ 42,166**	**$ 31,528**
Conservation of natural resources				
County extension	$ 128,737	$ 128,737	$ 108,973	$ 19,764
Buffer aid allocation	62,427	62,427	62,427	-
Soil and water conservation	217,495	217,495	242,151	(24,656)
Weed control	68,480	68,480	67,168	1,312
Total conservation of natural resources	**$ 477,139**	**$ 477,139**	**$ 480,719**	**$ (3,580)**
Economic development				
Community development	**$ 32,831**	**$ 32,831**	**$ 30,284**	**$ 2,547**
Intergovernmental				
Public health	$ 37,800	$ 37,800	$ 46,121	$ (8,321)
Library	-	-	37,294	(37,294)
Total intergovernmental	**$ 37,800**	**$ 37,800**	**$ 83,415**	**$ (45,615)**
Debt service				
Principal	$ -	$ -	$ 67,250	$ (67,250)
Interest	-	-	2,794	(2,794)
Total debt service	**$ -**	**$ -**	**$ 70,044**	**$ (70,044)**
Total Expenditures	**$ 5,155,902**	**$ 5,155,902**	**$ 5,428,395**	**$ (272,493)**

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

Traverse County
Wheaton, Minnesota

Exhibit A-1
(Continued)

Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2023

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Excess of Revenues Over (Under) Expenditures	**$ (55,000)**	**$ (55,000)**	**$ 603,841**	**$ 658,841**
Other Financing Sources (Uses)				
Transfers out	$ (145,000)	$ (145,000)	$ -	$ 145,000
Leases issued	-	-	8,761	8,761
Insurance recoveries	-	-	10,241	10,241
Total Other Financing Sources (Uses)	**$ (145,000)**	**$ (145,000)**	**$ 19,002**	**$ 164,002**
Net Change in Fund Balance	**$ (200,000)**	**$ (200,000)**	**$ 622,843**	**$ 822,843**
Fund Balance – January 1	**4,239,824**	**4,239,824**	**4,239,824**	**-**
Fund Balance – December 31	**$ 4,039,824**	**$ 4,039,824**	**$ 4,862,667**	**$ 822,843**

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

Traverse County
Wheaton, Minnesota

Exhibit A-2

Budgetary Comparison Schedule
Road and Bridge Special Revenue Fund
For the Year Ended December 31, 2023

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 1,752,634	$ 1,752,634	$ 1,746,259	$ (6,375)
Licenses and permits	-	-	2,500	2,500
Intergovernmental	3,971,102	3,971,102	5,652,854	1,681,752
Charges for services	420,683	420,683	428,469	7,786
Miscellaneous	63,960	63,960	50,672	(13,288)
Total Revenues	**$ 6,208,379**	**$ 6,208,379**	**$ 7,880,754**	**$ 1,672,375**
Expenditures				
Current				
Highways and streets				
Administration	$ 468,837	$ 468,837	$ 317,154	$ 151,683
Authorized work	32,000	32,000	12,850	19,150
Engineering	185,304	185,304	134,803	50,501
Construction	2,040,665	2,040,665	2,470,262	(429,597)
Maintenance	2,291,096	2,291,096	2,591,272	(300,176)
Equipment maintenance and shops	964,047	964,047	1,218,002	(253,955)
Material and services for resale	95,030	95,030	258,277	(163,247)
Total highways and streets	**$ 6,076,979**	**$ 6,076,979**	**$ 7,002,620**	**$ (925,641)**
Intergovernmental				
Highways and streets	**$ 331,400**	**$ 331,400**	**$ 254,944**	**$ 76,456**
Debt service				
Principal	$ -	$ -	$ 17,041	$ (17,041)
Interest	-	-	132	(132)
Total debt service	**$ -**	**$ -**	**$ 17,173**	**$ (17,173)**
Total Expenditures	**$ 6,408,379**	**$ 6,408,379**	**$ 7,274,737**	**$ (866,358)**
Excess of Revenues Over (Under) Expenditures	**$ (200,000)**	**$ (200,000)**	**$ 606,017**	**$ 806,017**

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

Exhibit A-2
(Continued)

Budgetary Comparison Schedule
Road and Bridge Special Revenue Fund
For the Year Ended December 31, 2023

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Other Financing Sources (Uses)				
Capital leases	$ -	$ -	$ 8,119	$ 8,119
Insurance recoveries	-	-	12,387	12,387
Total Other Financing Sources (Uses)	**$ -**	**$ -**	**$ 20,506**	**$ 20,506**
Net Change in Fund Balance	**$ (200,000)**	**$ (200,000)**	**$ 626,523**	**$ 826,523**
Fund Balance – January 1	**1,505,712**	**1,505,712**	**1,505,712**	**-**
Increase (decrease) in inventories	**-**	**-**	**2,215**	**2,215**
Fund Balance – December 31	**$ 1,305,712**	**$ 1,305,712**	**$ 2,134,450**	**$ 828,738**

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

Traverse County
Wheaton, Minnesota

Exhibit A-3

Budgetary Comparison Schedule
Social Services Special Revenue Fund
For the Year Ended December 31, 2023

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 708,590	$ 708,590	$ 707,385	$ (1,205)
Intergovernmental	1,167,732	1,167,732	1,201,727	33,995
Charges for services	25,300	25,300	2,559	(22,741)
Investment earnings	-	-	731	731
Settlements	-	-	9,742	9,742
Miscellaneous	205,220	205,220	187,088	(18,132)
Total Revenues	**$ 2,106,842**	**$ 2,106,842**	**$ 2,109,232**	**$ 2,390**
Expenditures				
Current				
Human services				
Income maintenance	$ 780,971	$ 780,971	$ 793,744	$ (12,773)
Social services	1,425,871	1,425,871	1,249,511	176,360
Total human services	**$ 2,206,842**	**$ 2,206,842**	**$ 2,043,255**	**$ 163,587**
Debt service				
Principal	$ -	$ -	$ 1,813	$ (1,813)
Interest	-	-	668	(668)
Total debt service	**$ -**	**$ -**	**$ 2,481**	**$ (2,481)**
Total Expenditures	**$ 2,206,842**	**$ 2,206,842**	**$ 2,045,736**	**$ 161,106**
Net Change in Fund Balance	**$ (100,000)**	**$ (100,000)**	**$ 63,496**	**$ 163,496**
Fund Balance – January 1	**2,321,150**	**2,321,150**	**2,321,150**	**-**
Fund Balance – December 31	**$ 2,221,150**	**$ 2,221,150**	**$ 2,384,646**	**$ 163,496**

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

Traverse County
Wheaton, Minnesota

Schedule of Changes in Total OPEB Liability and Related Ratios
Other Postemployment Benefits
December 31, 2023

	2023	2022
Total OPEB Liability		
Service cost	$ 207,659	$ 297,724
Interest	169,105	169,060
Differences between expected and actual experience	(299,768)	-
Changes of assumption or other inputs	(1,067,704)	-
Benefit payments	(355,489)	(393,255)
Net change in total OPEB liability	**$ (1,346,197)**	**$ 73,529**
Total OPEB Liability – Beginning	**8,424,435**	**8,350,906**
Total OPEB Liability – Ending	**$ 7,078,238**	**$ 8,424,435**
Covered-employee payroll	$ 4,060,803	$ 3,844,163
Total OPEB liability (asset) as a percentage of covered-employee payroll	174.31%	219.15%

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

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

Exhibit A-4

2021		2020		2019		2018	
$	289,052	$	258,970	$	214,422	$	240,441
	233,589		274,219		317,884		312,519
	(93,860)		-		(744,358)		-
	346,522		656,862		(1,872,628)		-
	(377,561)		(384,821)		(368,661)		(360,103)
$	**397,742**	**$**	**805,230**	**$**	**(2,453,341)**	**$**	**192,857**
	7,953,164		**7,147,934**		**9,601,275**		**9,408,418**
$	**8,350,906**	**$**	**7,953,164**	**$**	**7,147,934**	**$**	**9,601,275**
$	3,732,197	$	3,738,688	$	3,629,794	$	3,749,608
	223.75%		212.73%		196.92%		256.06%

Traverse County
Wheaton, Minnesota

Exhibit A-5

Schedule of Proportionate Share of Net Pension Liability
PERA General Employees Retirement Plan
December 31, 2023

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
2023	0.0390 %	$ 2,180,836	$ 60,155	$ 2,240,991	$ 3,100,991	70.33 %	83.10 %
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, 2023

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)
2023	$ 230,635	$ 230,635	$ -	$ 3,075,062	7.50 %
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, 2023

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
2023	0.0348 %	$ 576,775	$ 23,269	$ 600,044	$ 439,143	131.34 %	86.47 %
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.
N/A – Not Applicable

Traverse County
Wheaton, Minnesota

Exhibit A-8

Schedule of Contributions
PERA Public Employees Police and Fire Plan
December 31, 2023

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)
2023	$ 69,701	$ 69,701	$ -	$ 393,790	17.70 %
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, 2023

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
2023	0.2844 %	$ 128,563	$ 666,901	19.28 %	95.94 %
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, 2023

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)
2023	$ 59,376	$ 59,376	$ -	$ 678,589	8.75 %
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.

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

Note 1 – General Budget Policies

The County Board adopts estimated revenue and expenditure budgets for the General Fund, Road and Bridge Special Revenue Fund, Social Service Special Revenue Fund, and the Debt Service Fund. A budget was not adopted for the Judicial Ditch #6 Special Revenue 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, 2023:

	Expenditures	Final Budget	Excess
General Fund	$ 5,428,395	$ 5,155,902	$ 272,493
Road and Bridge Special Revenue Fund	7,274,737	6,408,379	866,358

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 2023:

- The discount rate used changed from 2.00 to 4.00 percent.
- The inflation rate used changed from 2.00 to 2.50 percent.
- The retirement, withdrawal, and salary increase rates for public safety employees were updated.
- The health care trend rates and mortality tables were updated.

No changes in actuarial assumptions occurred in 2022.

The following changes in actuarial assumptions occurred in 2021:

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

The following changes in actuarial assumptions occurred in 2020:

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

The following changes in actuarial assumptions occurred in 2019:

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

2023

- The investment return assumption and single discount rate were changed from 6.50 percent to 7.00 percent.
- A one-time direct state aid contribution of $170.1 million occurred on October 1, 2023.
- The vesting period for those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service.
- The benefit increase delay for early retirements on or after January 1, 2024, was eliminated.
- For Basic Plan members, a one-time, non-compounding benefit increase of 4.00 percent, minus the actual 2024 adjustment, will be payable in a lump sum for calendar year 2024 by March 31, 2024.
- For Coordinated Plan members, a one-time, non-compounding benefit increase of 2.50 percent, minus the actual 2024 adjustment, will be payable in a lump sum for calendar year 2024 by March 31, 2024.

2022

- 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 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.

<u>2019</u>

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

<u>2018</u>

- 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.

- 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

2023

- The investment return assumption was changed from 6.50 percent to 7.00 percent.

- The single discount rate changed from 5.40 percent to 7.00 percent.

- A one-time direct state aid contribution of $19.4 million occurred on October 1, 2023.

- The vesting requirement for new hires after June 30, 2014, was changed from a graded 20-year vesting schedule to a graded ten year vesting schedule, with 50 percent vesting after five years, increasing incrementally to 100 percent after ten years.

- A one-time, non-compounding benefit increase of 3.00 percent will be payable in a lump sum for calendar year 2024 by March 31, 2024.

- Psychological treatment is required effective July 1, 2023, prior to approval for a duty disability benefit for a psychological condition relating to the member's occupation.

- A total and permanent duty disability benefit was added effective July 1, 2023.

<u>2022</u>

- 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.

<u>2021</u>

- 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.

<u>2020</u>

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

<u>2019</u>

- 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.
- 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

2023

- The investment return rate was changed from 6.50 percent to 7.00 percent.
- The single discount rate changed from 5.42 percent to 7.00 percent.
- A one-time direct state aid contribution of $5.3 million occurred on October 1, 2023.
- A one-time, non-compounding benefit increase of 2.50 percent minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.
- The maximum benefit increase will revert back to 2.50 percent, if the maximum increase is 1.50 percent and the Plan’s funding ratio improves to 85 percent for two consecutive years on a market value of assets basis.

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 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.

<u>2020</u>

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

<u>2019</u>

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

<u>2018</u>

- 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.

<u>2017</u>

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

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

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

<u>2016</u>

- 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, 2023

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 193,213	$ 193,213	$ 188,395	$ (4,818)
Special assessments	138,305	138,305	99,154	(39,151)
Intergovernmental	-	-	58,613	58,613
Investment earnings	-	-	1,102	1,102
Total Revenues	**$ 331,518**	**$ 331,518**	**$ 347,264**	**$ 15,746**
Expenditures				
Debt service				
Principal	$ 270,000	$ 270,000	$ 525,000	$ (255,000)
Interest	61,518	61,518	46,351	15,167
Administrative charges	-	-	2,045	(2,045)
Total Expenditures	**$ 331,518**	**$ 331,518**	**$ 573,396**	**$ (241,878)**
Net Change in Fund Balance	**$ -**	**$ -**	**$ (226,132)**	**$ (226,132)**
Fund Balance – January 1	**579,553**	**579,553**	**579,553**	**-**
Fund Balance – December 31	**$ 579,553**	**$ 579,553**	**$ 353,421**	**$ (226,132)**

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, 2023

	Taxes and Penalties	State Revenue
Assets		
Cash and pooled investments	$ 41,702	$ 2,499
Taxes and special assessments receivable for other governments	160,164	381
Accounts receivable	-	-
Due from other governments	-	-
Total Assets	**$ 201,866**	**$ 2,880**
Liabilities		
Due to others	$ -	$ 300
Salaries payable	-	-
Advance from other funds	-	-
Due to other funds	-	-
Due to other governments	41,702	-
Total Liabilities	**$ 41,702**	**$ 300**
Net Position		
Restricted for individuals, organizations, and other governments	**$ 160,164**	**$ 2,580**

Exhibit C-1

Traverse County Connections	Jail Canteen	Western Probation Services	Total Custodial Funds
$ 53,757	$ 462	$ 133,160	$ 231,580
-	-	-	160,545
-	-	40,415	40,415
140	-	299,359	299,499
$ 53,897	**$ 462**	**$ 472,934**	**$ 732,039**
$ -	$ -	$ 1,100	$ 1,400
-	-	4,820	4,820
-	-	175,000	175,000
-	-	177	177
-	-	106	41,808
$ -	**$ -**	**$ 181,203**	**$ 223,205**
$ 53,897	**$ 462**	**$ 291,731**	**$ 508,834**

Traverse County
Wheaton, Minnesota

Combining Statement of Changes in Fiduciary Net Position
Fiduciary Funds – Custodial Funds
For the Year Ended December 31, 2023

	Taxes and Penalties	State Revenue
Additions		
Contributions from individuals	$ -	$ -
Property tax collections for other governments	4,861,693	299,248
Fees collected for state	-	1,379,018
Payments from state	-	-
Payments from other entities	-	-
Total Additions	**$ 4,861,693**	**$ 1,678,266**
Deductions		
Payments of property tax to other governments	$ 4,838,293	$ -
Payments to state	-	1,676,152
Administrative expense	-	-
Payments to other individuals/entities	-	-
Total Deductions	**$ 4,838,293**	**$ 1,676,152**
Change in Net Position	**$ 23,400**	**$ 2,114**
Net Position – January 1	**$ 136,764**	**$ 466**
Net Position – December 31	**$ 160,164**	**$ 2,580**

Traverse County Connections	Jail Canteen	Western Probation Services	Total Custodial Funds
$ -	$ 29,207	$ 19,580	$ 48,787
-	-	-	5,160,941
-	-	-	1,379,018
37,525	-	185,104	222,629
1,139	-	299,237	300,376
$ 38,664	**$ 29,207**	**$ 503,921**	**$ 7,111,751**
$ -	$ -	-	$ 4,838,293
-	-	-	1,676,152
1,821	-	-	1,821
28,837	28,908	345,997	403,742
$ 30,658	**$ 28,908**	**$ 345,997**	**$ 6,920,008**
$ 8,006	**$ 299**	**$ 157,924**	**$ 191,743**
$ 45,891	**$ 163**	**$ 133,807**	**$ 317,091**
$ 53,897	**$ 462**	**$ 291,731**	**$ 508,834**

Schedules

Traverse County
Wheaton, Minnesota

Exhibit D-1

Schedule of Intergovernmental Revenue
Governmental Funds
For the Year Ended December 31, 2023

Appropriations and Shared Revenue		
State		
Highway users tax	$	2,490,246
Market value credit		127,313
PERA rate reimbursement		100,537
Disparity reduction aid		18,517
Police aid		65,337
Public safety aid		68,293
County program aid		488,515
Enhanced 911		160,660
Next Generation 911		37,061
Select Committee on Recycling and the Environment (SCORE)		72,440
Aquatic invasive species aid		26,904
Riparian protection aid		113,953
Minnesota drive system (MNDRIVE)		7,569
Statewide affordable housing aid		81,262
Local homeless prevention aid		13,838
Medical assistance renewal assistance aid		27,618
Out of home placement aid		2,316
Total appropriations and shared revenue	**$**	**3,902,379**
Reimbursement for Services		
State	$	216,911
Counties		57,588
Watershed Districts		1,025
Total reimbursement for services	**$**	**275,524**
Payments		
Local		
Local contributions	$	27,125
Payments in lieu of taxes		27,901
Total payments	**$**	**55,026**
Grants		
State		
Minnesota Department of		
Corrections	$	5,767
Public Safety		285,811
Transportation		1,100,000
Human Services		321,396
Veterans Affairs		7,500
Secretary of State		2,574
Board of Water and Soil Resources Board		131,625
Total state	**$**	**1,854,673**

Traverse County
Wheaton, Minnesota

Exhibit D-1
(Continued)

Schedule of Intergovernmental Revenue
Governmental Funds
For the Year Ended December 31, 2023

Grants (Continued)		
Federal		
Department of		
Agriculture	$	94,334
Treasury		100,000
Transportation		1,506,120
Health and Human Services		455,944
Homeland Security		102,455
Total federal	**$**	**2,258,853**
Total state and federal grants	**$**	**4,113,526**
Total Intergovernmental Revenue	**$**	**8,346,455**

Traverse County
Wheaton, Minnesota

Exhibit D-2

Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2023

Federal Grantor Pass-Through Agency Program or Cluster Title	Assistance Listing Number	Pass-Through Grant Numbers	Expenditures
U.S. Department of Agriculture			
Passed Through Minnesota Department of Human Services			
SNAP Cluster			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	232MN101S2514	**$ 94,334**
U.S. Department of Transportation			
Passed Through Minnesota Department of Transportation			
Highway Planning and Construction	20.205	1052063	**$ 1,506,120**
U.S. Department of Treasury			
Direct			
COVID-19 – Local Assistance and Tribal Consistency Fund	21.032		**$ 100,000**
U.S. Department of Health and Human Services			
Passed Through Minnesota Department of Human Services			
Promoting Safe and Stable Families	93.556	2201MNFPSS	$ 554
Temporary Assistance for Needy Families	93.558	2301MNTANF	68,281
Child Support Enforcement	93.563	2301MNCSES	66,515
Child Support Enforcement	93.563	2301MNCEST	5,179
(Total Child Support Enforcement 93.563 $71,694)			
Refugee and Entrant Assistance – State Administered Programs	93.566	2301MNRCMA	317
CCDF Cluster			
Child Care and Development Block Grant	93.575	2301MNCCDF	429
Community-Based Child Abuse Prevention Grants	93.590	2202MNBCAP	1,770
Stephanie Tubbs Jones Child Welfare Services Program	93.645	2201MNCWSS	988
Foster Care – Title IV-E	93.658	2301MNFOST	43,700
Social Services Block Grant	93.667	2301MNSOSR	49,715
Children's Health Insurance Program	93.767	2305MN5021	381

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

Traverse County
Wheaton, Minnesota

Exhibit D-2
(Continued)

Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2023

Federal Grantor Pass-Through Agency Program or Cluster Title	Assistance Listing Number	Pass-Through Grant Numbers		Expenditures
U.S. Department of Health and Human Services				
Passed Through Minnesota Department of Human Services (Continued)				
Medicaid Cluster				
Medical Assistance Program	93.778	2305MN5ADM		215,088
Medical Assistance Program	93.778	2305MN5MAP		581
(Total Medical Assistance Program 93.778 $215,669)				
Passed Through Western Prairie Human Services				
John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674	Not Provided		2,446
Total U.S. Department of Health and Human Services			**$**	**455,944**
U.S. Department of Homeland Security				
Passed Through Minnesota Department of Public Safety				
Disaster Grants – Public Assistance (Presidentially Declared Disasters)	97.036	4666DRMNP00000001	$	87,225
Emergency Management Performance Grants	97.042	TRAVERCO-3890		15,230
Total U.S. Department of Homeland Security			**$**	**102,455**
Total Federal Awards			**$**	**2,258,853**

The County did not pass any federal awards through to subrecipients during the year ended December 31, 2023.

Totals by Cluster		
Total expenditures for SNAP Cluster	$	94,334
Total expenditures for CCDF Cluster		429
Total expenditures for Medicaid Cluster		215,669

Notes to the Schedule of Expenditures of Federal Awards
As of and for the Year Ended December 31, 2023

Note 1 – Summary of Significant Accounting Policies

Reporting Entity

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

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Traverse County under programs of the federal government for the year ended December 31, 2023. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule of Expenditures of Federal Awards presents only a selected portion of the operations of Traverse County, it is not intended to and does not present the financial position, changes in net position, or cash flows of Traverse County.

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

Note 2 – De Minimis Cost Rate

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

Management and Compliance Section

STATE OF MINNESOTA

Julie Blaha
State Auditor

Office of the State Auditor

Suite 500
525 Park Street
Saint Paul, MN 55103

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*

<u>Independent Auditor's Report</u>

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, 2023, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated August 29, 2024.

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 our opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

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

A *deficiency in internal control over financial reporting* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2023-002 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2023-001 to be a significant deficiency.

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Report on Compliance and Other Matters

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

Minnesota Legal Compliance

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

Other Items

Included in the Schedule of Findings and Questioned Costs is a management practice comment. We believe this recommendation 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 findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs and 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 and 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

August 29, 2024

STATE OF MINNESOTA

Julie Blaha
State Auditor

Office of the State Auditor

Suite 500
525 Park Street
Saint Paul, MN 55103

Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

Independent Auditor's Report

Board of Commissioners
Traverse County
Wheaton, Minnesota

Report on Compliance for Each Major Federal Program

Qualified and Unmodified Opinions
We have audited Traverse County's compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of Traverse County's major federal programs for the year ended December 31, 2023. Traverse County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Qualified Opinion on Medicaid Cluster
In our opinion, except for the noncompliance described in the Basis for Qualified and Unmodified Opinions section of our report, Traverse County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on Medicaid Cluster for the year ended December 31, 2023.

Unmodified Opinion on the Other Major Federal Program
In our opinion, Traverse County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its other major federal program identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs for the year ended December 31, 2023.

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

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

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Matters Giving Rise to Qualified Opinion on Medicaid Cluster
As described in the accompanying Schedule of Findings and Questioned Costs, Traverse County did not comply with requirements regarding Assistance Listing No. 93.778 Medicaid Cluster as described in finding 2023-004 for Activities Allowed or Unallowed and Allowable Costs/Cost Principles and 2023-005 for Reporting.

Compliance with such requirements is necessary, in our opinion, for Traverse County to comply with the requirements applicable to that program.

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

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

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

- exercise professional judgment and maintain professional skepticism throughout the audit;

- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Traverse County's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances; and

- obtain an understanding of Traverse County's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances, and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Traverse County's internal control over compliance. Accordingly, no such opinion is expressed.

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

Other Matters
The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance, and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2023-003, 2023-006, and 2023-007. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on Traverse County's response to the noncompliance findings identified in our audit described in the accompanying Schedule of Findings and Questioned Costs. Traverse County's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2023-004 and 2023-005 to be material weaknesses.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2023-003, 2023-006, and 2023-007 to be significant deficiencies.

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

Government Auditing Standards requires the auditor to perform limited procedures on Traverse County's response to the internal control over compliance findings identified in our compliance audit described in the accompanying Schedule of Findings and Questioned Costs. Traverse County's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

/s/Julie Blaha

Julie Blaha
State Auditor

/s/Chad Struss

Chad Struss, CPA
Deputy State Auditor

August 29, 2024

Traverse County
Wheaton, Minnesota

Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2023

Section I – Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with generally accepted accounting principles: **Unmodified**

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

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

Federal Awards

Internal control over major federal programs:
- Material weaknesses identified? **Yes**
- Significant deficiencies identified? **Yes**

Type of auditor's report issued on compliance for major federal programs: **Unmodified, except for Medicaid Cluster, which is qualified.**

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

Identification of major federal programs:

Assistance Listing Number	**Name of Federal Program or Cluster**
20.205	Highway Planning and Construction
93.778	Medicaid Cluster

Dollar threshold used to distinguish between Type A and Type B programs: $750,000.

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

Section II – Financial Statement Findings

2023-001 **Segregation of Duties**
Prior Year Finding Number: 2022-001
Year of Finding Origination: 1996
Type of Finding: Internal Control Over Financial Reporting
Severity of Deficiency: Significant Deficiency

Criteria: Management is responsible for establishing and maintaining internal control. Adequate segregation of duties is a key internal control in preventing and detecting errors or irregularities. To protect the County's assets, proper segregation of the recordkeeping, custody, and authorization functions should be in place. Where management decides segregation of duties may not be cost effective, compensating controls should be in place.

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, 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 a timely period.

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

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 to the extent possible.

View of Responsible Official: Acknowledge

2023-002 **<u>Audit Adjustments</u>**
Prior Year Finding Number: N/A
Year of Finding Origination: 2023
Type of Finding: Internal Control Over Financial Reporting
Severity of Deficiency: Material Weakness

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

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

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

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

- The Ditch Special Revenue Fund required an adjustment to increase special assessments receivable and unavailable revenue by $189,853 to record special assessments approved by the County Board.

- The Debt Service Fund required an adjustment to increase special assessments receivable and unavailable revenue by $922,576 to record special assessments approved by the County Board.

- The Prairieview Place Enterprise Fund required an adjustment to increase bonds payable and expenses by $75,000, as a reduction had been recorded without a corresponding bond payment.

- The Traverse Care Center Enterprise Fund required an adjustment to increase the other postemployment benefits liability and decrease deferred inflows of resources – deferred other postemployment benefits inflows by $50,335 to record the Enterprise Fund's portion of the other postemployment benefits related activity.

Cause: The staff overlooked this activity when the financial statement information was prepared.

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

View of Responsible Official: Acknowledge

Section III – Federal Award Findings and Questioned Costs

2023-003 **<u>Procurement Policy</u>**
Prior Year Finding Number: N/A
Year of Finding Origination: 2023
Type of Finding: Internal Control Over Compliance and Compliance
Severity of Deficiency: Significant Deficiency and Other Matter

Federal Agency: U.S. Department of Transportation
Program: 20.205 Highway Planning and Construction
Award Number and Year: 1052063; 2023

Pass-Through Agency: Minnesota Department of Transportation

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

Title 2 U.S. *Code of Federal Regulations* § 200.318 states that the non-federal entity must use its own documented procurement procedures which reflect applicable state, local, and tribal laws and regulations, provided that the procurements conform with applicable federal law and the standards identified in this regulation.

Condition: Traverse County has written procurement policies; however, these policies do not include the required components in accordance with Title 2 U.S. *Code of Federal Regulations* §200.318.

Questioned Costs: None

Context: This issue was discovered during the audit of the major federal program; however, it impacts federal programs entity-wide. Written policies that reflect the specific components of federal regulations improve controls to ensure compliance with federal award requirements.

Effect: Written policies and procedures that are not updated to reflect the federal procurement requirements could increase the risk of noncompliance with federal program requirements.

Cause: Traverse County management was unaware the procurement policy did not include all the requirements.

Recommendation: We recommend Traverse County include the specific components of the Uniform Guidance requirements in its written procurement policies and procedures.

View of Responsible Official: Acknowledge

2023-004 **<u>Activities Allowed or Unallowed and Allowable Costs/Cost Principles</u>**
Prior Year Finding Number: N/A
Year of Finding Origination: 2023
Type of Finding: Internal Control Over Compliance and Compliance
Severity of Deficiency: Material Weakness and Modified Opinion

Federal Agency: U.S. Department of Health and Human Services
Program: 93.778 Medical Assistance Program
Award Number and Year: 2305MN5ADM, 2023

Pass-Through Agency: Minnesota Department of Human Services

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

Administrative program costs for Medical Assistance Program are submitted to the Minnesota Department of Human Services (DHS) through the DHS Income Maintenance (DHS-2550) report and the Social Service Fund (DHS-2556) report on a quarterly basis. DHS provides reporting instructions including information regarding eligible and ineligible costs.

Condition: The following exceptions were noted in the sample of 40 expenditures tested for activities allowed or unallowed and allowable costs/cost principles:

- Three claims were included in the DHS-2550 and DHS-2556 reports as eligible expenditures but were not eligible for federal reimbursement.

- For eleven timesheets tested, the payroll costs were allocated on an incorrect full-time equivalent (FTE) split, as the income maintenance and social services splits had been entered into the system inversely.

Questioned Costs: Questioned costs identified were less than $25,000.

Context: DHS relies on accurate identification and reporting of program costs to ensure grant funds paid to the County are for allowable federal program activities/costs and provide detailed information necessary for maintaining proper oversight over federal programs.

The sample sizes were based on the guidance from Chapter 11 of the AICPA Audit Guide, *Government Auditing Standards and Single Audits*.

Effect: Errors in the identification and reporting of costs on the quarterly reports can impair the ability of DHS to provide required oversight over federal programs and result in the County receiving either more or less federal funds than justified based on the actual underlying activity.

Cause: The County's controls over the identification of allowable activities and costs, preparation of the quarterly reports, and maintenance of payroll allocations in the accounting system were not sufficient to identify these errors.

Recommendation: We recommend the County implement controls to ensure activities allowed and allowable costs are appropriately identified and accurately reported to DHS in accordance with federal program guidance and DHS instructions. We also recommend reports submitted with unallowable activities or costs, costs allocated incorrectly, or activity reported incorrectly are corrected and resubmitted.

View of Responsible Official: Acknowledge

2023-005 <u>**Reporting (DHS 2550 and 2556)**</u>
Prior Year Finding Number: N/A
Year of Finding Origination: 2023
Type of Finding: Internal Control Over Compliance and Compliance
Severity of Deficiency: Material Weakness and Modified Opinion

Federal Agency: U.S. Department of Heath and Human Services
Program: 93.778 Medical Assistance Program
Award Number and Year: 2305MN5ADM, 2023

Pass-Through Agency: Minnesota Department of Human Services

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

Administrative program costs for Medical Assistance Program are submitted to the Minnesota Department of Human Services (DHS) through the DHS Income Maintenance (DHS-2550) report and the Social Service Fund (DHS-2556) report on a quarterly basis. DHS provides reporting instructions, including information regarding eligible and ineligible costs.

Condition: The following exceptions were noted in a sample of quarterly reports tested:

- In the DHS-2550 second and fourth quarter reports, salary reimbursements were reported as a reduction to income maintenance administrative overhead expenditures for “Salary and Fringe” and “Services and Charges” rather than as “Revenue Offset.” In the DHS-2556 second and fourth quarter reports, salary reimbursements were reported as reductions in payroll expenditures rather than miscellaneous revenue.

- The social services department does not have a rental agreement in place to support the rent payments included in both the DHS-2550 and DHS-2556 second and fourth quarter reports.

- In the DHS-2556 second quarter report, revenue was reported as Fees for Services rather than Intergovernmental Federal Revenue.

- In both the DHS-2550 and DHS-2556 fourth quarter reports, expenditures were reported related to remodeling areas not used exclusively for income maintenance or social service programs instead of only reporting these areas' proportionate share of costs.

Questioned Costs: Questioned costs identified were less than $25,000.

Context: DHS relies on accurate identification and reporting of program costs to ensure grant funds paid to the County are for allowable federal program activities/costs and provide detailed information necessary for maintaining proper oversight over federal programs.

The sample sizes were based on the guidance from Chapter 11 of the AICPA Audit Guide, *Government Auditing Standards and Single Audits*.

Effect: Errors in the reporting of costs on the quarterly reports can impair the ability of DHS to provide required oversight over federal programs and result in the County receiving either more or less federal funds than justified based on the actual underlying activity.

Cause: The County’s controls over preparation of the quarterly reports were not sufficient to identify the reporting errors.

Recommendation: We recommend Traverse County implement controls to ensure accurate reporting to DHS in accordance with federal program guidance and DHS instructions. We also recommend reports submitted incorrectly are corrected and resubmitted.

View of Responsible Official: Acknowledge

2023-006 **<u>Local Collaborative Time Study (LCTS) Reporting (Cost Schedules DHS-3220.2)</u>**
Prior Year Finding Number: N/A
Year of Finding Origination: 2023
Type of Finding: Internal Control Over Compliance and Compliance
Severity of Deficiency: Significant Deficiency and Other Matter

Federal Agency: U.S. Department of Health and Human Services
Program: 93.778 Medical Assistance Program
Award Number and Year: 2305MN5ADM, 2023

Pass-Through Agency: Minnesota Department of Human Services

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

For federal awards received from the Minnesota Department of Human Services (DHS), the County should establish and maintain internal control to provide assurance that program reports submitted to DHS are completed in accordance with reporting instructions. As part of Traverse County's reporting requirements, the County submits the Local Collaborative Time Study (LCTS) Corrections Cost Schedules DHS-3220.2 on a quarterly basis.

Condition: The following exceptions were noted in the sample of the Corrections Cost Schedules DHS-3220.2 tested:

- The County reported rent payments in the second and fourth quarters, but the County paid the rent in the third quarter of 2023 and the first quarter of 2024, respectively.
- Reported direct labor and benefit expenditures in the second and fourth quarters were estimated based on a portion of the individuals' annual salary rather than actual salaries and benefits in the general ledger.
- The County reported only 27 percent of expenditures incurred in the second quarter and 30 percent of expenditures incurred in the fourth quarter.

Questioned Costs: None

Context: DHS relies on accurate reporting of program costs to ensure grant funds paid to the County are for allowable federal program activities/costs and provide detailed information necessary for maintaining proper oversight over federal programs. Revised reports have since been submitted by the County to correct for the errors identified in the audit.

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

Effect: Errors in the reporting of costs on the quarterly reports can impair the ability of DHS to provide required oversight over federal programs and result in the County receiving either more or less federal funds than justified based on the actual underlying activity.

Cause: County staff indicated errors were due to lack of oversight and detailed review of costs being included or excluded from the quarterly reports submitted to DHS.

Recommendation: We recommend Traverse County implement detailed supervisory review procedures to ensure accurate reporting to DHS in accordance with federal program guidance and DHS instructions.

View of Responsible Official: Acknowledge

2023-007 **<u>Local Collaborative Time Study (LCTS) Reporting (Cost Schedules DHS-3220.1 and DHS-3220.2)</u>**
Prior Year Finding Number: N/A
Year of Finding Origination: 2023
Type of Finding: Internal Control Over Compliance and Compliance
Severity of Deficiency: Significant Deficiency and Other Matter

Federal Agency: U.S. Department of Health and Human Services
Program: 93.778 Medical Assistance Program
Award Number and Year: 2305MN5ADM, 2023

Pass-Through Agency: Minnesota Department of Human Services

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

As part of Traverse County's Local Collaborative Time Study (LCTS) reporting requirements for Schools (DHS-3220.1) and Corrections (DHS-3220.2), LCTS fiscal site contacts are required to verify that the information on the LCTS Fiscal and Cost Schedule is accurate and that it complies with all guidelines set forth in the LCTS Cost Schedule Instructions described in DHS Bulletin #16-32-04 – *Local Collaborative Time Study (LCTS) Fiscal Operations*. It also states that the County's LCTS Fiscal Reporting and Payment Agent is required to review all cost schedules from participating agencies.

Condition: No documentation was maintained to support that the two Cost Schedules DHS-3220.1 and the two Cost Schedules DHS-3220.2 tested in the sample were reviewed by the County's LCTS Fiscal Reporting and Payment Agent.

Questioned Costs: None

Context: The Cost Schedules DHS-3220 are submitted quarterly by each member of a collaborative to DHS for reimbursement of LCTS money, which is reimbursed to the County with federal Medical Assistance Program funds. The Traverse County Social Services Department acts as the LCTS Fiscal Reporting and Payment Agent for the local collaborative in Traverse County.

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

Effect: Lack of a review process increases the risk that reports reports will not be submitted as required or accurate.

Cause: Staff from the County's Social Services Department indicated they were not aware of the review requirements for the quarterly reports.

Recommendation: We recommend the County implement procedures to ensure the cost schedules are reviewed and evidence of the review is retained.

View of Responsible Official: Acknowledge

Section IV – Other Findings and Recommendations

2023-008 **<u>Prairieview Place Enterprise Fund and Traverse Care Center Enterprise Fund Deficit Net Position</u>**
Prior Year Finding Number: 2022-003
Year of Finding Origination: 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, 2023, 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, 2023, the Prairieview Place Enterprise Fund had a deficit net position of $116,891, which is a decrease in net position from the $103,872 deficit reported in the prior year. As of December 31, 2023, the Traverse Care Center Enterprise Fund had a deficit net position of $2,257,614, which is a decrease in net position from the $2,052,215 deficit net position 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 Prairieview Place and Traverse Care Center; as a result, the space and operations were leased to external parties beginning in 2010. The County receives lease revenue from the lessee to offset the cost of the bond payments, but the County does not have sufficient assets or operating revenues to improve the financial condition of Prairieview Place and the Traverse Care Center Enterprise Funds until the bonds are paid off.

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
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Representation of Traverse County
Wheaton, Minnesota

Corrective Action Plan
For the Year Ended December 31, 2023

Finding Number: 2023-001
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:

December 31, 2024

Finding Number: 2023-002
Finding Title: Audit Adjustments

Name of Contact Person Responsible for Corrective Action:

Kit Johnson, County Auditor/Treasurer

Corrective Action Planned:

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

Anticipated Completion Date:

December 31, 2024

County Auditor/Treasurer
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Finding Number: 2023-003
Finding Title: Procurement Policy
Program: 20.205 Highway Planning and Construction

Name of Contact Person Responsible for Corrective Action:

Kit Johnson, County Auditor/Treasurer

Corrective Action Planned:

Traverse County has updated their procurement policy to comply with the latest changes in the law.

Anticipated Completion Date:

Completed, May 21, 2024

Finding Number: 2023-004
Finding Title: Activities Allowed or Unallowed and Allowable Costs/Cost Principles
Program: 93.778 Medical Assistance Program

Name of Contact Person Responsible for Corrective Action:

Shelly Staebler

Corrective Action Planned:

Traverse County Social Services Fiscal department will work on identifying allowable and unallowable expenditures that are submitted on these reports, so only allowable expenditures are submitted going forward.

Anticipated Completion Date:

Completed, September 7, 2024

Finding Number: 2023-005
Finding Title: Reporting (DHS 2550 and 2556)
Program: 93.778 Medical Assistance Program

Name of Contact Person Responsible for Corrective Action:

Shelly Staebler

County Auditor/Treasurer
Kit D. Johnson, Auditor/Treasurer
702 2nd Ave N
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Corrective Action Planned:

Traverse County Social Services fiscal staff will review the new detailed instructions on how to complete the referenced quarterly reports that include recent changes. Staff will correct an resubmit quarterly reports as requested.

Anticipated Completion Date:

January 20, 2025

Finding Number: 2023-006
Finding Title: Local Collaborative Time Study (LCTS) Reporting (Cost Schedules DHS-3220.2)
Program: 93.778 Medical Assistance Program

Name of Contact Person Responsible for Corrective Action:

Melanie Lupkes/Shelly Staebler

Corrective Action Planned:

Social Services and Probation staff met as a group to go over the most recent bulletin that includes the instructions for completing the forms and for the allowable expenses. Consulted with OSA staff for interpretation of some of the items and all quarterly reports have been resubmitted, reviewed by Traverse County Social Services Fiscal and accepted by the State.

Anticipated Completion Date:

Completed, September 7, 2024

Finding Number: 2023-007
Finding Title: Local Collaborative Time Study (LCTS) Reporting (Cost Schedules DHS-3220.1 and DHS-3220.2)
Program: 93.778 Medical Assistance Program

Name of Contact Person Responsible for Corrective Action:

Melanie Lupkes/Shelly Staebler

County Auditor/Treasurer
Kit D. Johnson, Auditor/Treasurer
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Corrective Action Planned:

Social Services and Probation staff met as a group to go over the most recent bulletin that includes the instructions for completing the forms and for the allowable expenses. Consulted with OSA staff for interpretation of some of the items and all quarterly reports have been resubmitted, reviewed by Traverse County Social Services Fiscal and accepted by the State.

Anticipated Completion Date:

Completed, September 7, 2024

Finding Number: 2023-008
Finding Title: Prairieview Place Enterprise Fund and Traverse Care Center Enterprise Fund 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

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Representation of Traverse County
Wheaton, Minnesota

Summary Schedule of Prior Audit Findings
For the Year Ended December 31, 2023

Finding Number: 2022-001
Year of Finding Origination: 1996
Finding Title: Segregation of Duties

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

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

Status: Not Corrected. The County understands the risk and is willing to assume the responsibility. Traverse County will continue to assess the risks and move towards resolving the conditions that create this finding.

Finding Number: 2022-002
Year of Finding Origination: 2022
Finding Title: Insufficient Collateral

Summary of 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.

Summary of Corrective Action Previously Reported: Traverse County will do a better job communicating with the banks to make sure sufficient collateral is in place.

Status: Fully Corrected. Corrective action was taken.

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Minnesota

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Finding Number: 2022-003
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, 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.

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.