

State of Minnesota



Office of the State Auditor

Julie Blaha
State Auditor

Audit Practice Division

Traverse County Wheaton, Minnesota

Annual Financial Report and
Management and Compliance Report

Year Ended December 31, 2024

Traverse County Wheaton, Minnesota

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Introductory Section

Traverse County Wheaton, Minnesota

Organization 2024

Office	Name	Term Expires
Commissioners		
District 1	Chad Metz	January 2029
District 2	Kayla Schmidt, Chair	January 2027
District 3	Mark Gail, Vice Chair	January 2029
District 4	Jerrel Olson	January 2027
District 5	Dwight Nelson	January 2029
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
	Midwest Medical Examiner's	
Coroner	Office	January 2025
Examiner of Titles	Matthew Franzese	Indefinite
Social Services Director	Stacy Hennen	Indefinite
Veterans Service Officer	Vacant	
County Recorder	Jody Hofer	Indefinite
Registrar of Titles	Jody Hofer	Indefinite

Financial Section

**Independent Auditor's Report**

Board of County Commissioners
Traverse County
Wheaton, Minnesota

Report on the Audit of the Financial Statements***Opinions***

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Traverse County, Minnesota, as of and for the year ended December 31, 2024, 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, each major fund, and the aggregate remaining fund information of Traverse County as of December 31, 2024, and the respective changes in financial position 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 the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America

and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis; budgetary comparison schedules for the General Fund and Road and Bridge, Social Services, and Traverse Care Center Special Revenue Funds; 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 fiduciary fund financial statements, 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 Information

Management is responsible for the other information included in the Annual Financial Report. The other information comprises the Introductory Section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 9, 2025, 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

Julie Blaha
State Auditor

September 9, 2025

/s/Chad Struss

Chad Struss, CPA
Deputy State Auditor

Management's Discussion and Analysis

Traverse County Wheaton, Minnesota

Management's Discussion and Analysis December 31, 2024 (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, 2024. 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 \$55,020,092, of which \$51,337,623 is the net investment in capital assets. Of the governmental activities' net position, \$6,237,911 is restricted to specific purposes/uses by the County, and unrestricted is a deficit (\$2,555,442).
- Traverse County's net position increased by \$4,718,517 for the year ended December 31, 2024.
- The net cost of Traverse County's governmental activities for the year ended December 31, 2024, was \$3,399,462. General revenues totaling \$8,117,979 funded the net cost.
- Traverse County's governmental funds' fund balances increased by \$1,213,136 in 2024, after a restatement of \$619,454. This increase consisted of a \$942,455 increase in the General Fund, an increase of \$1,602,283 in the Road and Bridge Special Revenue Fund, a decrease of \$461,131 in the Social Services Special Revenue Fund, a decrease of \$298,885 in the Traverse Care Center Special Revenue Fund, and an increase of \$47,868 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. 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 government-wide financial statements are Exhibits 1 and 2 of this report.

Fund Financial Statements

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

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

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

The County adopts an annual appropriated budget for its General Fund, Road and Bridge Special Revenue Fund, Social Services Special Revenue Fund, Traverse Care Center 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.

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 8, Statement of Changes in Fiduciary Net Position on Exhibit 9, and the Custodial Funds Combining Statements are shown on Exhibits C-1 and C-2.

Notes to the Financial Statements

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be

found on pages 30 through 66 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 statement of net position (Table 1) and changes in net position (Table 2) of the County's governmental activities. Comparative data with 2023 is presented.

Table 1
Statement of Net Position

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
Assets						
Current and other assets	\$17,036,110	\$15,352,422	\$ -	\$ (585,812)	\$ 17,036,110	\$ 14,766,610
Capital assets, net	53,380,421	50,139,367	-	1,215,538	53,380,421	51,354,905
Total Assets	\$70,416,531	\$65,491,789	\$ -	\$ 629,726	\$ 70,416,531	\$ 66,121,515
Deferred Outflows of Resources						
Deferred other postemployment benefits outflows	\$ 505,149	\$ 483,659	\$ -	\$ 87,023	\$ 505,149	\$ 570,682
Deferred pension outflows	1,159,366	1,923,146	-	-	1,159,366	1,923,146
Deferred charges on bond refunding	-	-	-	29,653	-	29,653
Total Deferred Outflows of Resources	\$ 1,664,515	\$ 2,406,805	\$ -	\$ 116,676	\$ 1,664,515	\$ 2,523,481
Liabilities						
Long-term liabilities	\$13,489,822	\$11,540,676	\$ -	\$ 2,904,534	\$ 13,489,822	\$ 14,445,210
Other liabilities	549,011	545,593	-	50,595	549,011	596,188
Total Liabilities	\$14,038,833	\$12,086,269	\$ -	\$ 2,955,129	\$ 14,038,833	\$ 15,041,398
Deferred Inflows of Resources						
Deferred other postemployment benefits inflows	\$ 683,732	\$ 883,287	\$ -	\$ 165,778	\$ 683,732	\$ 1,049,065
Deferred pension inflows	2,338,389	2,252,958	-	-	2,338,389	2,252,958
Total Deferred Inflows of Resources	\$ 3,022,121	\$ 3,136,245	\$ -	\$ 165,778	\$ 3,022,121	\$ 3,302,023
Net Position						
Net investment in capital assets	\$51,337,623	\$49,339,361	\$ -	\$ (562,173)	\$ 51,337,623	\$ 48,777,188
Restricted	6,237,911	4,997,118	-	-	6,237,911	4,997,118
Unrestricted	(2,555,442)	(1,660,399)	-	(1,812,332)	(2,555,442)	(3,472,731)
Total Net Position, as reported	\$55,020,092	\$52,676,080	\$ -	\$ (2,374,505)	\$ 55,020,092	\$ 50,301,575

Traverse County's total net position as of December 31, 2024, is \$55,020,092. The governmental activities of the County report deficit unrestricted net position of (\$2,555,442).

Table 2
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
Revenues						
Program revenues						
Fees, charges, fines, and other	\$ 2,552,495	\$ 2,750,089	\$ -	\$ -	\$ 2,552,495	\$ 2,750,089
Operating grants and contributions	7,836,197	7,630,485	-	-	7,836,197	7,630,485
Capital grants and contributions	842,746	413,934	-	-	842,746	413,934
General revenues						
Property taxes	6,863,103	6,294,621	-	-	6,863,103	6,294,621
Other taxes	4,055	5,659	-	-	4,055	5,659
Grants, gifts, investment income and miscellaneous	1,250,821	923,321	-	180,000	1,250,821	1,103,321
Total Revenues	\$ 19,349,417	\$ 18,018,109	\$ -	\$ 180,000	\$ 19,349,417	\$ 18,198,109
Expenses						
General government	\$ 2,587,345	\$ 2,272,161	\$ -	\$ -	\$ 2,587,345	\$ 2,272,161
Public safety	2,476,041	2,228,347	-	-	2,476,041	2,228,347
Highways and streets	5,211,017	6,126,823	-	-	5,211,017	6,126,823
Sanitation	184,674	145,793	-	-	184,674	145,793
Human services	2,322,642	1,967,253	-	-	2,322,642	1,967,253
Health	903,019	46,121	-	-	903,019	46,121
Culture and recreation	98,326	82,729	-	-	98,326	82,729
Conservation of natural resources	737,756	506,954	-	-	737,756	506,954
Economic development	28,806	30,284	-	-	28,806	30,284
Interest	81,274	48,457	-	-	81,274	48,457
Traverse Care Center	-	-	-	323,093	-	323,093
Prairieview Place	-	-	-	75,325	-	75,325
Total Expenses	\$ 14,630,900	\$ 13,454,922	\$ -	\$ 398,418	\$ 14,630,900	\$ 13,853,340
Increase (Decrease) in Net Position	\$ 4,718,517	\$ 4,563,187	\$ -	\$ (218,418)	\$ 4,718,517	\$ 4,344,769
Net Position – January 1, as restated	50,301,575*	48,112,893	-	(2,156,087)	50,301,575*	45,956,806
Net Position – December 31, as reported	\$ 55,020,092	\$ 52,676,080	\$ -	\$ (2,374,505)	\$ 55,020,092	\$ 50,301,575

*Amount includes a prior period adjustment.

The County's activities increased net position by 9.4 percent after restatement (\$55,020,092 for 2024 compared to \$50,301,575 for 2023).

Governmental Activities

Due to a change in reporting entity, Business-type activities were no longer reported in 2024 and instead were included as Governmental activities. The cost of all governmental activities in 2024 was \$14,630,900. However, as shown in the Statement of Activities, the amount that taxpayers ultimately financed for these activities through County taxes and other general revenues was only \$3,399,462, because some of the cost was paid by those who directly benefited from the programs (\$2,552,495) or by other governments and organizations that subsidized certain programs with grants and contributions (\$8,678,943). General revenues totaling \$8,117,979 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	
	2024	2023	2024	2023
Highways and streets	\$ 5,211,017	\$ 6,126,823	\$ (1,867,843)	\$ (405,932)
General government	2,587,345	2,272,161	2,078,190	1,987,580
Public safety	2,476,041	2,228,347	1,683,721	1,402,918
Human services	2,322,642	1,967,253	627,287	640,837
Health	903,019	46,121	630,519	45,851
All others	1,130,836	814,217	247,588	(1,010,840)
Total	\$ 14,630,900	\$ 13,454,922	\$ 3,399,462	\$ 2,660,414

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 \$896,897 primarily due to intergovernmental revenues of \$308,525 and investment earnings of \$281,450 exceeding budgeted amounts. Actual revenues exceeded budgeted revenues primarily due to the unbudgeted state local housing aid, E911, public lands survey system grant revenues, and greater than anticipated investment earnings.

Actual expenditures were more than budgeted expenditures in the General Fund by \$327,090, primarily due to greater than anticipated expenditures in Buffer Aid Allocation (\$343,192).

The operations of the Prairieview Place Enterprise Fund and the Traverse Care Center Enterprise Fund were eliminated and combined to be reported as the Traverse Care Center Special Revenue Fund. The budget to actual schedule is presented with governmental funds for the first time.

Capital Assets and Debt Administration

Capital Assets

At the end of 2024, Traverse County had \$53,380,421 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 \$2,025,516, or 3.94 percent, from the previous year.

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

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
Land	\$ 220,456	\$ 204,281	\$ -	\$ 16,175	\$ 220,456	\$ 220,456
Right-of-way	1,094,040	1,084,129	-	-	1,094,040	1,084,129
Construction in progress	1,964,308	-	-	-	1,964,308	-
Buildings	2,965,497	2,112,640	-	1,188,230	2,965,497	3,300,870
Land improvements	171,373	197,768	-	-	171,373	197,768
Machinery, furniture and equipment	1,885,942	1,840,319	-	11,133	1,885,942	1,851,452
Infrastructure	44,891,044	44,493,746	-	-	44,891,044	44,493,746
Lease equipment	145,415	206,484	-	-	145,415	206,484
Software subscription	42,346	-	-	-	42,346	-
Totals	<u>\$ 53,380,421</u>	<u>\$ 50,139,367</u>	<u>\$ -</u>	<u>\$ 1,215,538</u>	<u>\$ 53,380,421</u>	<u>\$ 51,354,905</u>

Long-Term Debt

As of December 31, 2024, Traverse County had \$3,694,237 in long-term obligations, compared with \$4,010,870 as of December 31, 2023.

Table 5
Outstanding Debt at Year-End

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
G.O. bonds	\$ 3,315,000	\$ 2,145,000	\$ -	\$ 1,770,000	\$ 3,315,000	\$ 3,915,000
Leases	36,045	95,870	-	-	36,045	95,870
Loans	343,192	-	-	-	343,192	-
Totals	<u>\$ 3,694,237</u>	<u>\$ 2,240,870</u>	<u>\$ -</u>	<u>\$ 1,770,000</u>	<u>\$ 3,694,237</u>	<u>\$ 4,010,870</u>

Economic Factors and Next Year's Budgets

Traverse County's elected and appointed officials considered many factors when setting the fiscal year 2025 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 2025 net levy of \$7,413,576.96 an increase of 6.51 percent from the 2024 levy of \$6,960,223.86.

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 (2025), Traverse County was the 6th lowest "Average Effective Rate for All Property" and ranked as the 30th 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
Governmental Activities
December 31, 2024**

Assets

Cash and pooled investments	\$ 10,573,787
Receivables – net	6,118,573
Advance to other governments	175,000
Inventories	168,750
Capital assets	
Non-depreciable	3,278,804
Depreciable or amortizable – net of accumulated depreciation and amortization	<u>50,101,617</u>
Total Assets	<u>\$ 70,416,531</u>

Deferred Outflows of Resources

Deferred other postemployment benefits outflows	\$ 505,149
Deferred pension outflows	<u>1,159,366</u>
Total Deferred Outflows of Resources	<u>\$ 1,664,515</u>

Liabilities

Accounts payable and other current liabilities	\$ 549,011
Long-term liabilities	
Due within one year	1,116,092
Due in more than one year	3,097,908
Other postemployment benefits liability due within one year	371,999
Other postemployment benefits liability due in more than one year	7,040,584
Net pension liability	<u>1,863,239</u>
Total Liabilities	<u>\$ 14,038,833</u>

Deferred Inflows of Resources

Deferred other postemployment benefits inflows	\$ 683,732
Deferred pension inflows	<u>2,338,389</u>
Total Deferred Inflows of Resources	<u>\$ 3,022,121</u>

**Traverse County
Wheaton, Minnesota**

Exhibit 1
(Continued)

**Statement of Net Position
Governmental Activities
December 31, 2024**

Net Position

Net investment in capital assets	\$ 51,337,623
Restricted for	
General government	248,658
Public safety	212,166
Highways and streets	4,949,784
Human services	59,640
Sanitation	856
Debt service	238,014
Conservation of natural resources	366,269
Economic development	162,524
Unrestricted	<u>(2,555,442)</u>
Total Net Position	<u>\$ 55,020,092</u>

Traverse County Wheaton, Minnesota

Statement of Activities For the Year Ended December 31, 2024

	<u>Expenses</u>	<u>Fees, Charges, Fines, and Other</u>
<u>Functions/Programs</u>		
Governmental activities		
General government	\$ 2,587,345	\$ 298,383
Public safety	2,476,041	595,673
Highways and streets	5,211,017	545,305
Sanitation	184,674	75,247
Human services	2,322,642	385,210
Health	903,019	272,500
Culture and recreation	98,326	9,855
Conservation of natural resources	737,756	368,044
Economic development	28,806	2,278
Interest	81,274	-
Total governmental activities	\$ 14,630,900	\$ 2,552,495

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 – January 1, as previously reported
Restatement (Note 1)

Net Position – Beginning, as restated

Net Position – Ending

Exhibit 2

Program Revenues		Net (Expense) Revenue and Changes in Net Position		
Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Formerly Business- Type Activities	Total
\$ 210,772	\$ -	\$ (2,078,190)	\$ -	\$ (2,078,190)
196,647	-	(1,683,721)	-	(1,683,721)
5,690,809	842,746	1,867,843	-	1,867,843
86,753	-	(22,674)	-	(22,674)
1,310,145	-	(627,287)	-	(627,287)
-	-	(630,519)	-	(630,519)
-	-	(88,471)	-	(88,471)
259,809	-	(109,903)	-	(109,903)
81,262	-	54,734	-	54,734
-	-	(81,274)	-	(81,274)
\$ 7,836,197	\$ 842,746	\$ (3,399,462)	\$ -	\$ (3,399,462)
		\$ 6,863,103	\$ -	\$ 6,863,103
		4,055	-	4,055
		789,837	-	789,837
		49,044	-	49,044
		360,665	-	360,665
		51,275	-	51,275
		\$ 8,117,979	\$ -	\$ 8,117,979
		\$ 4,718,517	\$ -	\$ 4,718,517
		\$ 52,676,080	\$ (2,374,505)	\$ 50,301,575
		(2,374,505)	2,374,505	-
		\$ 50,301,575	\$ -	\$ 50,301,575
		\$ 55,020,092	\$ -	\$ 55,020,092

Fund Financial Statements

Governmental Funds

Traverse County Wheaton, Minnesota

Balance Sheet Governmental Funds December 31, 2024

	<u>General</u>	<u>Road and Bridge</u>
<u>Assets</u>		
Cash and pooled investments	\$ 4,669,159	\$ 3,604,742
Petty cash and change funds	1,500	-
Taxes receivable		
Delinquent	32,644	14,022
Special assessments receivable		
Delinquent	-	-
Noncurrent	263,430	-
Accounts receivable – net	20,016	2,885
Due from other funds	34,416	92
Due from other governments	45,600	4,189,719
Advance to other funds	1,182,000	-
Inventories	-	168,750
Total Assets	<u>\$ 6,248,765</u>	<u>\$ 7,980,210</u>
 <u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>		
Liabilities		
Accounts payable	\$ 84,074	\$ 52,571
Salaries payable	79,206	35,423
Contracts payable	-	39,779
Due to other funds	92	-
Due to other governments	41,669	1,610
Advance from other funds	-	-
Total Liabilities	<u>\$ 205,041</u>	<u>\$ 129,383</u>
 Deferred Inflows of Resources		
Unavailable revenue	<u>\$ 238,602</u>	<u>\$ 4,114,094</u>

Special Revenue Funds				
Social Services	Judicial Ditch #6	Formerly Major Enterprise Funds Traverse Care Center	Debt Service	Total
\$ 1,763,967	\$ -	\$ 133,229	\$ 401,090	\$ 10,572,187
100	-	-	-	1,600
2,432	-	2,986	1,319	53,403
-	39	-	-	39
-	159,119	-	851,609	1,274,158
4,586	-	212,500	-	239,987
-	-	-	-	34,508
315,667	-	-	-	4,550,986
-	-	-	-	1,182,000
-	-	-	-	168,750
\$ 2,086,752	\$ 159,158	\$ 348,715	\$ 1,254,018	\$ 18,077,618
\$ 84,506	\$ -	\$ 57,058	\$ -	\$ 278,209
21,184	-	-	-	135,813
-	-	-	-	39,779
34,416	-	-	-	34,508
17,026	39	-	-	60,344
-	-	1,007,000	-	1,007,000
\$ 157,132	\$ 39	\$ 1,064,058	\$ -	\$ 1,555,653
\$ 6,105	\$ 159,119	\$ 202,996	\$ 852,729	\$ 5,573,645

**Traverse County
Wheaton, Minnesota**

**Balance Sheet
Governmental Funds
December 31, 2024**

	<u>General</u>	<u>Road and Bridge</u>
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u> (Continued)		
Fund Balances		
Nonspendable		
Inventories	\$ -	\$ 168,750
Advances	1,182,000	-
Restricted for		
Law library	398	-
Recorder's equipment	114,666	-
Recorder's compliance fund	133,594	-
Enhanced 911	212,166	-
Invasive species aid	286,507	-
Housing assistance	162,524	-
Water quality loans	79,762	-
Solid waste assessments	856	-
Opioid settlement	-	-
Homeless prevention	-	-
Debt service	-	-
Highway allotments	-	576,675
Assigned to		
Road and bridge	-	2,991,308
Capital projects	912,562	-
Social services	-	-
Unassigned	<u>2,720,087</u>	<u>-</u>
Total Fund Balances	<u>\$ 5,805,122</u>	<u>\$ 3,736,733</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 6,248,765</u>	<u>\$ 7,980,210</u>

Exhibit 3*(Continued)*

Special Revenue Funds				
Social Services	Judicial Ditch #6	Formerly Major Enterprise Funds Traverse Care Center	Debt Service	Total
\$ -	\$ -	\$ -	\$ -	\$ 168,750
-	-	-	-	1,182,000
-	-	-	-	398
-	-	-	-	114,666
-	-	-	-	133,594
-	-	-	-	212,166
-	-	-	-	286,507
-	-	-	-	162,524
-	-	-	-	79,762
-	-	-	-	856
44,480	-	-	-	44,480
15,160	-	-	-	15,160
-	-	-	401,289	401,289
-	-	-	-	576,675
-	-	-	-	2,991,308
-	-	-	-	912,562
1,863,875	-	-	-	1,863,875
-	-	(918,339)	-	1,801,748
\$ 1,923,515	\$ -	\$ (918,339)	\$ 401,289	\$ 10,948,320
\$ 2,086,752	\$ 159,158	\$ 348,715	\$ 1,254,018	\$ 18,077,618

Traverse County Wheaton, Minnesota

Exhibit 4

Reconciliation of Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position—Governmental Activities December 31, 2024

Fund balance – total governmental funds (Exhibit 3)	\$	10,948,320
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets, net of accumulated depreciation and amortization, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		53,380,421
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Deferred outflows of resources resulting from the other postemployment benefits liability are not available resources and, therefore, are not reported in governmental funds.		505,149
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Deferred outflows of resources resulting from pension obligations are not available resources and, therefore, are not reported in governmental funds.		1,159,366
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Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources – unavailable revenue in the governmental funds.		5,573,645
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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	\$ (34,866)	
Compensated absences	(480,724)	
General obligation bonds	(3,315,000)	
Leases payable	(36,045)	
Software subscription liability	(39,039)	
Loans payable	(343,192)	
Other postemployment benefits liability	(7,412,583)	
Net pension liability	<u>(1,863,239)</u>	(13,524,688)

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.		(683,732)
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Deferred inflows of resources resulting from pension obligations are not due and payable in the current period and, therefore, are not reported in the governmental funds.		<u>(2,338,389)</u>
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Net Position of Governmental Activities (Exhibit 1)	\$	<u>55,020,092</u>
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**Traverse County
Wheaton, Minnesota**

**Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended December 31, 2024**

	<u>General</u>	<u>Road and Bridge</u>
Revenues		
Taxes	\$ 3,804,359	\$ 2,086,973
Special assessments	226,058	-
Licenses and permits	9,198	1,600
Intergovernmental	1,242,971	6,585,123
Charges for services	821,130	457,031
Investment earnings	361,450	-
Settlements	-	-
Miscellaneous	126,076	103,286
Total Revenues	\$ 6,591,242	\$ 9,234,013
Expenditures		
Current		
General government	\$ 2,532,977	\$ -
Public safety	2,379,847	-
Highways and streets	178,008	7,352,392
Human services	-	-
Health	-	-
Culture and recreation	59,164	-
Conservation of natural resources	722,366	-
Economic development	28,806	-
Intergovernmental		
Public health	36,812	-
Culture and recreation	37,294	-
Highways and streets	-	307,486
Conservation of natural resources	-	-
Debt service		
Principal	64,168	1,575
Interest	1,563	144
Administrative charges	-	-
Total Expenditures	\$ 6,041,005	\$ 7,661,597
Excess of Revenues Over (Under) Expenditures	\$ 550,237	\$ 1,572,416

Exhibit 5

Special Revenue Funds				
Social Services	Judicial Ditch #6	Formerly Major Enterprise Funds Traverse Care Center	Debt Service	Total
\$ 253,667	\$ -	\$ 530,972	\$ 190,302	\$ 6,866,273
-	18,497	-	99,859	344,414
-	-	-	-	10,798
1,278,685	-	-	56,845	9,163,624
15,175	-	-	-	1,293,336
1,138	-	-	1,860	364,448
59,303	-	-	-	59,303
343,835	-	98,200	-	671,397
\$ 1,951,803	\$ 18,497	\$ 629,172	\$ 348,866	\$ 18,773,593
\$ -	\$ -	\$ -	\$ -	\$ 2,532,977
-	-	-	-	2,379,847
-	-	-	-	7,530,400
2,377,018	-	-	-	2,377,018
33,435	-	544,348	-	577,783
-	-	-	-	59,164
-	-	-	-	722,366
-	-	-	-	28,806
-	-	-	-	36,812
-	-	-	-	37,294
-	-	-	-	307,486
-	18,497	-	-	18,497
1,949	-	340,000	260,000	667,692
532	-	43,709	39,170	85,118
-	-	-	1,828	1,828
\$ 2,412,934	\$ 18,497	\$ 928,057	\$ 300,998	\$ 17,363,088
\$ (461,131)	\$ -	\$ (298,885)	\$ 47,868	\$ 1,410,505

**Traverse County
Wheaton, Minnesota**

**Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended December 31, 2024**

	<u>General</u>	<u>Road and Bridge</u>
Other Financing Sources (Uses)		
Loans issued	\$ 343,192	\$ -
Software subscription issued	46,906	-
Insurance recoveries	2,120	-
Proceeds from sale of capital assets	-	14,275
	<u>-</u>	<u>14,275</u>
Total Other Financing Sources (Uses)	<u>\$ 392,218</u>	<u>\$ 14,275</u>
Net Change in Fund Balance	<u>\$ 942,455</u>	<u>\$ 1,586,691</u>
Fund Balance – January 1, as previously reported	\$ 4,862,667	\$ 2,134,450
Restatement (Note 1)	<u>-</u>	<u>-</u>
Net Position – January 1, as restated	<u>\$ 4,862,667</u>	<u>\$ 2,134,450</u>
Increase (decrease) in inventories	<u>\$ -</u>	<u>\$ 15,592</u>
Fund Balance – December 31	<u><u>\$ 5,805,122</u></u>	<u><u>\$ 3,736,733</u></u>

Exhibit 5*(Continued)*

Special Revenue Funds				
Social Services	Judicial Ditch #6	Formerly Major Enterprise Funds Traverse Care Center	Debt Service	Total
\$ -	\$ -	\$ -	\$ -	\$ 343,192
-	-	-	-	46,906
-	-	-	-	2,120
-	-	-	-	14,275
\$ -	\$ -	\$ -	\$ -	\$ 406,493
\$ (461,131)	\$ -	\$ (298,885)	\$ 47,868	\$ 1,816,998
\$ 2,384,646	\$ -	\$ -	\$ 353,421	\$ 9,735,184
-	-	(619,454)	-	(619,454)
\$ 2,384,646	\$ -	\$ (619,454)	\$ 353,421	\$ 9,115,730
\$ -	\$ -	\$ -	\$ -	\$ 15,592
\$ 1,923,515	\$ -	\$ (918,339)	\$ 401,289	\$ 10,948,320

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, 2024

Net change in fund balance – total governmental funds (Exhibit 5)	\$	1,816,998
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Amounts reported for governmental activities in the statement of activities are different because:

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

Unavailable revenue – December 31	\$ 5,573,645	
Unavailable revenue – January 1	<u>(5,089,558)</u>	484,087

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation and amortization expense. In the statement of activities, only the gain or loss on the disposal of capital assets is reported; whereas, in the governmental funds, the proceeds from the sale increase financial resources. The difference is the net book value of the assets disposed of.

Expenditures for general capital assets and infrastructure	\$ 4,663,365	
Current year depreciation and amortization	<u>(2,637,849)</u>	2,025,516

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	\$ 600,000	
Amortization of bond premiums and deferred charges on bond refunding	<u>5,672</u>	605,672
Proceeds of new debt – Loans issued		(343,192)

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	\$ 59,825	
Principal payments on software subscription	<u>7,867</u>	67,692
Software subscription issued		(46,906)

**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, 2024**

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	\$ 15,592	
Change in deferred other postemployment benefits outflows	(65,533)	
Change in deferred pension outflows	(763,780)	
Change in compensated absences	(46,121)	
Change in other postemployment benefits liability	(334,345)	
Change in net pension liability	1,022,935	
Change in deferred other postemployment benefits inflows	365,333	
Change in deferred pension inflows	<u>(85,431)</u>	<u>108,650</u>
Change in Net Position of Governmental Activities (Exhibit 2)		<u>\$ 4,718,517</u>

Proprietary Funds

**Traverse County
Wheaton, Minnesota**

Exhibit 7

**Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2024**

	Business-Type Activities – Enterprise Funds		
	Prairieview Place	Traverse Care Center	Totals
Net Position – January 1, as previously reported	\$ (116,891)	\$ (2,257,614)	\$ (2,374,505)
Restatement (Note 1)	116,891	2,257,614	2,374,505
Net Position – January 1, as restated	\$ -	\$ -	\$ -

Fiduciary Funds

**Traverse County
Wheaton, Minnesota**

Exhibit 8

**Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2024**

	Social Welfare Private-Purpose Trust Fund	Custodial Funds
<u>Assets</u>		
Cash and pooled investments	\$ 1,866	\$ 820,959
Taxes and special assessments receivable for other governments	-	154,116
Accounts receivable	-	47,540
Due from other governments	-	4,437
Total Assets	\$ 1,866	\$ 1,027,052
<u>Liabilities</u>		
Due to others	\$ -	\$ 8,671
Salaries payable	-	10,489
Advance from other funds	-	175,000
Due to other governments	-	89,944
Total Liabilities	\$ -	\$ 284,104
<u>Net Position</u>		
Restricted for individuals, organizations, and other governments	\$ 1,866	\$ 742,948

**Traverse County
Wheaton, Minnesota**

Exhibit 9

**Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended December 31, 2024**

<u>Additions</u>	Social Welfare Private-Purpose Trust Fund	Custodial Funds
Contributions from individuals	\$ 11,196	\$ 91,369
Property tax collections for other governments	-	5,509,943
Fees collected for state	-	1,658,813
Payments from state	-	644,227
Payments from other entities	-	105,693
Total Additions	\$ 11,196	\$ 8,010,045
 <u>Deductions</u>		
Payments of property tax to other governments	\$ -	\$ 5,251,976
Payments to state	-	1,925,802
Administrative expense	-	1,727
Payments to other individuals/entities	10,234	596,426
Total Deductions	\$ 10,234	\$ 7,775,931
Change in Net Position	\$ 962	\$ 234,114
Net Position – January 1	\$ 904	\$ 508,834
Net Position – December 31	\$ 1,866	\$ 742,948

Traverse County Wheaton, Minnesota

Notes to the Financial Statements As of and for the Year Ended December 31, 2024

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, 2024. 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.

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

The statement of activities demonstrates the degree to which the direct expenses of each function of the County's governmental activities are offset by program revenues. Direct expenses are those clearly identifiable with a specific function or activity. Program revenues include: (1) fees, fines, and charges paid by the recipients of goods, services, or privileges provided by a given function or activity; and (2) grants and contributions restricted to meeting the operational or capital requirements of a particular function or activity. Revenues not classified as program revenues, including all taxes, are presented as general revenues. The County does not allocate indirect expenses to functions within the financial statements.

Traverse County Wheaton, Minnesota

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 and fiduciary—are presented. The emphasis of governmental financial statements is on major individual governmental funds, with each displayed as separate columns in the fund financial statements. The County reports all of its governmental 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 Traverse Care Center Special Revenue Fund is used to account for the lease revenues, Care Center retirees health benefits, and debt payments of the County's nursing home and congregate housing facilities. The County leases its property and operations of Prairieview Place and Traverse Care Center to Minnewaska Community Health Services. Note 5 contains additional information related to this lease.
- 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.

Additionally, the County reports the following fund types:

- 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 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

Traverse County Wheaton, Minnesota

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 and software subscriptions are reported as other financing sources.

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first and then unrestricted resources as needed.

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

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, 2024. 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 2024 were \$357,667.

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."

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 2019 through 2024 and noncurrent special assessments payable in 2025 and after. Unpaid special assessments at December 31 are classified in the financial statements as delinquent special assessments.

Traverse County Wheaton, Minnesota

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

The County has no accounts receivable scheduled to be collected beyond one year.

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. The cost of prepaid items is recorded as an expenditure/expense when consumed rather than when purchased.

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 and software subscription arrangements, are reported 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.

Additions, improvements, and other capital outlays that significantly extend the useful life or increase capacity of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

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 and software subscriptions	3-10

Compensated Absences

The liability for compensated absences is reported in the government-wide financial statements. The leave consists of vacation leave, sick leave, and compensatory time that is attributable to services already rendered, it accumulates, and it is more likely than not to be used or settled through cash or noncash means. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Traverse County Wheaton, Minnesota

The government-wide statement of net position reports both current and noncurrent portions of compensated absences. The current portion consists of all compensatory time, vacation to the extent it was earned during the year, and the expected sick time to be taken, based on an average of hours used. The noncurrent portion consists of the remaining amount of vacation and sick leave employees are qualified to receive at termination according to their respective union contract.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts 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 and software subscriptions 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.

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 governmental funds report unavailable revenue associated with revenue received after the period of availability. 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.

Traverse County Wheaton, Minnesota

Unearned Revenue

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 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

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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, 2024, unrestricted fund balance for the General Fund and special revenue funds, except the Traverse Care Center Special Revenue 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.

Restatement of Beginning Net Position and Fund Balance for Change Within the Financial Reporting Entity

The Traverse Care Center Enterprise Fund and the Prairieview Place Enterprise Fund were combined and are reported in 2024 as the Traverse Care Center Special Revenue Fund. This change is to report the activity in a manner similar to other activity of the County where fees are not designed to cover all costs of operations. The January 1, 2024, fund balance or net position and related accounts of the impacted reporting units are described below:

Traverse County Wheaton, Minnesota

Change Within the Financial Reporting Entity

	Traverse Care Center Special Revenue Fund	Governmental Activities	Formerly Business-Type Activities	Formerly Prairieview Place Enterprise Fund	Formerly Traverse Care Center Enterprise Fund
Change in reporting entity Fund balance/net position, January 1, 2024, as previously reported	\$ -	\$ 52,676,080	\$ (2,374,505)	\$ (116,891)	\$ (2,257,614)
Accounts only on the Statement of Net Position					
Capital assets, net of accumulated depreciation	-	1,215,538	(1,215,538)	(194,449)	(1,021,089)
Deferred outflows of resources	-	116,676	(116,676)	-	(116,676)
Accrued interest payable	-	(16,953)	16,953	-	16,953
Other postemployment benefits payable	-	(1,113,345)	1,113,345	-	1,113,345
Revenue bonds payable	-	(1,791,189)	1,791,189	301,390	1,489,799
Deferred inflows of resources	-	(165,778)	165,778	-	165,778
Accounts on both Statement of Net Position and Governmental Funds Balance Sheet					
Cash	179,188	179,188	(179,188)	(58,110)	(121,078)
Accounts payable and other current liabilities	(33,642)	(33,642)	33,642	3,060	30,582
Advance from other funds	(765,000)	(765,000)	765,000	65,000	700,000
Restatement	(619,454)	(2,374,505)	2,374,505	116,891	2,257,614
Fund balance/net position, January 1, 2024, as restated	\$ (619,454)	\$ 50,301,575	\$ -	\$ -	\$ -

Note 2 – Stewardship, Compliance, and Accountability

Deficit Fund Balance

Funds with Deficit Fund Balance as of December 31, 2024

Traverse Care Center Special Revenue Fund \$ (918,339)

The fund balance deficit will be eliminated by future tax levies, lease revenues, and repayment of long-term debt.

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:

Traverse County Wheaton, Minnesota

Reconciliation of the County's Total Cash and Investments to the Basic Financial Statements as of December 31, 2024

Government-wide statement of net position	
Governmental activities	
Cash and pooled investments	\$ 10,573,787
Statement of fiduciary net position	
Cash and pooled investments	<u>822,825</u>
Total Cash and Investments	<u>\$ 11,396,612</u>

Deposits

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

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

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits may not be returned to it. The County's policy is to minimize deposit custodial credit risk by obtaining collateral or bond for all 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, 2024, 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;

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- (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, 2024, 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, 2024, and information relating to potential investment risks:

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Cash and Investments and Information Relating to Potential Investment Risk as of December 31, 2024

Investment Type	Credit Risk		Concentration Risk	Interest Rate Risk	Carrying (Fair) Value
	Credit Rating	Rating Agency	Over 5 Percent of Portfolio	Maturity Date	
Negotiable certificates of deposit with brokers					
Goldman Sachs Bank USA	N/R	N/A	>5%	01/21/2025	\$ 99,809
Comenity Bank	N/R	N/A	>5%	05/13/2025	98,445
Total negotiable certificates of deposit with brokers					<u>\$ 198,254</u>
Investment pools/mutual funds					
MAGIC Fund	N/R	N/A	<5%	N/A	<u>\$ 7,865</u>
Total investments					<u>\$ 206,119</u>
Checking					\$ 5,763,332
Savings					4,932,759
Non-negotiable certificates of deposit					492,802
Change funds					<u>1,600</u>
Total Cash and Investments					<u>\$ 11,396,612</u>

N/R – Not Rated

N/A – Not Applicable

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

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

At December 31, 2024, the County had the following recurring fair value measurements:

Traverse County Wheaton, Minnesota

Recurring Fair Value Measurements as of December 31, 2024

	December 31, 2024	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	\$ 198,254	\$ -	\$ 198,254	\$ -
Investments measured at the net asset value (NAV)				
MAGIC Portfolio	\$ 7,865			

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 a net asset value (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, 2024, for the County are as follows:

Governmental Activities' Receivables as of December 31, 2024

	Receivable	Less: Allowance for Uncollectible Accounts	Net Receivables	Amounts not Scheduled for Collection During the Subsequent Year
Governmental Activities				
Taxes receivable - delinquent	\$ 53,403	\$ -	\$ 53,403	\$ -
Special assessments receivable				
Delinquent	39	-	39	-
Noncurrent	1,274,158	-	1,274,158	1,095,781
Accounts receivable	617,352	(377,365)	239,987	-
Due from other governments	4,550,986	-	4,550,986	-
Total Governmental Activities	\$ 6,495,938	\$ (377,365)	\$ 6,118,573	\$ 1,095,781

Traverse County Wheaton, Minnesota

Capital Assets

Capital asset activity for the year ended December 31, 2024, was as follows:

Changes in Capital Assets for the Year Ended December 31, 2024

	Beginning Balance*	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 220,456	\$ -	\$ -	\$ 220,456
Right-of-way	1,084,129	9,911	-	1,094,040
Construction in progress	-	1,964,308	-	1,964,308
Total capital assets not depreciated	\$ 1,304,585	\$ 1,974,219	\$ -	\$ 3,278,804
Capital assets depreciated and amortized				
Buildings	\$ 11,774,064	\$ -	\$ -	\$ 11,774,064
Land improvements	408,345	-	-	408,345
Machinery, furniture, and equipment	6,721,506	469,720	(103,451)	7,087,775
Infrastructure	68,713,383	2,173,831	-	70,887,214
Lease equipment	355,724	-	-	355,724
Software subscription	-	46,906	-	46,906
Total capital assets depreciated and amortized	\$ 87,973,022	\$ 2,690,457	\$ (103,451)	\$ 90,560,028
Less: accumulated depreciation and amortization for				
Buildings	\$ 8,473,194	\$ 335,373	\$ -	\$ 8,808,567
Land improvements	210,577	26,395	-	236,972
Machinery, furniture, and equipment	4,870,054	433,919	(102,140)	5,201,833
Infrastructure	24,219,637	1,776,533	-	25,996,170
Lease equipment	149,240	61,069	-	210,309
Software subscription	-	4,560	-	4,560
Total accumulated depreciation and amortization	\$ 37,922,702	\$ 2,637,849	\$ (102,140)	\$ 40,458,411
Total capital assets depreciated and amortized, net	\$ 50,050,320	\$ 52,608	\$ (1,311)	\$ 50,101,617
Total Capital Assets, Net	\$ 51,354,905	\$ 2,026,827	\$ (1,311)	\$ 53,380,421

*As restated for a change in reporting entity, see Note 1.

Construction in progress at December 31, 2024, consists of amounts completed on open road and bridge projects.

Traverse County Wheaton, Minnesota

Depreciation and Amortization Expense Charged to Functions/Programs

Governmental Activities	
General government	\$ 132,191
Public safety	93,364
Highways and streets, including depreciation of infrastructure assets	2,171,655
Human services	6,404
Health	230,710
Sanitation	1,657
Culture and recreation	1,868
Total Depreciation and Amortization Expense	\$ 2,637,849

Interfund Receivables, Payables, and Transfers

Due To/From Other Funds

Interfund Balances as of December 31, 2024

Receivable Fund	Payable Fund	Amount
General Fund	Social Services Special Revenue Fund	\$ 34,416
Road and Bridge Special Revenue Fund	General Fund	92
Total Due To/Due From Other Funds		\$ 34,508

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, 2024

Receivable Fund	Payable Fund	Amount	Purpose
			Advances were made to fund a roof project and to cover the cost of retiree insurance and deficit cash flows
General Fund	Traverse Care Center Special Revenue Fund	\$ 1,007,000	
	Western Probation Services Custodial Fund	175,000	Advances were made to cover operational cash flows
Total Advance To/From Other Funds		\$ 1,182,000	

In 2024, the General Fund advanced an additional \$244,000 to the Traverse Care Center Special Revenue Fund to cover operational expenses. The outstanding loan balance with the Traverse Care Center Special Revenue 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.

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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, 2024

	Special Assessments	Taxes	Grants	Other	Total
Governmental funds					
General Fund	\$ 190,711	\$ 27,549	\$ -	\$ 20,342	\$ 238,602
Special Revenue Funds					
Road and Bridge	-	11,881	4,093,115	9,098	4,114,094
Social Services	-	2,100	4,005	-	6,105
Judicial Ditch #6	159,119	-	-	-	159,119
Traverse Care Center	-	2,496	-	200,500	202,996
Debt Service Fund	851,609	1,120	-	-	852,729
Total	\$ 1,201,439	\$ 45,146	\$ 4,097,120	\$ 229,940	\$ 5,573,645

Accounts Payable

Governmental Activities' Payables as of December 31, 2024

Accounts payable	\$ 278,209
Salaries payable	135,813
Contracts payable	39,779
Due to other governments	60,344
Accrued interest payable	34,866
Total Payables	<u>\$ 549,011</u>

Construction Commitments

The County has active construction projects and other commitments as of December 31, 2024. The projects and commitments include the following:

Active Construction Projects as of December 31, 2024

	Spent-to-Date	Remaining Commitment
CP 24-001	\$ 165,841	\$ 171,570
SAP 078-598-038	948,958	389,689
SAP 078-604-025	1,995,872	22,211
Total Construction Commitments	<u>\$ 3,110,671</u>	<u>\$ 583,470</u>

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Leases

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, 2024

Year Ending December 31	Principal	Interest
2025	\$ 20,310	\$ 787
2026	10,003	391
2027	5,137	109
2028	595	2
Total governmental activities lease payments	\$ 36,045	\$ 1,289

Software Subscription

The County entered into an agreement to finance a pictometry software subscription. The subscription is for six years and has been recorded at the present value of the future minimum payments as of the inception date. The software subscription liability is paid by the General Fund.

Future Minimum Software Subscription Obligations and Net Present Value of Minimum Software Subscription Payments as of December 31, 2024

Year Ending December 31	Principal	Interest
2025	\$ 7,769	\$ 98
2026	7,788	79
2027	7,808	59
2028	7,827	40
2029	7,847	20
Total governmental activities software subscription payments	\$ 39,039	\$ 296

Long-Term Debt

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.

Crossover Refunding

In 2015, the County issued \$1,595,000 General Obligation Crossover Refunding Bonds, Series 2015A. Proceeds

Traverse County Wheaton, Minnesota

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.

Revenue Refunding Bonds

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 Special Revenue 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 Traverse Care Center Special Revenue Fund.

Bonds Payable as of December 31, 2024

Type of Indebtedness	Final Maturity	Installment Amount	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2024
General obligation bonds					
2020A G.O. Drainage Bonds	2037	\$95,000- \$115,000	1.00-2.00	\$ 1,820,000	\$ 1,360,000
2015A G.O. Crossover Refunding Bonds	2027	\$140,000- \$180,000	2.50-2.75	1,595,000	525,000
2013A G.O. Governmental Housing Refunding Bonds	2027	\$65,000- \$80,000	1.05-2.50	785,000	155,000
2012A G.O. Nursing Home Revenue Refunding Bonds	2030	\$160,000- \$225,000	2.00-2.80	3,350,000	1,275,000
Total General Obligation Bonds, Net					<u>\$ 3,315,000</u>

Loans Payable

Beginning in 2024, the County entered into loan agreements with the Minnesota Department of Agriculture for the purposes of providing funding for the repair or replacement of water wells. The loans are secured by special assessments. Principal payments are made by the General Fund.

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Loans Payable as of December 31, 2024

Type of Indebtedness	Final Maturity	Installment Amount	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2024
Agricultural Best Management Practices (AgBMP) Loan Program	2035	\$16,821-17,996	-	\$ 343,192	\$ 343,192

Debt Service Requirements

Debt service requirements at December 31, 2024, were as follows:

Debt Service Requirements as of December 31, 2024

Year Ending December 31	General Obligation Bonds		Loans Payable	
	Principal	Interest	Principal	Interest
2025	\$ 540,000	\$ 68,063	\$ 173,429	\$ -
2026	555,000	55,806	16,821	-
2027	490,000	42,570	17,281	-
2028	315,000	33,275	17,367	-
2029	320,000	26,010	17,454	-
2030-2034	750,000	61,115	88,588	-
2035-2037	345,000	10,350	12,252	-
Total	\$ 3,315,000	\$ 297,189	\$ 343,192	\$ -

Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2024, was as follows:

Changes in Long-Term Liabilities for the Year Ended December 31, 2024

	Beginning Balance*	Additions	Reductions	Ending Balance	Due Within One Year
Long-term liabilities					
G.O. bonds payable	\$ 3,915,000	\$ -	\$ (600,000)	\$ 3,315,000	\$ 540,000
Unamortized bond premium	35,325	-	(35,325)	-	-
Loans Payable	-	343,192	-	343,192	173,429
Leases	95,870	-	(59,825)	36,045	20,310
Software subscription liability	-	46,906	(7,867)	39,039	7,769
Compensated absences	434,603	46,121**	-	480,724	374,584
Governmental Activities Long-Term Liabilities	\$ 4,480,798	\$ 436,219	\$ (703,017)	\$ 4,214,000	\$ 1,116,092

*As restated for a change in reporting entity, see Note 1.

**The change in compensated absences liability is presented as a net change.

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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 January 1, 2023, Actuarial Valuation

Inactive employees or beneficiaries currently receiving benefit payments	42
Active plan participants	66
Total	<u>108</u>

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 \$7,412,583 was determined by an actuarial valuation as of January 1, 2023, which was rolled forward to a measurement date of January 1, 2024. The OPEB liability is liquidated by the General Fund, Road and Bridge Special Revenue Fund, Social Services Special Revenue Fund, and Traverse Care Center Special Revenue Fund.

The total OPEB liability for fiscal year-end December 31, 2024, reporting was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

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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	6.25 percent as of January 1, 2024, decreasing to 5.00 percent over five years and then to 4.00 percent over the next 48 years

The current year discount rate is 3.70 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, 2024

Balance at December 31, 2023	\$ 7,078,238
Changes for the year	
Service cost	\$ 224,364
Interest	285,120
Changes in assumptions	177,544
Benefit payments	(352,683)
Net change	\$ 334,345
Balance at December 31, 2024	\$ 7,412,583

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:

Traverse County Wheaton, Minnesota

Sensitivity of the Total OPEB Liability to Changes In the Discount Rate as of December 31, 2024

	Discount Rate	Total OPEB Liability
1% Decrease	2.70%	\$ 8,096,264
Current	3.70%	7,412,583
1% Increase	4.70%	6,811,277

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, 2024

	Health Care Trend Rate	Total OPEB Liability
1% Decrease	5.25% Decreasing to 4.00%	\$ 6,695,077
Current	6.25% Decreasing to 5.00%	7,412,583
1% Increase	7.25% Decreasing to 6.00%	8,239,282

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

For the year ended December 31, 2024, the County recognized OPEB expense of \$406,536. 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, 2024

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience of the plan	\$ -	\$ 149,882
Changes in actuarial assumptions	133,158	533,850
Contributions subsequent to the measurement date	371,991	-
Total	\$ 505,149	\$ 683,732

The \$371,991 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, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

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Schedule of Amortization of Deferred Outflows And Inflows of Resources Related to OPEB As of December 31, 2024

Year Ended December 31	OPEB Expense Amount
2025	\$ (297,482)
2026	(297,482)
2027	44,390

Changes in Actuarial Assumptions

The following changes in actuarial assumptions occurred in 2024:

- The discount rate used changed from 4.00 to 3.70 percent.

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

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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. The 2024 annual increase was 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. The 2024 annual increase was 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.

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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 and disability qualification requirements vary by plan.

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 2023.

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, 2024

General Employees Plan	\$	240,384
Police and Fire Plan		93,459
Correctional Plan		62,801

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

Pension Costs

General Employees Plan

At December 31, 2024, the County reported a liability of \$1,343,409 for its proportionate share of the General Employees Plan's net pension liability. The net pension liability was measured as of June 30, 2024, 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, 2023, through June 30, 2024, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2024, the County's proportion was 0.0373 percent. It was 0.0390 percent measured as of June 30, 2023. The County recognized pension expense of \$104,025 for its proportionate share of the General Employees Plan's pension expense.

The State of Minnesota contributed \$170.1 million to the General Employees Plan in the plan fiscal year ended June 30, 2024. This contribution was a one-time direct state aid that does not meet the definition of a special funding situation. The County recognized \$61,809 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's on-behalf contributions to the General Employees Plan.

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Legislation requires the State of Minnesota to contribute \$16 million to the General Employees Plan annually until September 15, 2031. This contribution meets the definition of a special funding situation. The County recognized an additional \$931 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, 2024

The County's proportionate share of the net pension liability	\$ 1,343,409
State of Minnesota's proportionate share of the net pension liability associated with the County	<u>34,738</u>
Total	<u>\$ 1,378,147</u>

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

General Employees Plan Deferred Outflows of Resources and Deferred Inflows of Resources As of December 31, 2024

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 129,159	\$ -
Changes in actuarial assumptions	6,859	535,654
Difference between projected and actual investment earnings	-	388,725
Changes in proportion	43,870	111,621
Contributions paid to PERA subsequent to the measurement date	<u>122,314</u>	<u>-</u>
Total	<u>\$ 302,202</u>	<u>\$ 1,036,000</u>

The \$122,314 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, 2025. 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, 2024

Year Ended December 31	Pension Expense Amount
2025	\$ (453,947)
2026	(94,168)
2027	(205,033)
2028	(102,964)

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Police and Fire Plan

At December 31, 2024, the County reported a liability of \$428,867 for its proportionate share of the Police and Fire Plan's net pension liability. The net pension liability was measured as of June 30, 2024, 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, 2023, through June 30, 2024, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2024, the County's proportion was 0.0338 percent. It was 0.0348 percent measured as of June 30, 2023. The County recognized pension expense of \$74,351 for its proportionate share of the Police and Fire Plan's pension expense.

The State of Minnesota contributed \$19.4 million to the Police and Fire Plan in the plan fiscal year ended June 30, 2024. This contribution was a one-time direct state aid that does not meet the definition of a special funding situation. Additionally, the State of Minnesota contributed \$9 million of supplemental state aid to the Police and Fire Plan for the Plan's fiscal year ended June 30, 2024. Legislation requires the State of Minnesota to contribute \$9 million to the Police and Fire Plan each year, until the Police and Fire Plan and the State Patrol Plan are 90 percent funded for three consecutive years, or July 1, 2048, whichever is earlier. This contribution also does not meet the definition of a special funding situation. The County recognized \$9,257 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Plan.

Legislation also requires the State of Minnesota to pay direct state aid of \$9 million on October 1 each year until full funding is reached for three consecutive years, or July 1, 2048, whichever is earlier. This contribution meets the definition of a special funding situation. The County recognized an additional \$1,829 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, 2024

The County's proportionate share of the net pension liability	\$ 428,867
State of Minnesota's proportionate share of the net pension liability associated with the County	<u>16,348</u>
Total	<u>\$ 445,215</u>

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:

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Police and Fire Plan Deferred Outflows of Resources and Deferred Inflows of Resources As of December 31, 2024

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 174,582	\$ -
Changes in actuarial assumptions	529,676	647,163
Difference between projected and actual investment earnings	-	135,550
Changes in proportion	3,076	104,433
Contributions paid to PERA subsequent to the measurement date	51,359	-
Total	\$ 758,693	\$ 887,146

The \$51,359 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, 2025. 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, 2024

Year Ended December 31	Pension Expense Amount
2025	\$ (31,162)
2026	118,196
2027	(79,572)
2028	(194,850)
2029	7,576

Correctional Plan

At December 31, 2024, the County reported a liability of \$90,963 for its proportionate share of the Correctional Plan's net pension liability. The net pension liability was measured as of June 30, 2024, 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, 2023, through June 30, 2024, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2024, the County's proportion was 0.2985 percent. It was 0.2844 percent measured as of June 30, 2023. The County recognized pension expense of \$134,057 for its proportionate share of the Correctional Plan's pension expense.

The State of Minnesota contributed \$5.3 million to the Correctional Plan in the plan fiscal year ended June 30, 2024. This contribution was a one-time direct state aid that does not meet the definition of a special funding situation. The County recognized \$15,687 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's on-behalf contributions to the Correctional Plan.

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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, 2024

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 63,257	\$ -
Changes in actuarial assumptions	-	293,261
Difference between projected and actual investment earnings	-	120,763
Changes in proportion	4,236	1,219
Contributions paid to PERA subsequent to the measurement date	30,981	-
Total	\$ 98,474	\$ 415,243

The \$30,981 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, 2025. 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, 2024

Year Ended December 31	Pension Expense Amount
2025	\$ (316,225)
2026	50,040
2027	(47,566)
2028	(33,999)

Total Pension Expense

The total pension expense for all plans recognized by the County for the year ended December 31, 2024, was \$312,433.

Actuarial Assumptions

The total pension liability in the June 30, 2024, actuarial valuation was determined using the individual entry-age normal actuarial cost method and the following additional actuarial assumptions:

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Actuarial Assumptions for the Year Ended June 30, 2024

	General Employees Plan	Police and Fire Plan	Correctional Plan
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, 2024, 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 equity	33.50%	5.10%
International equity	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 2024, which remains consistent with 2023. 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.

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Changes in Actuarial Assumptions and Plan Provisions

The following changes in actuarial assumptions occurred in 2024:

General Employees Plan

- Rates of merit and seniority were adjusted, resulting in slightly higher rates.
- Assumed rates of retirement were adjusted as follows: increase the rate of assumed unreduced retirements, slight adjustments to Rule of 90 retirement rates, and slight adjustments to early retirement rates.
- Assumed rates of withdrawal were increased for both males and females.
- Assumed rates of disability were decreased.
- Slight adjustments were made to the use of the Pub-2010 General Mortality table as recommended in the most recent experience study.
- Minor changes to form of payment assumptions were applied for male and female retirees.
- Minor changes to assumptions were made with respect to missing participant data.
- The workers' compensation offset for disability benefits was eliminated.
- The actuarial equivalent factors were updated to reflect changes in assumptions.

Police and Fire Plan

- The state contribution of \$9 million per year will continue until the earlier of: (1) both the Public Employees Retirement Association Police and Fire Plan and the State Patrol Retirement Fund attaining 90 percent funded status for three consecutive years (on an actuarial value of assets basis), or (2) July 1, 2048. The contribution was previously due to expire upon attainment of 90 percent funded status for one year.
- The additional \$9 million contribution will continue until the Plan is fully funded for a minimum of three consecutive years on an actuarial value of assets basis or July 1, 2048, if earlier. This contribution was previously due to expire upon attainment of fully funded status on an actuarial value of assets basis for one year (or July 1, 2048, if earlier).

Correctional Plan

- Employee contribution rates will increase from 5.83 percent of pay to 6.83 percent of pay, effective July 1, 2025.
- Employer contribution rates will increase from 8.75 percent of pay to 10.25 percent of pay, effective July 1, 2025.
- The benefit multiplier was changed from 1.9 percent to 2.2 percent for service earned after June 30, 2025.

Traverse County Wheaton, Minnesota

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, 2024

	Proportionate Share of the					
	General Employees Plan		Police and Fire Plan		Correctional Plan	
	Discount Rate	Net Pension Liability	Discount Rate	Net Pension Liability (Asset)	Discount Rate	Net Pension Liability (Asset)
1% Decrease	6.00%	\$ 2,934,221	6.00%	\$ 1,013,498	6.00%	\$ 739,187
Current	7.00%	1,343,409	7.00%	428,867	7.00%	90,963
1% Increase	8.00%	34,821	8.00%	(51,236)	8.00%	(425,448)

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

Two 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.

Traverse County Wheaton, Minnesota

Total Contributions by Dollar Amount and Percentage of Covered Payroll Made by the Employer For the Year Ended December 31, 2024

	Employee	Employer
Contribution amount	\$ 1,890	\$ 1,890
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 2024 and \$1,000,000 per claim in 2025. 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.

Traverse County Wheaton, Minnesota

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 2024, Traverse County contributed \$25,940 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 2024, 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.

Traverse County Wheaton, Minnesota

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 2024.

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

Traverse County Wheaton, Minnesota

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 2024, 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 \$80,613 to this organization in 2024. Current financial statements are not available.

[Traverse County Connections](#)

Traverse County Connections was established in 1999 under the authority of Minn. Stat. §§ 142D.15 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 2024.

Traverse County Wheaton, Minnesota

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 2024, 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 2024, Traverse County contributed \$981 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.

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

Traverse County Wheaton, Minnesota

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 2024, 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.

Subsequent Events

Western Prairie Human Services

The County Board entered into a temporary agreement with Western Prairie Human Services to delegate Traverse County's social services authority to Western Prairie Human Services effective January 1, 2026. Final agreement is expected to be presented to the County Board for consideration in September 2025.

Required Supplementary Information

**Traverse County
Wheaton, Minnesota**

Exhibit A-1

**Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2024**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	\$ 3,786,117	\$ 3,786,117	\$ 3,804,359	\$ 18,242
Special assessments	75,000	75,000	226,058	151,058
Licenses and permits	8,087	8,087	9,198	1,111
Intergovernmental	934,446	934,446	1,242,971	308,525
Charges for services	739,870	739,870	821,130	81,260
Investment earnings	80,000	80,000	361,450	281,450
Miscellaneous	70,825	70,825	126,076	55,251
Total Revenues	\$ 5,694,345	\$ 5,694,345	\$ 6,591,242	\$ 896,897
Expenditures				
Current				
General government				
Commissioners	\$ 211,574	\$ 211,574	\$ 247,591	\$ (36,017)
Law library	3,000	3,000	5,810	(2,810)
County coordinator	169,549	169,549	171,382	(1,833)
County auditor/treasurer	341,958	341,958	366,299	(24,341)
License bureau	134,224	134,224	142,110	(7,886)
County assessor	285,251	285,251	294,046	(8,795)
Elections	43,130	43,130	39,808	3,322
Accounting and auditing	54,000	54,000	57,694	(3,694)
Data processing	166,005	166,005	333,136	(167,131)
Attorney	204,990	204,990	207,181	(2,191)
Recorder	184,755	184,755	209,523	(24,768)
Buildings and plant	256,104	256,104	276,200	(20,096)
Veterans service officer	92,123	92,123	75,302	16,821
Other general government	233,282	233,282	106,895	126,387
Total general government	\$ 2,379,945	\$ 2,379,945	\$ 2,532,977	\$ (153,032)
Public safety				
Sheriff	\$ 1,283,369	\$ 1,283,369	\$ 1,044,193	\$ 239,176
Boat and water	28,404	28,404	129	28,275
Coroner	12,000	12,000	9,627	2,373
Enhanced 911 system	414,692	414,692	474,349	(59,657)
Jail	718,595	718,595	753,552	(34,957)
Probation officer	-	-	1,666	(1,666)
Civil defense	94,058	94,058	96,331	(2,273)
Total public safety	\$ 2,551,118	\$ 2,551,118	\$ 2,379,847	\$ 171,271

**Traverse County
Wheaton, Minnesota**

Exhibit A-1
(Continued)

**Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2024**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Expenditures				
Current (Continued)				
Sanitation				
Solid waste	\$ 182,956	\$ 182,956	\$ 178,008	\$ 4,948
Culture and recreation				
County fair	\$ 15,000	\$ 15,000	\$ 15,000	\$ -
Parks	18,600	18,600	31,264	(12,664)
Other culture and recreation	12,900	12,900	12,900	-
Total culture and recreation	\$ 46,500	\$ 46,500	\$ 59,164	\$ (12,664)
Conservation of natural resources				
County extension	\$ 107,044	\$ 107,044	\$ 86,291	\$ 20,753
Buffer aid allocation	62,466	62,466	405,658	(343,192)
Soil and water conservation	187,392	187,392	157,574	29,818
Weed control	73,165	73,165	72,843	322
Total conservation of natural resources	\$ 430,067	\$ 430,067	\$ 722,366	\$ (292,299)
Economic development				
Community development	\$ 47,535	\$ 47,535	\$ 28,806	\$ 18,729
Intergovernmental				
Public health	\$ 38,500	\$ 38,500	\$ 36,812	\$ 1,688
Library	37,294	37,294	37,294	-
Total intergovernmental	\$ 75,794	\$ 75,794	\$ 74,106	\$ 1,688
Debt service				
Principal	\$ -	\$ -	\$ 64,168	\$ (64,168)
Interest	-	-	1,563	(1,563)
Total debt service	\$ -	\$ -	\$ 65,731	\$ (65,731)
Total Expenditures	\$ 5,713,915	\$ 5,713,915	\$ 6,041,005	\$ (327,090)

**Traverse County
Wheaton, Minnesota**

Exhibit A-1
(Continued)

**Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2024**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Excess of Revenues Over (Under)				
Expenditures	<u>\$ (19,570)</u>	<u>\$ (19,570)</u>	<u>\$ 550,237</u>	<u>\$ 569,807</u>
Other Financing Sources (Uses)				
Loans issued	\$ -	\$ -	\$ 343,192	\$ 343,192
Software subscription issued	-	-	46,906	46,906
Insurance recoveries	<u>-</u>	<u>-</u>	<u>2,120</u>	<u>2,120</u>
Total Other Financing Sources (Uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 392,218</u>	<u>\$ 392,218</u>
Net Change in Fund Balance	<u>\$ (19,570)</u>	<u>\$ (19,570)</u>	<u>\$ 942,455</u>	<u>\$ 962,025</u>
Fund Balance – January 1	<u>4,862,667</u>	<u>4,862,667</u>	<u>4,862,667</u>	<u>-</u>
Fund Balance – December 31	<u><u>\$ 4,843,097</u></u>	<u><u>\$ 4,843,097</u></u>	<u><u>\$ 5,805,122</u></u>	<u><u>\$ 962,025</u></u>

**Traverse County
Wheaton, Minnesota**

Exhibit A-2

**Budgetary Comparison Schedule
Road and Bridge Special Revenue Fund
For the Year Ended December 31, 2024**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	\$ 2,127,700	\$ 2,127,700	\$ 2,086,973	\$ (40,727)
Licenses and permits	-	-	1,600	1,600
Intergovernmental	6,471,347	6,471,347	6,585,123	113,776
Charges for services	437,843	437,843	457,031	19,188
Miscellaneous	66,407	66,407	103,286	36,879
Total Revenues	\$ 9,103,297	\$ 9,103,297	\$ 9,234,013	\$ 130,716
Expenditures				
Current				
Highways and streets				
Administration	\$ 559,795	\$ 559,795	\$ 328,627	\$ 231,168
Authorized work	32,000	32,000	21,860	10,140
Engineering	136,234	136,234	143,221	(6,987)
Construction	4,592,490	4,592,490	3,796,079	796,411
Maintenance	2,358,316	2,358,316	2,204,835	153,481
Equipment maintenance and shops	1,001,668	1,001,668	772,781	228,887
Material and services for resale	92,794	92,794	84,989	7,805
Total highways and streets	\$ 8,773,297	\$ 8,773,297	\$ 7,352,392	\$ 1,420,905
Intergovernmental				
Highways and streets	\$ 330,000	\$ 330,000	\$ 307,486	\$ 22,514
Debt service				
Principal	\$ -	\$ -	\$ 1,575	\$ (1,575)
Interest	-	-	144	(144)
Total debt service	\$ -	\$ -	\$ 1,719	\$ (1,719)
Total Expenditures	\$ 9,103,297	\$ 9,103,297	\$ 7,661,597	\$ 1,441,700
Excess of Revenues Over (Under)				
Expenditures	\$ -	\$ -	\$ 1,572,416	\$ 1,572,416

**Traverse County
Wheaton, Minnesota**

Exhibit A-2
(Continued)

**Budgetary Comparison Schedule
Road and Bridge Special Revenue Fund
For the Year Ended December 31, 2024**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	-	-	14,275	14,275
Net Change in Fund Balance	\$ -	\$ -	\$ 1,586,691	\$ 1,586,691
Fund Balance – January 1	2,134,450	2,134,450	2,134,450	-
Increase (decrease) in inventories	-	-	15,592	15,592
Fund Balance – December 31	<u>\$ 2,134,450</u>	<u>\$ 2,134,450</u>	<u>\$ 3,736,733</u>	<u>\$ 1,602,283</u>

**Traverse County
Wheaton, Minnesota**

Exhibit A-3

**Budgetary Comparison Schedule
Social Services Special Revenue Fund
For the Year Ended December 31, 2024**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	\$ 255,482	\$ 255,482	\$ 253,667	\$ (1,815)
Intergovernmental	1,087,095	1,087,095	1,278,685	191,590
Charges for services	25,500	25,500	15,175	(10,325)
Investment earnings	-	-	1,138	1,138
Settlements	-	-	59,303	59,303
Miscellaneous	250,504	250,504	343,835	93,331
Total Revenues	\$ 1,618,581	\$ 1,618,581	\$ 1,951,803	\$ 333,222
Expenditures				
Current				
Human services				
Income maintenance	\$ 803,503	\$ 803,503	\$ 877,360	\$ (73,857)
Social services	1,415,078	1,415,078	1,499,658	(84,580)
Total human services	\$ 2,218,581	\$ 2,218,581	\$ 2,377,018	\$ (158,437)
Health	\$ -	\$ -	\$ 33,435	\$ (33,435)
Debt service				
Principal	\$ -	\$ -	\$ 1,949	\$ (1,949)
Interest	-	-	532	(532)
Total debt service	\$ -	\$ -	\$ 2,481	\$ (2,481)
Total Expenditures	\$ 2,218,581	\$ 2,218,581	\$ 2,412,934	\$ (194,353)
Net Change in Fund Balance	\$ (600,000)	\$ (600,000)	\$ (461,131)	\$ 138,869
Fund Balance – January 1	2,384,646	2,384,646	2,384,646	-
Fund Balance – December 31	\$ 1,784,646	\$ 1,784,646	\$ 1,923,515	\$ 138,869

**Traverse County
Wheaton, Minnesota**

Exhibit A-4

**Budgetary Comparison Schedule
Traverse Care Center Special Revenue Fund
For the Year Ended December 31, 2024**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	\$ 544,195	\$ 544,195	\$ 530,972	\$ (13,223)
Miscellaneous	272,500	272,500	98,200	(174,300)
Total Revenues	\$ 816,695	\$ 816,695	\$ 629,172	\$ (187,523)
Expenditures				
Current				
Health				
Traverse Care Center	\$ 504,247	\$ 504,247	\$ 495,535	\$ 8,712
Prairieview Place	1,500	1,500	48,813	(47,313)
Total health	\$ 505,747	\$ 505,747	\$ 544,348	\$ (38,601)
Debt service				
Principal	\$ 310,948	\$ 310,948	\$ 340,000	\$ (29,052)
Interest	-	-	43,709	(43,709)
Total debt service	\$ 310,948	\$ 310,948	\$ 383,709	\$ (72,761)
Total Expenditures	\$ 816,695	\$ 816,695	\$ 928,057	\$ (111,362)
Net Change in Fund Balance	\$ -	\$ -	\$ (298,885)	\$ (298,885)
Fund Balance – January 1, as previously reported	\$ -	\$ -	\$ -	\$ -
Restatement (Note 1)	(619,454)	(619,454)	(619,454)	-
Net Position – January 1, as restated	\$ (619,454)	\$ (619,454)	\$ (619,454)	\$ -
Fund Balance – December 31	\$ (619,454)	\$ (619,454)	\$ (918,339)	\$ (298,885)

**Traverse County
Wheaton, Minnesota**

**Schedule of Changes in Total OPEB Liability and Related Ratios
Other Postemployment Benefits
December 31, 2024**

	<u>2024</u>	<u>2023</u>
Total OPEB Liability		
Service cost	\$ 224,364	\$ 207,659
Interest	285,120	169,105
Differences between expected and actual experience	-	(299,768)
Changes of assumption or other inputs	177,544	(1,067,704)
Benefit payments	<u>(352,683)</u>	<u>(355,489)</u>
Net change in total OPEB liability	\$ 334,345	\$ (1,346,197)
Total OPEB Liability – Beginning	<u>7,078,238</u>	<u>8,424,435</u>
Total OPEB Liability – Ending	<u><u>\$ 7,412,583</u></u>	<u><u>\$ 7,078,238</u></u>
 Covered-employee payroll	 \$ 4,182,627	 \$ 4,060,803
 Total OPEB liability (asset) as a percentage of covered-employee payroll	 177.22%	 174.31%

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

2022	2021	2020	2019	2018
\$ 297,724	\$ 289,052	\$ 258,970	\$ 214,422	\$ 240,441
169,060	233,589	274,219	317,884	312,519
-	(93,860)	-	(744,358)	-
-	346,522	656,862	(1,872,628)	-
<u>(393,255)</u>	<u>(377,561)</u>	<u>(384,821)</u>	<u>(368,661)</u>	<u>(360,103)</u>
\$ 73,529	\$ 397,742	\$ 805,230	\$ (2,453,341)	\$ 192,857
<u>8,350,906</u>	<u>7,953,164</u>	<u>7,147,934</u>	<u>9,601,275</u>	<u>9,408,418</u>
<u><u>\$ 8,424,435</u></u>	<u><u>\$ 8,350,906</u></u>	<u><u>\$ 7,953,164</u></u>	<u><u>\$ 7,147,934</u></u>	<u><u>\$ 9,601,275</u></u>
\$ 3,844,163	\$ 3,732,197	\$ 3,738,688	\$ 3,629,794	\$ 3,749,608
219.15%	223.75%	212.73%	196.92%	256.06%

**Traverse County
Wheaton, Minnesota**

Exhibit A-6

**Schedule of Proportionate Share of Net Pension Liability
PERA General Employees Retirement Plan
December 31, 2024**

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
2024	0.0373 %	\$ 1,343,409	\$ 34,738	\$ 1,378,147	\$ 3,075,518	43.68 %	89.08 %
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

The measurement date for each year is June 30.

N/A – Not Applicable

**Traverse County
Wheaton, Minnesota**

Exhibit A-7

**Schedule of Contributions
PERA General Employees Retirement Plan
December 31, 2024**

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)
2024	\$ 240,384	\$ 240,384	\$ -	\$ 3,205,118	7.50 %
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

The County's year-end is December 31.

**Traverse County
Wheaton, Minnesota**

Exhibit A-8

**Schedule of Proportionate Share of Net Pension Liability
PERA Public Employees Police and Fire Plan
December 31, 2024**

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
2024	0.0338 %	\$ 428,867	\$ 16,348	\$ 445,215	\$ 455,302	94.19 %	90.17 %
2023	0.0348	576,775	23,629	600,404	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	30,196	4252.93	63.88
2015	0.0320	363,595	N/A	363,595	296,162	122.77	86.61

The measurement date for each year is June 30.

N/A – Not Applicable

**Traverse County
Wheaton, Minnesota**

Exhibit A-9

**Schedule of Contributions
PERA Public Employees Police and Fire Plan
December 31, 2024**

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)
2024	\$ 93,459	\$ 93,459	\$ -	\$ 528,020	17.70 %
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

The County's year-end is December 31.

**Traverse County
Wheaton, Minnesota**

Exhibit A-10

**Schedule of Proportionate Share of Net Pension Liability
PERA Public Employees Local Government Correctional Service Retirement Plan
December 31, 2024**

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
2024	0.2985 %	\$ 90,963	\$ 720,259	12.63 %	97.54 %
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

The measurement date for each year is June 30.

**Traverse County
Wheaton, Minnesota**

Exhibit A-11

**Schedule of Contributions
PERA Public Employees Local Government Correctional Service Retirement Plan
December 31, 2024**

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)
2024	\$ 62,801	\$ 62,801	\$ -	\$ 717,713	8.75 %
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

The County's year-end is December 31.

Traverse County Wheaton, Minnesota

Notes to the Required Supplementary Information For the Year Ended December 31, 2024

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, Traverse Care Center 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 funds had expenditures in excess of budget for the year ended December 31, 2024:

	Expenditures	Final Budget	Excess
General Fund	\$ 6,041,005	\$ 5,713,915	\$ 327,090
Social Services Special Revenue Fund	2,412,934	2,218,581	194,353
Traverse Care Center Special Revenue Fund	928,057	816,695	111,362

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 2024:

- The discount rate used changed from 4.00 to 3.70 percent.

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.

Traverse County Wheaton, Minnesota

- 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.

Traverse County Wheaton, Minnesota

- 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

2024

- Rates of merit and seniority were adjusted, resulting in slightly higher rates.
- Assumed rates of retirement were adjusted as follows: increase the rate of assumed unreduced retirements, slight adjustments to Rule of 90 retirement rates, and slight adjustments to early retirement rates.
- Assumed rates of withdrawal were increased for both males and females.
- Assumed rates of disability were decreased.
- Slight adjustments were made to the use of the Pub-2010 General Mortality table as recommended in the most recent experience study.
- Minor changes to form of payment assumptions were applied for male and female retirees.
- Minor changes to assumptions were made with respect to missing participant data.
- The workers' compensation offset for disability benefits was eliminated.
- The actuarial equivalent factors were updated to reflect changes in assumptions.

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

Traverse County Wheaton, Minnesota

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.

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2019

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

2018

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

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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

2024

- The state contribution of \$9 million per year will continue until the earlier of: (1) both the Public Employees Retirement Association Police and Fire Plan and the State Patrol Retirement Fund attaining 90 percent funded status for three consecutive years (on an actuarial value of assets basis), or (2) July 1, 2048. The contribution was previously due to expire upon attainment of 90 percent funded status for one year.
- The additional \$9 million contribution will continue until the Plan is fully funded for a minimum of three consecutive years on an actuarial value of assets basis or July 1, 2048, if earlier. This contribution was previously due to expire upon attainment of fully funded status on an actuarial value of assets basis for one year (or July 1, 2048, if earlier).

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.

2022

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

Traverse County Wheaton, Minnesota

2021

- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent.
- The inflation assumption was changed from 2.50 percent to 2.25 percent.
- The payroll growth assumption was changed from 3.25 percent to 3.00 percent.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 Public Safety Mortality table. The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.
- The base mortality table for disabled annuitants was changed from the RP-2014 Healthy Annuitant Mortality table (with future mortality improvement according to Scale MP-2019) to the Pub-2010 Public Safety Disabled Annuitant Mortality table (with future mortality improvement according to Scale MP-2020).
- Assumed rates of salary increase were modified as recommended in the July 14, 2020, experience study. The overall impact is a decrease in gross salary increase rates.
- Assumed rates of retirement were changed as recommended in the July 14, 2020, experience study. The changes result in slightly more unreduced retirements and fewer assumed early retirements.
- Assumed rates of withdrawal were changed from select and ultimate rates to service-based rates. The changes result in more assumed terminations.
- Assumed rates of disability were increased for ages 25-44 and decreased for ages over 49. Overall, proposed rates result in more projected disabilities.
- Assumed percent married for active female members was changed from 60 percent to 70 percent. Minor changes to form of payment assumptions were applied.

2020

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

2019

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

2018

- The mortality projection scale was changed from Scale MP-2016 to Scale MP-2017.
- Post-retirement benefit increases changed to 1.00 percent for all years with no trigger.
- An end date of July 1, 2048, was added to the existing \$9.0 million state contribution. Additionally, annual state aid will equal \$4.5 million in fiscal years 2019 and 2020, and \$9.0 million thereafter, until the plan reaches 100 percent funding, or July 1, 2048, if earlier.

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- 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

Traverse County Wheaton, Minnesota

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

2024

- Employee contribution rates will increase from 5.83 percent of pay to 6.83 percent of pay, effective July 1, 2025.
- Employer contribution rates will increase from 8.75 percent of pay to 10.25 percent of pay, effective July 1, 2025.
- The benefit multiplier was changed from 1.9 percent to 2.2 percent for service earned after June 30, 2025.

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

Traverse County Wheaton, Minnesota

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.

2020

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

2019

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

2018

- The single discount rate was changed from 5.96 percent per annum to 7.50 percent per annum.
- The mortality projection scale was changed from Scale MP-2016 to Scale MP-2017.
- The assumed post-retirement benefit increase was changed from 2.50 percent per year to 2.00 percent per year.
- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Post-retirement benefit increases were changed from 2.50 percent per year with a provision to reduce to

Traverse County Wheaton, Minnesota

1.00 percent if the funding status declines to a certain level, to 100 percent of the Social Security cost-of-living adjustment, not less than 1.00 percent and not more than 2.50 percent, beginning January 1, 2019. If the funding status declines to 85 percent for two consecutive years, or 80 percent for one year, the maximum increase will be lowered to 1.50 percent.

- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017

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

2016

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

Supplementary Information

Governmental Funds

**Traverse County
Wheaton, Minnesota**

Exhibit B-1

**Budgetary Comparison Schedule
Debt Service Fund
For the Year Ended December 31, 2024**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	\$ 194,001	\$ 194,001	\$ 190,302	\$ (3,699)
Special assessments	137,205	137,205	99,859	(37,346)
Intergovernmental	-	-	56,845	56,845
Investment earnings	-	-	1,860	1,860
Total Revenues	\$ 331,206	\$ 331,206	\$ 348,866	\$ 17,660
Expenditures				
Debt service				
Principal	\$ 275,000	\$ 275,000	\$ 260,000	\$ 15,000
Interest	56,206	56,206	39,170	17,036
Administrative charges	-	-	1,828	(1,828)
Total Expenditures	\$ 331,206	\$ 331,206	\$ 300,998	\$ 30,208
Net Change in Fund Balance	\$ -	\$ -	\$ 47,868	\$ 47,868
Fund Balance – January 1	353,421	353,421	353,421	-
Fund Balance – December 31	\$ 353,421	\$ 353,421	\$ 401,289	\$ 47,868

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, 2024**

	<u>Taxes and Penalties</u>	<u>State Revenue</u>
<u>Assets</u>		
Cash and pooled investments	\$ 89,833	\$ 5,902
Taxes and special assessments receivable for other governments	153,103	1,013
Accounts receivable	-	-
Due from other governments	-	-
Total Assets	<u>\$ 242,936</u>	<u>\$ 6,915</u>
<u>Liabilities</u>		
Due to others	\$ -	\$ 6,296
Salaries payable	-	-
Advance from other funds	-	-
Due to other governments	89,833	-
Total Liabilities	<u>\$ 89,833</u>	<u>\$ 6,296</u>
<u>Net Position</u>		
Restricted for individuals, organizations, and other governments	<u><u>\$ 153,103</u></u>	<u><u>\$ 619</u></u>

Exhibit C-1

Traverse County Connections	Jail Canteen	Western Probation Services	Total Custodial Funds
\$ 62,188	\$ 334	\$ 662,702	\$ 820,959
-	-	-	154,116
-	-	47,540	47,540
-	-	4,437	4,437
\$ 62,188	\$ 334	\$ 714,679	\$ 1,027,052
\$ -	\$ -	\$ 2,375	\$ 8,671
-	-	10,489	10,489
-	-	175,000	175,000
-	-	111	89,944
\$ -	\$ -	\$ 187,975	\$ 284,104
\$ 62,188	\$ 334	\$ 526,704	\$ 742,948

**Traverse County
Wheaton, Minnesota**

**Combining Statement of Changes in Fiduciary Net Position
Fiduciary Funds – Custodial Funds
For the Year Ended December 31, 2024**

	<u>Taxes and Penalties</u>	<u>State Revenue</u>
<u>Additions</u>		
Contributions from individuals	\$ -	\$ -
Property tax collections for other governments	5,244,915	265,028
Fees collected for state	-	1,658,813
Payments from state	-	-
Payments from other entities	-	-
	<u> </u>	<u> </u>
Total Additions	<u>\$ 5,244,915</u>	<u>\$ 1,923,841</u>
<u>Deductions</u>		
Payments of property tax to other governments	\$ 5,251,976	\$ -
Payments to state	-	1,925,802
Administrative expense	-	-
Payments to other individuals/entities	-	-
	<u> </u>	<u> </u>
Total Deductions	<u>\$ 5,251,976</u>	<u>\$ 1,925,802</u>
Change in Net Position	<u>\$ (7,061)</u>	<u>\$ (1,961)</u>
Net Position – January 1	<u>\$ 160,164</u>	<u>\$ 2,580</u>
Net Position – December 31	<u><u>\$ 153,103</u></u>	<u><u>\$ 619</u></u>

Exhibit C-2

Traverse County Connections	Jail Canteen	Western Probation Services	Total Custodial Funds
\$ -	\$ 24,734	\$ 66,635	\$ 91,369
-	-	-	5,509,943
-	-	-	1,658,813
34,440	-	609,787	644,227
775	-	104,918	105,693
\$ 35,215	\$ 24,734	\$ 781,340	\$ 8,010,045
\$ -	\$ -	-	\$ 5,251,976
-	-	-	1,925,802
1,727	-	-	1,727
25,197	24,862	546,367	596,426
\$ 26,924	\$ 24,862	\$ 546,367	\$ 7,775,931
\$ 8,291	\$ (128)	\$ 234,973	\$ 234,114
\$ 53,897	\$ 462	\$ 291,731	\$ 508,834
\$ 62,188	\$ 334	\$ 526,704	\$ 742,948

Other Schedules

**Traverse County
Wheaton, Minnesota**

Exhibit D-1

**Schedule of Intergovernmental Revenue
Governmental Funds
For the Year Ended December 31, 2024**

Appropriations and Shared Revenue

State

Highway users tax	\$ 4,675,248
Market value credit	121,576
PERA rate reimbursement	12,052
Disparity reduction aid	18,517
Police aid	48,345
County program aid	635,578
Enhanced 911	148,302
Select Committee on Recycling and the Environment (SCORE)	86,753
Aquatic invasive species aid	26,797
Riparian protection aid	114,025
Statewide affordable housing aid	81,262
Local homeless prevention aid	16,019
Cannabis aid	2,114
Out of home placement aid	4,542

Total appropriations and shared revenue	\$ 5,991,130
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Reimbursement for Services

State	\$ 221,692
Counties	56,145
Watershed Districts	700

Total reimbursement for services	\$ 278,537
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Payments

Federal

Payments in lieu of taxes	\$ 33,945
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State

Payments in lieu of taxes	15,099
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Local

Local contributions	64,431

Total payments	\$ 113,475
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Grants

State

Minnesota Department of	
Public Safety	\$ 264,129
Transportation	540,004
Human Services	317,455
IT Services	74,500
Veterans Affairs	7,500
Secretary of State	20,153
Board of Water and Soil Resources Board	62,142

Total state	\$ 1,285,883
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**Traverse County
Wheaton, Minnesota**

Exhibit D-1
(Continued)

**Schedule of Intergovernmental Revenue
Governmental Funds
For the Year Ended December 31, 2024**

Grants (Continued)

Federal

Department of	
Agriculture	\$ 93,218
Health and Human Services	560,637
Homeland Security	<u>840,744</u>

Total federal	<u>\$ 1,494,599</u>
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Total state and federal grants	<u>\$ 2,780,482</u>
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Total Intergovernmental Revenue	<u><u>\$ 9,163,624</u></u>
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**Traverse County
Wheaton, Minnesota**

Exhibit D-2

**Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2024**

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	242MN101S2514	\$ 93,235
U.S. Department of Health and Human Services			
Passed Through Minnesota Department of Human Services			
MaryLee Allen Promoting Safe and Stable Families Program	93.556	2301MNFPS	\$ 1,866
Temporary Assistance for Needy Families	93.558	2401MNTANF	121,820
Child Support Services	93.563	2301MNCES	86,219
Child Support Services	93.563	2301MNCSES	13,741
(Total Child Support Services 93.563 \$99,960)			
Refugee and Entrant Assistance State/Replacement Designee Administered Programs	93.566	2401MNRMA	709
CCDF Cluster			
Child Care and Development Block Grant	93.575	2401MNCDF	363
Community-Based Child Abuse Prevention Grants	93.590	2302MNBCAP	575
Stephanie Tubbs Jones Child Welfare Services Program	93.645	2301MNCWSS	1,008
Foster Care Title IV-E	93.658	2401MNFOS	47,021
Social Services Block Grant	93.667	2401MNSOSR	47,434
Children's Health Insurance Program	93.767	2305MNS021	177
Medicaid Cluster			
Medical Assistance Program	93.778	2405MNSADM	240,651
Medical Assistance Program	93.778	2405MNSMAP	618
(Total Medical Assistance Program 93.778 \$241,269)			
Total U.S. Department of Health and Human Services			\$ 562,202
U.S. Department of Homeland Security			
Passed Through Minnesota Department of Public Safety			
Disaster Grants – Public Assistance (Presidentially Declared Disasters)	97.036	4666DRMNP00000001	\$ 8,538
Disaster Grants – Public Assistance (Presidentially Declared Disasters)	97.036	4722DRMNP00000001	832,206
(Total Disaster Grants – Public Assistance (Presidentially Declared Disasters) 97.036 \$840,744)			
Total U.S. Department of Homeland Security			\$ 840,744
Total Federal Awards			\$ 1,496,181

The County did not pass any federal awards through to subrecipients during the year ended December 31, 2024.

Totals by Cluster

Total expenditures for SNAP Cluster	\$ 93,235
Total expenditures for CCDF Cluster	363
Total expenditures for Medicaid Cluster	241,269

Traverse County Wheaton, Minnesota

Notes to the Schedule of Expenditures of Federal Awards As of and for the Year Ended December 31, 2024

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 award activity of Traverse County under programs of the federal government for the year ended December 31, 2024. 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 cost principles contained in 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 nor the 15 percent de minimis indirect cost rate, as applicable, allowed under the Uniform Guidance.

Note 3 – Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	\$ 1,494,599
Grants received more than 60 days after year-end, considered unavailable revenue in 2024	
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (AL No. 10.561)	17
MaryLee Allen Promoting Safe and Stable Families Program (AL No. 93.556)	522
Refugee Entrant Assistance State/Replacement Designee Administered Programs (AL No. 93.566)	216
Foster Care Title IV-E (AL No. 93.658)	827
Expenditures per Schedule of Expenditures of Federal Awards	<u>\$ 1,496,181</u>

Management and Compliance Section



**Report on Internal Control Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards***

Independent Auditor's Report

Board of County Commissioners
Traverse County
Wheaton, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Traverse County, Minnesota, as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 9, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Traverse County's internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified 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 2024-002 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 2024-001 to be a significant deficiency.*

Report on Compliance and Other Matters

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

Minnesota Legal Compliance

In connection with our audit, we noted that Traverse County failed to comply with the provisions of the contracting – bid laws and miscellaneous provisions sections of the *Minnesota Legal Compliance Audit Guide for Counties*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters, as described in the Schedule of Findings and Questioned Costs as items 2024-003 and 2024-004. Also, in connection with our audit, nothing came to our attention that caused us to believe that Traverse County failed to comply with the provisions of depositories of public funds and public investments, conflicts of interest, public indebtedness, and claims and disbursements sections of the *Minnesota Legal Compliance Audit Guide for Counties*, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the County's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

Other Items

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

Traverse County's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on 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 the response.

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

September 9, 2025

**Report on Compliance for Each Major Federal Program and Report on Internal
Control Over Compliance Required by the Uniform Guidance**Independent Auditor's Report

Board of County Commissioners
Traverse County
Wheaton, Minnesota

Report on Compliance for the Major Federal Program***Opinion on the Major Federal Program***

We have audited Traverse County's compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on Traverse County's major federal program for the year ended December 31, 2024. Traverse County's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, Traverse County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2024.

Basis for Opinion on the Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Traverse

County's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Traverse County's compliance with the requirements of the 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 the 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 the 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 the County's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

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

/s/Julie Blaha

Julie Blaha
State Auditor

September 9, 2025

/s/Chad Struss

Chad Struss, CPA
Deputy State Auditor

Traverse County Wheaton, Minnesota

Schedule of Findings and Questioned Costs For the Year Ended December 31, 2024

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 the major federal program:

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

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

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

Identification of the major federal program:

Assistance Listing Number	Name of Federal Program or Cluster
97.036	Disaster Grants – Public Assistance (Presidentially Declared Disasters)

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

2024-001 Segregation of Duties

Prior Year Finding Number: 2023-001

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 significant internal control in preventing and detecting errors or irregularities. To protect the County’s

Traverse County Wheaton, Minnesota

assets, proper segregation of the record-keeping, 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 Traverse County's departments that collect fees lack proper segregation of the accounting functions necessary to ensure adequate internal accounting control. Generally, one staff person is responsible for billing; collecting, recording, and depositing receipts; and reconciling the bank accounts.

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

Effect: Inadequate segregation of duties could adversely affect the ability of the County's employees, in the normal course of performing their assigned functions, to detect misstatements in 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 Board of Commissioners 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

2024-002 Material Audit Adjustments

Prior Year Finding Number: 2023-002

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 detect misstatements in the financial statements increases the likelihood that the financial statements would not be fairly presented. These 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:

Traverse County Wheaton, Minnesota

- The Ditch Special Revenue Fund required an adjustment to increase special assessments receivable and unavailable revenue by \$159,119 to record special assessments approved by the County Board.
- The Ditch Special Revenue Fund required an adjustment to increase revenues and expenditures by \$18,529 to report activity omitted from the special revenue fund.
- The Traverse Care Center Special Revenue Fund required an adjustment to increase revenues and expenditures by \$42,000 to report lease revenues that were recorded as a reduction of expenditures.
- The Debt Service Fund required an adjustment to increase special assessments receivable and unavailable revenue by \$851,609 to record special assessments approved by the County Board.

Cause: Staff overlooked this activity when financial statements were prepared.

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

View of Responsible Official: Acknowledge

Section III – Federal Award Findings and Questioned Costs

No matters were reported.

Section IV – Other Findings and Recommendations

2024-003 Contracting and Bidding – Withholding Affidavit of Contractors (Form IC-134)

Prior Year Finding Number: N/A

Year of Finding Origination: 2024

Type of Finding: Minnesota Legal Compliance

Criteria: Minnesota Statutes, Section 270C.66, states that, before making final settlement with any contractor under a contract requiring the employment of employees for wages by the contractor and by subcontractors, the County is required to obtain proof of compliance with the withholding requirements of Minn. Stat. § 290.92. This requirement can be satisfied through the receipt of Form IC-134 from the Commissioner of Revenue certifying compliance.

Condition: Testing of compliance with State of Minnesota contracting and bid laws identified two instances where final settlement was made on a contract requiring the employment of individuals for wages prior to receiving a Minnesota Department of Revenue approved Form IC-134, which certifies the reporting of employee withholdings from the contractor.

Context: Individual County departments are responsible for overseeing the contracting and bidding process for their own projects and for obtaining the required certificate prior to submitting the final payment for processing.

Effect: The County is not in compliance with Minn. Stat. § 270C.66.

Cause: Staff from the County's individual departments were not aware of all contract requirements.

Traverse County Wheaton, Minnesota

Recommendation: We recommend the County obtain the required Form IC-134 withholding affidavit before final payment is made to contractors and subcontractors on all contracts requiring the employment of employees for wages.

View of Responsible Official: Acknowledge

2024-004 Publication of County Board Minutes

Prior Year Finding Number: N/A

Year of Finding Origination: 2024

Type of Finding: Minnesota Legal Compliance

Criteria: Minnesota Statutes, Section 375.12, requires the County to publish all Board meeting minutes, or a summary of the minutes, in a qualified newspaper of general circulation in the County. These publications should be done within 30 days of the meeting.

Condition: In a sample of five published summaries reviewed, two were not published within the 30-day requirement.

Context: County Board meetings are typically held every two weeks. Meeting minutes are approved by the County Board at the subsequent meeting.

Effect: The County is not in compliance with Minn. Stat. § 375.12.

Cause: The County indicated that not all Board minutes were published within the 30 days required due to an error.

Recommendation: We recommend the County publish its summaries of the County Board minutes in compliance with Minn. Stat. § 375.12.

View of Responsible Official: Acknowledge

2023-005 Traverse Care Center Special Revenue Fund Deficit Fund Balance

Prior Year Finding Number: 2023-008

Year of Finding Origination: 1997

Type of Finding: Management Practice

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

Condition: As of December 31, 2024, the assets in the County's Traverse Care Center Special Revenue Fund did not exceed liabilities and deferred inflows of resources, resulting in a deficit fund balance.

Context: In 2024, due to a change in reporting entity, the operations of the Prairieview Place Enterprise Fund and the Traverse Care Center Enterprise Fund were eliminated and combined to be reported as the Traverse Care Center Special Revenue Fund. As of December 31, 2024, the Traverse Care Center Special Revenue Fund reported a deficit fund balance of \$918,339, which is a decrease from the restated beginning deficit fund balance of \$619,454.

Traverse County Wheaton, Minnesota

Effect: A fund with a deficit fund balance 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 and levies property taxes 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 the Traverse Care Center Special Revenue Fund until the bonds are repaid.

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

View of Responsible Official: Acknowledge



Traverse County Minnesota

Kit D Johnson, Auditor/Treasurer

702 2nd Ave N, PO Box 428

Wheaton, MN 56296

Phone: 320-422-7740

Email: kit.johnson@traversecountymn.gov

Representation of Traverse County Wheaton, Minnesota

Corrective Action Plan
For the Year Ended December 31, 2024

Finding Number: 2024-001

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, 2025

Finding Number: 2024-002

Finding Title: Material 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, 2025

Finding Number: 2024-003

Finding Title: Contracting and Bidding – Withholding Affidavit of Contractors (IC-134)

Name of Contact Person Responsible for Corrective Action:

Kit Johnson, County Auditor/Treasurer



Traverse County Minnesota

Kit D Johnson, Auditor/Treasurer

702 2nd Ave N, PO Box 428

Wheaton, MN 56296

Phone: 320-422-7740

Email: kit.johnson@traversecountymn.gov

Corrective Action Planned:

The Auditor/Treasurer will work with departments that are not experienced with the IC-134 requirements to make sure that we receive the IC-134 before final payment is made to contractors.

Anticipated Completion Date:

December 31, 2025

Finding Number: 2024-004

Finding Title: Publication of County Board Minutes

Name of Contact Person Responsible for Corrective Action:

Lisa Zahl, County Coordinator

Corrective Action Planned:

The County Coordinator will make sure that all board minutes are published in a timely manner.

Anticipated Completion Date:

December 31, 2025

Finding Number: 2024-005

Finding Title: Traverse Care Center Special Revenue Fund Deficit Fund Balance

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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Email: kit.johnson@traversecountymn.gov

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Summary Schedule of Prior Audit Findings
For the Year Ended December 31, 2024

Finding Number: 2023-001

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: 2023-002

Year of Finding Origination: 2023

Finding Title: Audit Adjustments

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

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

Status: Not Corrected. Traverse County staff will review the audit adjustments with the audit team and develop a plan so that these adjustments are not needed going forward. Some of these adjustments are the results of new transaction types that the county has not dealt with before or changes in generally accepted accounting principles.

Finding Number: 2023-003

Year of Finding Origination: 2023

Finding Title: Procurement Policy

Program: 20.205 Highway Planning and Construction

Summary of 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.

Summary of Corrective Action Previously Reported: Traverse County has updated their procurement policy to comply with the latest changes in the law.

Status: Fully Corrected. Corrective action was taken.



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Kit D Johnson, Auditor/Treasurer

702 2nd Ave N, PO Box 428

Wheaton, MN 56296

Phone: 320-422-7740

Email: kit.johnson@traversecountymn.gov

Finding Number: 2023-004

Year of Finding Origination: 2023

Finding Title: Activities Allowed or Unallowed and Allowable Costs/Cost Principles

Program: 93.778 Medical Assistance Program

Summary of 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.

Summary of Corrective Action Previously Reported: 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.

Status: Fully Corrected. Corrective action was taken.

Finding Number: 2023-005

Year of Finding Origination: 2023

Finding Title: Reporting (DHS-2550 and 2556)

Program: 93.778 Medical Assistance Program

Summary of 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.

Summary of Corrective Action Previously Reported: 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 and resubmit quarterly reports as requested.



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702 2nd Ave N, PO Box 428

Wheaton, MN 56296

Phone: 320-422-7740

Email: kit.johnson@traversecountymn.gov

Status: Fully Corrected. Corrective action was taken.

Finding Number: 2023-006

Year of Finding Origination: 2023

Finding Title: Local Collaborative Time Study (LCTS) Reporting (Cost Schedules DHS-3220.2)

Program: 93.778 Medical Assistance Program

Summary of Condition: **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.

Summary of Corrective Action Previously Reported: 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.

Status: Partially Corrected. The following changes have been made going forward, per probation staff - We have identified the reasons for the LCTS reports difference. We have reports from the Auditors Office that we will be using for expenses in the months incurred. Direct and Indirect expenses have been classified. LCTS Reporting will be amended for Quarter 4 2024 and 2025.

Finding Number: 2023-007

Year of Finding Origination: 2023

Finding Title: Local Collaborative Time Study (LCTS) Reporting (Cost Schedules DHS-3220.1 and DHS-3220.2)

Program: 93.778 Medical Assistance Program

Summary of 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.

Summary of Corrective Action Previously Reported: 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.

Status: Not Corrected. The following changes have been made going forward, per Traverse County Social Services staff - These are now all saved in an electronic file as the notification of the completion of the reports are received by TCSS Fiscal. They are also reviewed at that time and any oddities are addressed with the submitter of the report.



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Kit D Johnson, Auditor/Treasurer

702 2nd Ave N, PO Box 428

Wheaton, MN 56296

Phone: 320-422-7740

Email: kit.johnson@traversecountymn.gov

Finding Number: 2023-008

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, 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.

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. Correcting this deficit net position is going to take some time and possibly a change in economic conditions. Long term care facilities are closing in great numbers across rural Minnesota due to the funding gap. For now, the county has started to levy to fund the operations of the facility. We hope to keep the service available for county residents for a very long time. Every year, we get a little closer to paying off the bonds on these facilities, which will help alleviate the deficit net position.