

State of Minnesota



Office of the State Auditor

Julie Blaha
State Auditor

Audit Practice Division

Mille Lacs County Milaca, Minnesota

Annual Financial Report and
Management and Compliance Report

Year Ended December 31, 2023

Mille Lacs County Milaca, Minnesota

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Introductory Section

Mille Lacs County Milaca, Minnesota

Organization 2023

Office	Name	Term	
		From	To
Commissioners			
1st District	Genny Reynolds	January 2021	January 2025
2nd District	Dan Whitcomb	January 2023	January 2027
3rd District	Phil Peterson ¹	January 2021	January 2025
4th District	Roger Tellinghuisen	January 2023	January 2027
5th District	David Oslin	January 2021	January 2025
Elected			
Attorney	Joe Walsh ²	January 2023	March 2023
Attorney	Erica Madore	April 2023	January 2027
Sheriff	Kyle Burton	January 2023	January 2027
Appointed			
County Administrator	Dillon Hayes	August 2021	Indefinite
County Engineer	David Enblom	January 2, 2023	May 2024
Community and Veterans Services Director	Beth Crook	January 2014	Indefinite
Land Services Director	Doug Hansen	April 2022	Indefinite
Medical Examiner	Dr. Quinn Strobl	January 2023	December 2023

¹Board Chair

²Resigned March 2023

Financial Section



Independent Auditor's Report

Board of County Commissioners
Mille Lacs County
Milaca, 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 Mille Lacs County, Minnesota, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Mille Lacs County as of December 31, 2023, and the respective changes in financial position, and, where applicable, its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Emphasis of Matter – Correction of Material Misstatement in Previously Issued Financial Statements

As discussed in Note 1 to the financial statements, the previously issued 2022 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 2025, on our consideration of Mille Lacs County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Mille Lacs County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Mille Lacs County's internal control over financial reporting and compliance.

/s/Julie Blaha

Julie Blaha
State Auditor

March 21, 2025

/s/Chad Struss

Chad Struss, CPA
Deputy State Auditor

Management's Discussion and Analysis

Mille Lacs County Milaca, Minnesota

Management's Discussion and Analysis As of and for the Year Ended December 31, 2023

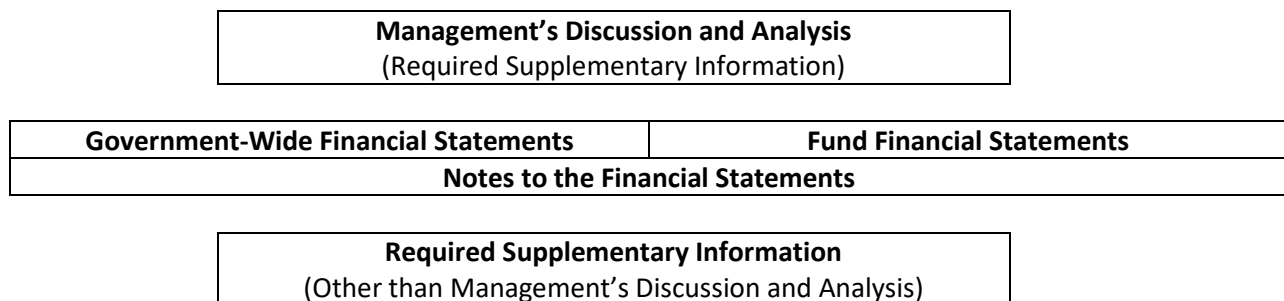
Mille Lacs County's Management's Discussion and Analysis (MD&A) provides an overview of the County's financial activities for the fiscal year ended December 31, 2023. We encourage readers to consider the information presented here in conjunction with the County's basic financial statements following this section. All amounts, unless otherwise indicated, are expressed in whole dollars.

Financial Highlights

- Governmental activities' total net position is \$91,037,132, of which \$75,564,516 is the net investment in capital assets, and \$10,429,235 is restricted to specific purposes/uses by the County.
- The net cost of Mille Lacs County's governmental activities for the year ended December 31, 2023, was \$24,180,608; the net cost was funded by general revenues and other items totaling \$29,975,132.
- At the close of 2023, Mille Lacs County's governmental funds reported combined ending fund balances of \$31,102,754, an increase of \$5,690,952 from the previous year-end balance. At the end of the year, Mille Lacs County's assigned and unassigned fund balance totaled \$21,836,311, which is available for spending at the County Board's discretion.

Overview of the Financial Statements

Mille Lacs County's MD&A serves as an introduction to the basic financial statements. The County's basic financial statements consist of three parts: government-wide financial statements, fund financial statements, and notes to the financial statements. The MD&A (this section); certain budgetary comparison schedules; the Schedule of Changes in Total OPEB Liability and Related Ratios – Other Postemployment Benefits; the Schedules of Proportionate Share of Net Pension Liability and Schedules of Contributions for the Public Employees Retirement Association of Minnesota (PERA) General Employees Retirement Plan, Public Employees Police and Fire Plan, and Public Employees Local Government Correctional Service Retirement Plan; and Notes to the Required Supplementary Information are required to accompany the basic financial statements and, therefore, are included as required supplementary information. The following chart demonstrates how the different pieces are inter-related.



Mille Lacs County presents two government-wide financial statements: the Statement of Net Position and the Statement of Activities. These two government-wide financial statements provide information about the activities of the County as a whole and present a longer-term view of Mille Lacs County's finances. The County's fund financial statements follow these two government-wide financial statements. For governmental activities, these statements tell how Mille Lacs County financed its services in the short term as well as what remains for future

spending. Fund financial statements also report the County's operations in more detail than the government-wide statements by providing information about the County's most significant/major funds. The remaining statements provide financial information about activities for which the County acts solely as a trustee or agent for the benefit of those outside of the government.

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

The Statement of Net Position and the Statement of Activities report information about Mille Lacs County as a whole and about its activities in a way that helps the reader determine whether Mille Lacs County's financial condition has improved or declined as a result of the current year's activities. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the full accrual basis of accounting, which is similar to the accounting used by most private-sector companies.

These two statements consider all of Mille Lacs County's current year revenues and expenses, regardless of when the County receives the revenue or pays the expenditure, and report the County's net position and changes in it. You can think of the County's net position—the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources—as one way to measure Mille Lacs County's financial health or financial position. Over time, increases or decreases in the County's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the County's property tax base and the general economic conditions of the state and County, to assess the overall health of Mille Lacs County.

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

Fund Financial Statements

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

Governmental funds—Most of Mille Lacs County's basic services are reported in governmental funds, which focus on how money flows in and out of those funds and the balances left at year-end that are available for spending. These funds are reported in the financial statements using modified accrual accounting, which measures cash and other financial assets that the County can readily convert to cash. The governmental fund statements provide a detailed short-term view of the County's general government operations and the basic services it provides. Governmental fund information helps determine whether financial resources are available that can be spent in the near future to finance various programs within Mille Lacs County. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation statement following each governmental fund financial statement.

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

Reporting the County's Fiduciary Responsibilities

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

The County as a Whole

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

Table 1
Net Position

	2023	2022
Assets		
Current and other assets	\$ 39,384,664	\$ 34,127,222
Capital assets	93,923,402	88,877,398
Total Assets	\$ 133,308,066	\$ 123,004,620
Deferred Outflows of Resources		
Deferred pension outflows	\$ 9,182,729	\$ 12,337,306
Deferred OPEB outflows	1,195,590	327,201
Total Deferred Outflows of Resources	\$ 10,378,319	\$ 12,664,507
Liabilities		
Long-term liabilities outstanding	\$ 35,407,520	\$ 47,736,108
Other liabilities	3,004,647	1,406,608
Total Liabilities	\$ 38,412,167	\$ 49,142,716
Deferred Inflows of Resources		
Deferred pension inflows	\$ 11,117,565	\$ 855,336
Deferred OPEB inflows	926,659	428,467
Advance from other governments	2,192,862	-
Total Deferred Inflows of Resources	\$ 14,237,086	\$ 1,283,803
Net Position		
Net investment in capital assets	\$ 75,564,516	\$ 73,317,662
Restricted	10,429,235	6,675,020
Unrestricted	5,043,381	5,249,926
Total Net Position	\$ 91,037,132	\$ 85,242,608

A large portion of Mille Lacs County's net position, \$75,564,516 (83.0 percent), reflects the County's investment in capital assets, less any related debt used to acquire those assets. The County uses these capital assets to provide services to citizens. However, it should be noted that these assets are not available for future spending or for liquidating any remaining debt. The portion of the County's net position subject to external restrictions on how they are used is \$10,429,235 (11.5 percent). The unrestricted net position is \$5,043,381 (5.5 percent) for 2023.

Table 2
Changes in Net Position

	2023	2022
Program revenues		
Fees, charges, fines, and other	\$ 3,795,125	\$ 5,871,096
Operating grants and contributions	14,524,778	13,757,137
Capital grants and contributions	-	77,775
General revenues		
Property taxes	22,814,509	20,836,654
Other	7,160,623	11,950,391
Total Revenues	\$ 48,295,035	\$ 52,493,053
Expenses		
General government	\$ 9,984,067	\$ 9,333,601
Public safety	11,887,917	12,207,870
Highways and streets	5,894,273	1,265,963
Sanitation	267,006	282,518
Human services	11,580,456	10,626,531
Health	946,612	923,355
Culture and recreation	493,571	405,810
Conservation of natural resources	522,256	344,053
Economic development	470,424	503,741
Interest	453,929	497,305
Total Expenses	\$ 42,500,511	\$ 36,390,747
Change in Net Position	\$ 5,794,524	\$ 16,102,306
Net Position – January 1	85,242,608	69,140,302
Net Position – December 31	\$ 91,037,132	\$ 85,242,608

Governmental Activities

Revenues for Mille Lacs County's governmental activities for the year ended December 31, 2023, were \$48,295,035. The County's cost for all governmental activities for the year ended December 31, 2023, was \$42,500,511. The net position for the County's governmental activities increased by \$5,794,524 in 2023.

As shown in the Statement of Activities, the amount that Mille Lacs County taxpayers ultimately financed for these governmental activities through local property taxation was \$22,814,509, because \$3,795,125 of the costs were paid by those who directly benefited from the programs, and \$14,524,778 was paid by other governments and organizations that subsidized certain programs with grants and contributions. Mille Lacs County paid for the remaining "public benefit" portion of governmental activities with \$2,673,154 in grants and contributions not restricted to specific programs and \$4,487,469 in other revenues, such as investment income, gravel tax, mortgage registry and state deed tax, wheelage tax, and local option sales tax.

County Revenues for Fiscal Year 2023

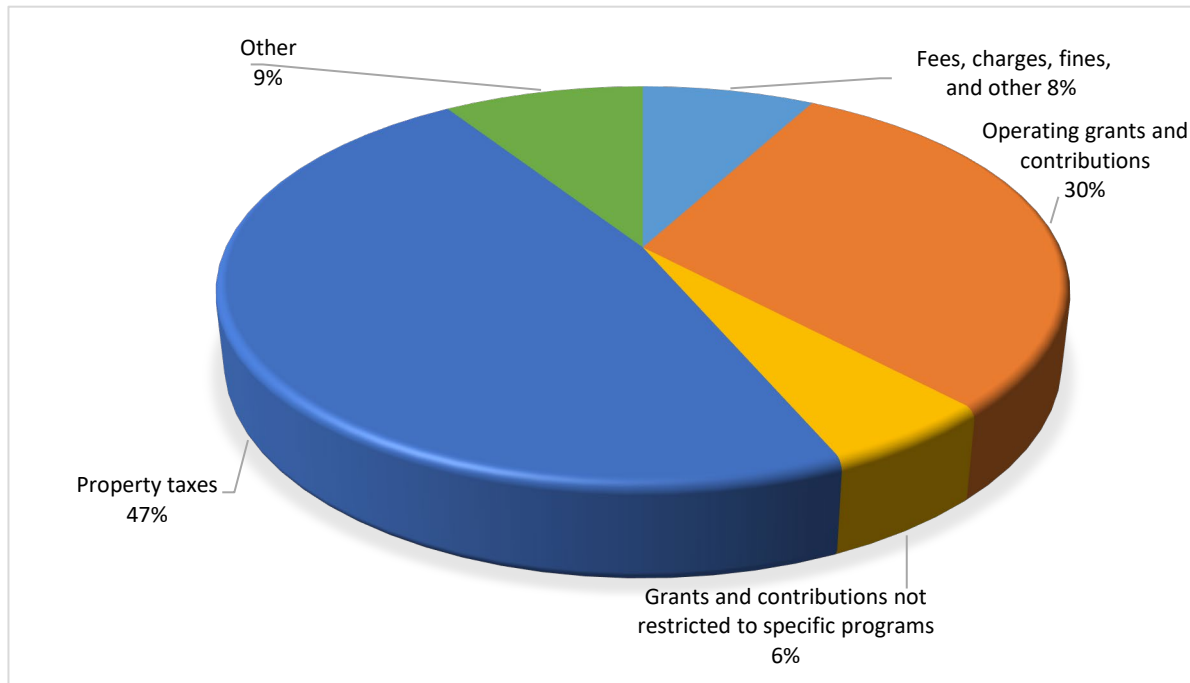
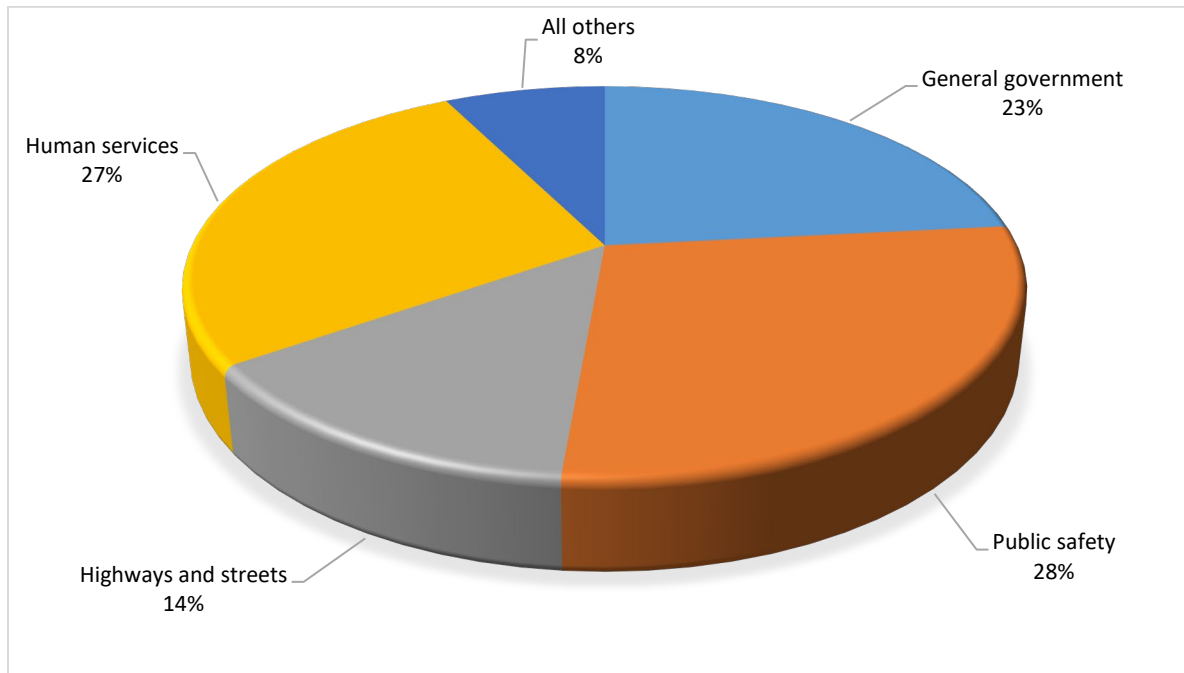


Table 3 presents the cost of each of Mille Lacs County's four largest program functions as well as each function's net cost (total cost, less revenues generated by the activities). The net cost shows the financial burden placed on Mille Lacs County's taxpayers by each of these functions.

Table 3
Governmental Activities

	2023	
	Total Cost of Services	Net Cost of Services
Program expenses		
General government	\$ 9,984,067	\$ (8,601,061)
Public safety	11,887,917	(9,299,483)
Highways and streets	5,894,273	(482,871)
Human services	11,580,456	(4,521,410)
All others	3,153,798	(1,275,783)
Total Program Expenses	\$ 42,500,511	\$ (24,180,608)

County Expenses for Fiscal Year 2023



Financial Analysis of the Government's Funds

Governmental Funds

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

At the end of the current fiscal year, governmental funds reported combined ending fund balances of \$31,102,754, an increase of \$5,690,952 in comparison with the prior year. Of the combined ending fund balances, \$21,836,311 represents unrestricted (committed, assigned, and unassigned) fund balance, which is available for spending at the County's discretion. The remaining fund balance, \$9,266,443, is not available for general spending due to restrictions for specific purposes or is considered nonspendable.

The General Fund is the main operating fund of the County. At the end of 2023, the General Fund's fund balance was \$13,891,863, of which \$10,647,686 was committed, assigned, or unassigned. As a measure of the General Fund's liquidity, it may be useful to compare unrestricted fund balance to total expenditures. The General Fund's unrestricted fund balance represents 48.2 percent of total General Fund expenditures. During 2023, the ending fund balance increased by \$2,799,253.

The Road and Bridge Special Revenue Fund had a total fund balance of \$3,228,291 at the end of 2023. The fund balance increased \$2,441,167 during 2023.

The Community and Veteran Services Special Revenue Fund had a total fund balance of \$7,700,562 at the end of 2023. The fund balance decreased by \$944,680 during 2023.

The Debt Service Fund had a total fund balance of \$4,919,746 at the end of 2023. The fund balance increased \$1,543,618 during 2023.

The Capital Projects Fund had a total fund balance of \$783,941 at the end of 2023. The fund balance increased \$74,563 during 2023.

The Opioid Settlement Fund had a total fund balance of \$504,128 at the end of 2023. The fund balance increased by \$100,244 during 2023 due to settlement revenue received, and no expenditures incurred during the year.

General Fund Budgetary Highlights

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

In 2023, the General Fund's actual revenues exceeded expected revenues by \$3,413,346, and actual expenditures also exceeded budgeted expenditures by \$1,489,088.

Capital Assets and Debt Administration

Capital Assets

At the end of 2023, Mille Lacs County had \$93,923,402 invested in a broad range of capital assets, net of depreciation and amortization. This investment in capital assets includes land, construction in progress, land improvements, buildings, machinery and equipment, infrastructure, and leased machinery and equipment (see Table 4).

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

	2023	2022
Land	\$ 4,663,126	\$ 4,653,769
Construction in progress	1,426,295	437,979
Land improvements	135,405	159,025
Buildings	12,982,949	13,583,399
Machinery and equipment	2,186,652	2,291,056
Infrastructure	70,958,633	67,130,679
Leased machinery and equipment	1,570,342	621,491
Total	<u>\$ 93,923,402</u>	<u>\$ 88,877,398</u>

Debt Administration

On December 31, 2023, Mille Lacs County had \$15,832,000 in bonds and notes outstanding, compared with \$17,246,000 as of December 31, 2022, a decrease of 8.2 percent, as shown in Table 5.

Table 5
Outstanding Debt at Year-End

Bonds and Notes Payable	Governmental Activities	
	2023	2022
2010B Taxable Capital Improvement Bonds – Recovery Zone		
Economic Development Bonds	\$ 410,000	\$ 540,000
2018A G.O. Capital Improvement Plan Bonds	7,885,000	8,260,000
2019A G.O. Capital Improvement Plan Bonds	2,500,000	2,665,000
2021A G.O. Capital Improvement Plan Bonds	3,056,000	3,535,000
2019B G.O. Drainage Bonds	1,060,000	1,105,000
2021B G.O. Drainage Bonds	496,000	516,000
2019A G.O. Capital Equipment Notes	425,000	625,000
Total	<u>\$ 15,832,000</u>	<u>\$ 17,246,000</u>

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

Economic Factors and Next Year's Budgets and Rates

The County's elected and appointed officials considered many factors when setting the fiscal year 2023 budget and tax rates.

- Major revenue sources for the County are state-paid aids, credits, and grants. The County is anticipating no significant changes to these programs in 2024.

Contacting the County's Financial Management

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

Basic Financial Statements

Government-Wide Financial Statements

**Mille Lacs County
Milaca, Minnesota**

Exhibit 1

**Statement of Net Position
Governmental Activities
December 31, 2023**

Assets

Cash and pooled investments	\$ 34,172,511
Petty cash and change funds	1,000
Departmental cash	15,465
Taxes receivable	
Delinquent	621,891
Special assessments receivable	
Delinquent	16,556
Noncurrent	1,095,443
Accounts receivable – net	285,153
Loans receivable – net	280,243
Accrued interest receivable	97
Due from other governments	2,566,169
Inventories	330,136
Capital assets	
Non-depreciable and amortizable	6,089,421
Depreciable and amortizable – net of accumulated depreciation and amortization	87,833,981
Total Assets	\$ 133,308,066

Deferred Outflows of Resources

Deferred pension outflows	\$ 9,182,729
Deferred other postemployment benefits outflows	1,195,590
Total Deferred Outflows of Resources	\$ 10,378,319

Liabilities

Accounts payable	\$ 825,521
Salaries payable	476,679
Contracts payable	725,811
Due to other governments	652,838
Accrued interest payable	188,808
Unearned revenue	134,990
Long-term liabilities	
Due within one year	3,549,663
Due in more than one year	17,154,520
Other postemployment benefits liability	3,140,683
Net pension liability	11,562,654
Total Liabilities	\$ 38,412,167

Deferred Inflows of Resources

Deferred pension inflows	\$ 11,117,565
Deferred other postemployment benefits inflows	926,659
Advance from other governments	2,192,862
Total Deferred Inflows of Resources	\$ 14,237,086

**Mille Lacs County
Milaca, Minnesota**

Exhibit 1
(Continued)

**Statement of Net Position
Governmental Activities
December 31, 2023**

Net Position

Net investment in capital assets	\$	75,564,516
Restricted for		
General government		419,089
Public safety		1,970,605
Highways and streets		708,286
Conservation of natural resources		647,780
Economic development		16,752
Sanitation		221,694
Human services		225,265
Opioid remediation activities		504,128
Debt service		5,715,636
Unrestricted		5,043,381
Total Net Position	\$	91,037,132

**Mille Lacs County
Milaca, Minnesota**

Exhibit 2

**Statement of Activities
For the Year Ended December 31, 2023**

		Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Fees, Charges, Fines, and Other	Operating Grants and Contributions	Capital Grants and Contributions	
	Expenses				
Functions/Programs					
Governmental activities					
General government	\$ 9,984,067	\$ 1,118,827	\$ 264,179	\$ -	\$ (8,601,061)
Public safety	11,887,917	606,844	1,981,590	-	(9,299,483)
Highways and streets	5,894,273	179,568	5,231,834	-	(482,871)
Sanitation	267,006	299,179	78,853	-	111,026
Human services	11,580,456	1,232,695	5,826,351	-	(4,521,410)
Health	946,612	114,137	770,575	-	(61,900)
Culture and recreation	493,571	8,150	117,406	-	(368,015)
Conservation of natural resources	522,256	78,423	138,990	-	(304,843)
Economic development	470,424	157,302	115,000	-	(198,122)
Interest expense on long-term debt	453,929	-	-	-	(453,929)
Total Governmental Activities	\$ 42,500,511	\$ 3,795,125	\$ 14,524,778	\$ -	\$ (24,180,608)
General Revenues					
Property taxes				\$ 22,814,509	
Gravel tax				36,781	
Mortgage registry and deed tax				222,529	
Wheelage tax				546,063	
Local option sales tax				1,979,573	
Payments in lieu of tax				309,074	
Grants and contributions not restricted to specific programs				2,673,154	
Unrestricted investment earnings				1,120,724	
Miscellaneous				272,725	
Total general revenues				\$ 29,975,132	
Change in net position				\$ 5,794,524	
Net Position – January 1				85,242,608	
Net Position – December 31				\$ 91,037,132	

Fund Financial Statements

Governmental Funds

**Mille Lacs County
Milaca, Minnesota**

**Balance Sheet
Governmental Funds
December 31, 2023**

	<u>General</u>	<u>Road and Bridge</u>	<u>Community and Veteran Services</u>
<u>Assets</u>			
Cash and pooled investments	\$ 15,185,335	\$ 5,941,989	\$ 7,009,353
Petty cash and change funds	950	-	50
Departmental cash	15,465	-	-
Taxes receivable			
Delinquent	423,863	34,301	98,228
Special assessments receivable			
Delinquent	11,574	-	-
Noncurrent	114,347	-	-
Accounts receivable – net	21,825	13,478	249,850
Loans receivable – net	280,243	-	-
Accrued interest receivable	97	-	-
Due from other funds	57,833	146,579	226,788
Due from other governments	265,939	1,008,947	1,112,180
Inventories	-	330,136	-
Advances to other funds	11,248	-	-
Total Assets	<u>\$ 16,388,719</u>	<u>\$ 7,475,430</u>	<u>\$ 8,696,449</u>
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>			
Liabilities			
Accounts payable	\$ 217,683	\$ 284,597	\$ 245,949
Salaries payable	276,303	40,691	159,685
Contracts payable	-	725,811	-
Due to other funds	614,869	-	57,833
Due to other governments	403,606	-	249,232
Unearned revenue	134,990	-	-
Advances from other funds	-	-	-
Total Liabilities	<u>\$ 1,647,451</u>	<u>\$ 1,051,099</u>	<u>\$ 712,699</u>
Deferred Inflows of Resources			
Unavailable revenue	\$ 849,405	\$ 1,003,178	\$ 283,188
Advance from other governments	-	2,192,862	-
Total Deferred Inflows of Resources	<u>\$ 849,405</u>	<u>\$ 3,196,040</u>	<u>\$ 283,188</u>

Exhibit 3

Debt Service	Capital Projects	Opioid Settlement	Nonmajor Ditch Special Revenue Fund	Total
\$ 4,672,389	\$ 687,985	\$ 504,128	\$ 85,471	\$ 34,086,650
-	-	-	-	1,000
-	-	-	-	15,465
21,576	43,923	-	-	621,891
3,602	-	-	1,380	16,556
981,096	-	-	-	1,095,443
-	-	-	-	285,153
-	-	-	-	280,243
-	-	-	-	97
68,254	173,248	-	-	672,702
179,103	-	-	-	2,566,169
-	-	-	-	330,136
-	-	-	-	11,248
\$ 5,926,020	\$ 905,156	\$ 504,128	\$ 86,851	\$ 39,982,753
\$ -	\$ 77,292	\$ -	\$ -	\$ 825,521
-	-	-	-	476,679
-	-	-	-	725,811
-	-	-	-	672,702
-	-	-	-	652,838
-	-	-	-	134,990
-	-	-	11,248	11,248
\$ -	\$ 77,292	\$ -	\$ 11,248	\$ 3,499,789
\$ 1,006,274	\$ 43,923	\$ -	\$ 1,380	\$ 3,187,348
-	-	-	-	2,192,862
\$ 1,006,274	\$ 43,923	\$ -	\$ 1,380	\$ 5,380,210

**Mille Lacs County
Milaca, Minnesota**

**Balance Sheet
Governmental Funds
December 31, 2023**

	<u>General</u>	<u>Road and Bridge</u>	<u>Community and Veteran Services</u>
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u> (Continued)			
Fund Balances			
Nonspendable			
Inventories	\$ -	\$ 330,136	\$ -
Advances to other funds	11,248	-	-
Restricted for			
Debt service	-	-	-
Law library	191,179	-	-
Recorder's technology and equipment	162,913	-	-
Clean water legacy	76,287	-	-
Administering the carrying of weapons	197,504	-	-
Affordable housing aid	109,795	-	-
Law enforcement	121,542	-	-
Enhanced 911 system	502,777	-	-
Next generation 911	51,228	-	-
Public safety aid	738,861	-	-
Opioid remediation activities	-	-	-
Gravel pit restoration	154,021	-	-
DARE program	64,239	-	-
Prisoner account	294,454	-	-
Prosecutorial purposes	64,997	-	-
Aquatic invasive species	264,686	-	-
Ditch maintenance and repairs	-	-	-
SCORE	221,694	-	-
Economic development	16,752	-	-
Homeless prevention aid	-	-	115,470
Assigned to			
General government	228,997	-	-
Public safety	66,642	-	-
Highways and streets	-	2,898,155	-
Community and veteran services programs	-	-	7,585,092
Capital projects	-	-	-
Unassigned	10,352,047	-	-
Total Fund Balances	\$ 13,891,863	\$ 3,228,291	\$ 7,700,562
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 16,388,719	\$ 7,475,430	\$ 8,696,449

Exhibit 3*(Continued)*

<u>Debt Service</u>	<u>Capital Projects</u>	<u>Opioid Settlement</u>	<u>Nonmajor Ditch Special Revenue Fund</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ 330,136
-	-	-	-	11,248
4,919,746	-	-	-	4,919,746
-	-	-	-	191,179
-	-	-	-	162,913
-	-	-	-	76,287
-	-	-	-	197,504
-	-	-	-	109,795
-	-	-	-	121,542
-	-	-	-	502,777
-	-	-	-	51,228
-	-	-	-	738,861
-	-	504,128	-	504,128
-	-	-	-	154,021
-	-	-	-	64,239
-	-	-	-	294,454
-	-	-	-	64,997
-	-	-	-	264,686
-	-	-	152,786	152,786
-	-	-	-	221,694
-	-	-	-	16,752
-	-	-	-	115,470
-	-	-	-	228,997
-	-	-	-	66,642
-	-	-	-	2,898,155
-	-	-	-	7,585,092
-	783,941	-	-	783,941
-	-	-	(78,563)	10,273,484
<u>\$ 4,919,746</u>	<u>\$ 783,941</u>	<u>\$ 504,128</u>	<u>\$ 74,223</u>	<u>\$ 31,102,754</u>
<u>\$ 5,926,020</u>	<u>\$ 905,156</u>	<u>\$ 504,128</u>	<u>\$ 86,851</u>	<u>\$ 39,982,753</u>

**Mille Lacs County
Milaca, Minnesota**

Exhibit 4

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

Fund balances – total governmental funds (Exhibit 3) **\$ 31,102,754**

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. 93,923,402

Deferred outflows of resources resulting from pension obligations are not available resources and, therefore, are not reported in the governmental funds. 9,182,729

Deferred outflows of resources resulting from the other postemployment benefits liability are not available resources and, therefore, are not reported in the governmental funds. 1,195,590

Revenues in the statement of activities that do not provide current financial resources are not reported in the governmental funds. 3,187,348

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

General obligation and taxable bonds	\$ (13,851,000)	
Special assessment bonds	(1,556,000)	
Unamortized premium on bonds	(502,810)	
Capital equipment notes	(425,000)	
Unamortized premium on notes	(29,678)	
Loans payable	(190,000)	
Leases payable	(1,568,095)	
Compensated absences	(2,581,600)	
Net pension liability	(11,562,654)	
Other postemployment benefits liability	<u>(3,140,683)</u>	(35,407,520)

Deferred inflows resulting from pension obligations are not due and payable in the current period and, therefore, are not reported in the governmental funds. (11,117,565)

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. (926,659)

Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the governmental funds. (188,808)

An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position. 85,861

Net Position of Governmental Activities (Exhibit 1) **\$ 91,037,132**

**Mille Lacs County
Milaca, Minnesota**

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

	<u>General</u>	<u>Road and Bridge</u>	<u>Community and Veteran Services</u>
Revenues			
Taxes	\$ 14,885,736	\$ 2,240,996	\$ 3,136,988
Special assessments	217,765	-	-
Licenses and permits	603,741	27,299	-
Intergovernmental	5,638,608	9,476,958	6,973,875
Charges for services	697,959	101,369	800,598
Fines and forfeits	93,988	-	-
Gifts and contributions	2,857	-	2,000
Settlement revenue	-	-	-
Investment earnings	1,120,724	-	-
Miscellaneous	687,298	50,900	518,490
Total Revenues	\$ 23,948,676	\$ 11,897,522	\$ 11,431,951
Expenditures			
Current			
General government	\$ 8,969,516	\$ -	\$ 180,766
Public safety	11,263,401	-	-
Highways and streets	-	11,201,684	-
Sanitation	264,681	-	-
Human services	-	-	11,256,236
Health	-	-	937,121
Culture and recreation	187,970	-	-
Conservation of natural resources	396,690	-	-
Economic development	471,095	-	-
Intergovernmental			
General government	5,000	-	-
Highways and streets	-	295,980	-
Culture and recreation	305,601	-	-
Capital outlay			
General government	-	-	-
Public safety	-	-	-
Human services	-	-	-
Debt service			
Principal	207,390	44,240	2,479
Interest	7,073	660	29
Administrative (fiscal) charges	-	-	-
Total Expenditures	\$ 22,078,417	\$ 11,542,564	\$ 12,376,631
Excess of Revenues Over (Under) Expenditures	\$ 1,870,259	\$ 354,958	\$ (944,680)
Other Financing Sources (Uses)			
Transfers in	\$ -	\$ 1,565,896	\$ -
Transfers out	(11,330)	-	-
Proceeds from sale of capital assets	64,486	84,743	-
Issuance of leases	875,838	435,570	-
Total Other Financing Sources (Uses)	\$ 928,994	\$ 2,086,209	\$ -
Net Change in Fund Balances	\$ 2,799,253	\$ 2,441,167	\$ (944,680)

Exhibit 5

Debt Service	Capital Projects	Opioid Settlement	Nonmajor Ditch Special Revenue Fund	Total
\$ 2,905,959	\$ 2,338,162	\$ -	\$ -	\$ 25,507,841
128,857	-	-	22,595	369,217
-	-	-	-	631,040
8,588	-	-	-	22,098,029
-	-	-	-	1,599,926
-	-	-	-	93,988
-	-	-	-	4,857
-	-	100,244	-	100,244
-	-	-	-	1,120,724
-	-	-	-	1,256,688
\$ 3,043,404	\$ 2,338,162	\$ 100,244	\$ 22,595	\$ 52,782,554
\$ -	\$ -	\$ -	\$ -	\$ 9,150,282
-	-	-	-	11,263,401
-	-	-	-	11,201,684
-	-	-	-	264,681
-	-	-	-	11,256,236
-	-	-	-	937,121
-	-	-	-	187,970
-	-	-	38,541	435,231
-	-	-	-	471,095
-	-	-	-	5,000
-	-	-	-	295,980
-	-	-	-	305,601
-	394,192	-	-	394,192
-	35,848	-	-	35,848
-	162,208	-	-	162,208
1,414,000	115,018	-	-	1,783,127
472,292	1,767	-	-	481,821
31,492	-	-	-	31,492
\$ 1,917,784	\$ 709,033	\$ -	\$ 38,541	\$ 48,662,970
\$ 1,125,620	\$ 1,629,129	\$ 100,244	\$ (15,946)	\$ 4,119,584
\$ -	\$ 11,330	\$ -	\$ -	\$ 1,577,226
-	(1,565,896)	-	-	(1,577,226)
-	-	-	-	149,229
-	-	-	-	1,311,408
\$ -	\$ (1,554,566)	\$ -	\$ -	\$ 1,460,637
\$ 1,125,620	\$ 74,563	\$ 100,244	\$ (15,946)	\$ 5,580,221

**Mille Lacs County
Milaca, Minnesota**

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

	<u>General</u>	<u>Road and Bridge</u>	<u>Community and Veteran Services</u>
Fund Balances – Beginning, as previously reported	\$ 11,092,610	\$ 676,393	\$ 8,645,242
Prior period adjustment (Note 1)	-	-	-
Fund Balances - Beginning, as restated	\$ 11,092,610	\$ 676,393	\$ 8,645,242
Increase (decrease) in inventories	\$ -	\$ 110,731	\$ -
Fund Balances – December 31	\$ 13,891,863	\$ 3,228,291	\$ 7,700,562

Exhibit 5
(Continued)

Debt Service	Capital Projects	Opioid Settlement	Nonmajor Ditch Special Revenue Fund	Total
\$ 3,376,128 417,998	\$ 709,378 -	\$ 403,884 -	\$ 508,167 (417,998)	\$ 25,411,802 -
\$ 3,794,126	\$ 709,378	\$ 403,884	\$ 90,169	\$ 25,411,802
\$ -	\$ -	\$ -	\$ -	\$ 110,731
\$ 4,919,746	\$ 783,941	\$ 504,128	\$ 74,223	\$ 31,102,754

**Mille Lacs County
Milaca, Minnesota**

Exhibit 6

**Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the
Statement of Activities—Governmental Activities
For the Year Ended December 31, 2023**

Net change in fund balances – total governmental funds (Exhibit 5) **\$ 5,580,221**

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

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

Unavailable revenue – December 31	\$ 3,187,348	
Unavailable revenue – January 1	<u>(7,413,087)</u>	(4,225,739)

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. Also, in the statement of activities, only the gain or loss on the disposal of assets is reported; whereas, in the governmental funds, the proceeds from the sale increase financial resources. Therefore, the change in net position differs from the change in fund balance by the net book value of the assets sold.

Expenditures for general capital assets, and other related capital asset adjustments	\$ 8,975,331	
Net book value of assets sold or disposed of	(225,232)	
Current year depreciation and amortization	<u>(3,704,095)</u>	5,046,004

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

Issuance of new debt		
Leases issued	\$ (1,311,408)	
Principal repayments		
General obligation bonds	1,149,000	
Special assessment bonds	65,000	
Capital equipment notes	200,000	
Leases	359,127	
Loans	<u>10,000</u>	471,719

**Mille Lacs County
Milaca, Minnesota**

Exhibit 6
(Continued)

**Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the
Statement of Activities—Governmental Activities
For the Year Ended December 31, 2023**

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

Change in accrued interest payable	\$ 15,960	
Change in compensated absences	(269,407)	
Change in other postemployment benefits liability	(527,103)	
Change in net pension liability	12,609,955	
Change in deferred pension outflows	(3,154,577)	
Change in deferred pension inflows	(10,262,229)	
Change in deferred other postemployment benefits outflows	868,389	
Change in deferred other postemployment benefits inflows	(498,192)	
Change in inventories	110,731	
Current year amortization of premium on bonds issued	<u>43,424</u>	(1,063,049)

The increase or decrease in net position of the internal service fund is reported in the statement of activities as governmental activities.

(14,632)

Change in Net Position of Governmental Activities (Exhibit 2)

\$ 5,794,524

Mille Lacs County
Milaca, Minnesota

Exhibit 7

Statement of Net Position
Self-Insurance Internal Service Fund
December 31, 2023

	<u>Governmental Activities</u>
<u>Assets</u>	
Cash and pooled investments	<u>\$ 85,861</u>
<u>Net Position</u>	
Unrestricted	<u><u>\$ 85,861</u></u>

**Mille Lacs County
Milaca, Minnesota**

Exhibit 8

**Statement of Revenues, Expenses, and Changes in Net Position
Self-Insurance Internal Service Fund
For the Year Ended December 31, 2023**

	<u>Governmental Activities</u>
Operating Revenues	
Insurance fees	\$ 163,260
Operating Expenses	
Insurance	<u>177,892</u>
Operating Income (Loss)	\$ (14,632)
Net Position – January 1	<u>100,493</u>
Net Position – December 31	<u>\$ 85,861</u>

**Mille Lacs County
Milaca, Minnesota**

Exhibit 9

**Statement of Cash Flows
Self-Insurance Internal Service Fund
For the Year Ended December 31, 2023**

	Governmental Activities
Cash Flows From Operating Activities	
Insurance fees	\$ 163,260
Insurance payments	<u>(177,892)</u>
Net Cash Provided by (Used in) Operating Activities	\$ (14,632)
Cash and Cash Equivalents at January 1	<u>100,493</u>
Cash and Cash Equivalents at December 31	<u>\$ 85,861</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities	
Operating income (loss)	<u>\$ (14,632)</u>

Fiduciary Funds

**Mille Lacs County
Milaca, Minnesota**

Exhibit 10

**Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2023**

	<u>Private-Purpose Trust Funds</u>	<u>Custodial Funds</u>
<u>Assets</u>		
Cash and pooled investments	\$ 95,778	\$ 1,970,595
Interest receivable	73	-
Due from other governments	-	13,200
Accounts receivable for other governments – net	-	176,876
Taxes receivable for other governments	-	526,200
Total Assets	\$ 95,851	\$ 2,686,871
<u>Liabilities</u>		
Due to other governments	-	1,738,828
<u>Net Position</u>		
Restricted for individuals, organizations, and other governments	\$ 95,851	\$ 948,043

**Mille Lacs County
Milaca, Minnesota**

Exhibit 11

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

	Private-Purpose Trust Funds	Custodial Funds
<u>Additions</u>		
Contributions from individuals	\$ 200,424	\$ 421,489
Contributions from entities	-	160,439
Interest earnings	195	-
Property tax collections for other governments	-	18,923,461
Federal/State revenue	-	549,914
Other taxes and fees collected for other governments	-	2,221,695
Mortgage foreclosure sales	-	454,910
Total Additions	\$ 200,619	\$ 22,731,908
<u>Deductions</u>		
Beneficiary payments to individuals	\$ 188,289	\$ 419,379
Payments of property tax to other governments	-	18,648,830
Administrative expense	22	-
Payments to the state	-	956,616
Payments to other individuals/entities	-	2,542,890
Total Deductions	\$ 188,311	\$ 22,567,715
Change in Net Position	\$ 12,308	\$ 164,193
Net Position – January 1	83,543	783,850
Net Position – December 31	\$ 95,851	\$ 948,043

Mille Lacs County Milaca, Minnesota

Notes to the Financial Statements As of and for the Year Ended December 31, 2023

Note 1 – Summary of Significant Accounting Policies

The County's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as of and for the year ended December 31, 2023. The Governmental Accounting Standards Board (GASB) is responsible for establishing generally accepted accounting principles for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the County are discussed below.

Financial Reporting Entity

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

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

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

Blended Component Unit

The Mille Lacs County Housing and Redevelopment Authority (HRA), a blended component unit of Mille Lacs County, is governed by a five-member Board consisting of the Mille Lacs County Board of Commissioners and has the power to levy taxes, issue bonds, and enter into contracts. The HRA was established to assist with the implementation of a redevelopment plan to promote economic development within Mille Lacs County. Although it is legally separate from the County, the activity of the HRA is included in the Mille Lacs County General Fund because the HRA's governing body is the same as the governing body of the County, and Mille Lacs County has operational responsibility for the HRA. Separate financial statements are not prepared for the HRA. The Mille Lacs County HRA had no financial activity in 2023.

Joint Ventures

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

Mille Lacs County

Milaca, Minnesota

Basic Financial Statements

Government-Wide Statements

The government-wide financial statements (the statement of net position and the statement of activities) display information about the primary government and its component unit. These statements include the financial activities of the overall County government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities, which normally are supported by taxes and intergovernmental revenue, are reported in a single column.

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

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.

Fund Financial Statements

The fund financial statements provide information about the County's funds, including its fiduciary funds and blended component unit. Separate statements for each fund category—governmental, proprietary, and fiduciary—are presented. The emphasis of governmental fund financial statements is on major individual governmental funds, with each displayed as separate columns in the fund financial statements. The County reports six major funds and one nonmajor fund. The nonmajor fund is the Ditch Special Revenue Fund used to account for the costs of maintaining County ditches. The single internal service fund is reported in the proprietary fund financial statements.

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

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

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.

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

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

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

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

The Opioid Settlement Special Revenue Fund is used to retain and account for the County's share of settlement proceeds from the national settlement agreement of the state and national litigation related to the opioid industry.

Additionally, the County reports the following fund types:

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

The private-purpose trust funds are used to account for resources legally held in trust for the benefit of individuals, private organizations, or other governments.

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

Measurement Focus and Basis of Accounting

The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Mille Lacs County considers all revenues as available if collected within 60 days after the end of the current period. Property and other taxes, licenses and permits, and interest are all considered susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent that they have matured. Proceeds of long-term debt and acquisitions under leases are reported as other financing sources.

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

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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 Administrative Services Office to increase earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2023. All investments are measured at the net asset value (NAV) per share. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments of governmental and fiduciary funds are credited to the General Fund. Other funds received investment earnings based on other statutes, grant agreements, contracts, and bond covenants. Pooled investment earnings for 2023 were \$1,120,724.

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

Mille Lacs County invests in an external investment pool, the Minnesota Association of Governments Investing for Counties (MAGIC) Fund, which is created under a joint powers agreement pursuant to Minn. Stat. § 471.59. The investment in the pool is measured at the NAV 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 when occurring in the General Fund to indicate 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 January 1 of the previous year. The tax levy notice is mailed in March with the first half payment due May 15 and the second half payment due October 15. Unpaid taxes at December 31 become liens on the respective property and are classified in the financial statements as delinquent taxes receivable. Special assessments receivable consists of delinquent special assessments payable in the years 2016 through 2023 and noncurrent special assessments payable in 2024 and after. No provision has been made for an estimated uncollectible amount. The receivable includes special assessments on drainage systems and septic loans.

Loans receivable consists of economic development and rehabilitation loans made to private enterprises or individuals as per the parameters of the specific programs. The economic development loans stimulate private investment and economic relief by providing financing to new and expanding businesses in the Mille Lacs Lake area.

The rehabilitation loans provide resources to property owners who qualified within the cities of Isle and Wahkon.

Accounts receivable includes an allowance for doubtful accounts. Total accounts receivable for the year ended December 31, 2023, were \$5,788,582 for governmental activities and \$16,354,983 for fiduciary funds. The

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allowance for doubtful accounts was \$5,503,429 for governmental activities and \$16,178,107 for fiduciary funds, resulting in a net effect of \$285,153 and \$176,876, respectively.

Inventories and Prepaid Items

All inventories are valued at cost using the first in/first out method. Inventories in governmental funds are recorded as expenditures when purchased rather than when consumed. Reported inventories are equally offset by nonspendable fund balance to indicate that they do not constitute available spendable resources. Inventories at the government-wide level are recorded as expenses when consumed.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The County had no prepaid items for the year ended December 31, 2023.

Capital Assets

Capital assets, including property, plant, equipment, and infrastructure assets (for example, roads, bridges, and similar items) and right-to-use assets acquired under leasing arrangements, are reported in the government-wide financial statements. The County defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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

Property, plant, and equipment of the County are depreciated using the straight-line method over the following estimated useful lives, 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
Land improvements	20-35
Buildings	25-40
Machinery and equipment	3-15
Infrastructure	15-75
Software	5

Unearned Revenue

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

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Compensated Absences

The liability for compensated absences reported in the financial statements consists of unpaid, accumulated annual vacation and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements. Compensated absences are accrued when incurred in the government-wide financial statements. The government-wide statement of net position reports both current and noncurrent portions of compensated absences. The current portion consists of an amount based on a three-year average of terminated employees. The noncurrent portion consists of the remaining amount of vacation and vested sick leave.

Compensated absences are liquidated by the General Fund, the Road and Bridge Special Revenue Fund, and the Community and Veteran Services Special Revenue Fund.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed entirely in the year the debt was issued. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as an other financing source. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents consumption of net 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 pension plans and other postemployment benefits (OPEB) and, accordingly, are reported only in the statement of net position.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net 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 from delinquent property taxes, special assessments, loans receivable, and intergovernmental grants and reimbursements. Unavailable revenue arises only under the modified accrual basis of accounting and, accordingly, is reported only in the governmental funds balance sheet. Unavailable revenue is deferred and recognized as an inflow of resources in the period that the amounts become available. The County reports advance allotments for state aid received by the County not yet appropriated by the State of Minnesota. Advanced allotments are reported on the governmental funds balance sheet and on the government-wide statement of net position. The County also reports deferred inflows of

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resources associated with pension and OPEB benefits. These inflows arise only under the full accrual basis of accounting and, accordingly, are reported only in the statement of net position.

Pension Plan

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

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 the County is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable – amounts that cannot be spent because they are not in spendable form or are legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

Restricted – amounts for which constraints have been placed on the use of resources either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

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

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

Unassigned – spendable amounts not contained in the other fund balance classifications for the General Fund. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted or committed.

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

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

Use of Estimates

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

Prior Period Adjustment

The January 1, 2023, assets and fund balances of the Debt Service Fund increased and the Ditch Special Revenue Fund decreased by \$417,998 to correct cash receipted in the incorrect fund.

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Note 2 – Stewardship, Compliance, and Accountability

Deficit Fund Equity

The Ditch Special Revenue Fund had a positive fund balance of \$74,223 as of December 31, 2023, however; one individual ditch system had a negative fund balance. These deficits will be eliminated with future special assessment levies against the benefited properties. The following is a summary of the individual ditch systems:

Individual Ditch System Fund Balance		
9 ditches with positive fund balances	\$	152,786
1 ditch with a deficit fund balance		(78,563)
Total Fund Balance	\$	<u>74,223</u>

Note 3 – Detailed Notes

Assets

Deposits and Investments

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

Reconciliation of the County's Total Cash and Investments to the Basic Financial Statements as of December 31, 2023

Government-wide statement of net position		
Governmental activities		
Cash and pooled investments	\$	34,172,511
Petty cash and change funds		1,000
Departmental cash		15,465
Statement of fiduciary net position		
Cash and pooled investments		
Private-purpose trust funds		95,778
Custodial funds		<u>1,970,595</u>
Total Cash and Investments	\$	<u>36,255,349</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

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a trust department of a commercial bank or other financial institution not owned or controlled by the financial institution furnishing the collateral.

In accordance with Minnesota statutes, the County maintains deposits at depository banks authorized by the Board. The carrying amount of the County's deposits with financial institutions was \$11,990,431 as of December 31, 2023; the bank balance was \$12,339,972.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits may not be returned to it. It is the County's policy to minimize custodial credit risk by obtaining collateral for all uninsured amounts on deposit. As of December 31, 2023, \$4,493,063 of the County's deposits were exposed to custodial credit risk. The County will obtain additional collateral in subsequent periods.

Investments

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

- (1) securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as "high risk" by Minn. Stat. § 118A.04, subd. 6;
- (2) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;
- (3) general obligations of the State of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;
- (4) time deposits fully insured by the Federal Deposit 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 that is rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less; and
- (6) with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. The County does not have a policy regarding interest rate risk.

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Credit Risk

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

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities in the possession of an outside party. It is the County's policy to minimize investment custodial credit risk by permitting brokers that obtain investments for the County to hold them only to the extent there is Securities Investor Protection Corporation (SIPC) insurance and excess SIPC coverage available. At December 31, 2023, none of the County's investments were subject to custodial credit risk.

Concentration of Credit Risk

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

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

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

Investment Type	Credit Risk		Concentration Risk	Interest Rate Risk	Carrying (Fair) Value
	Credit Rating	Rating Agency	Over 5% of Portfolio	Maturity Date	
Investment pools/mutual funds					
MAGIC Fund	N/R	N/A	100.0%	N/A	\$ 24,248,453
Deposits					11,990,431
Petty cash and change funds					1,000
Departmental cash					15,465
Total Cash and Investments					<u>\$ 36,255,349</u>

N/A – Not Applicable

N/R – Not Rated

Fair Value Measurements

The MAGIC Fund is a local government investment pool which is quoted at a NAV. The County invests in this pool for the purpose of the joint investment with other counties to enhance the investment earnings accruing to each member. The MAGIC Fund currently consists of MAGIC Portfolio.

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The MAGIC Portfolio is valued using amortized cost. Shares of the MAGIC Portfolio are available to be redeemed upon proper notice without restrictions under normal operating conditions. There are no limits to the number of redemptions that can be made as long as the County has a sufficient number of shares to meet the redemption request.

The Fund's Board of Trustees can suspend the right of withdrawal or postpone the date of payment if the Trustees determine that there is an emergency that makes the sale of a Portfolio's securities or determination of its NAV not reasonably practical.

Recurring Fair Value Measurements as of December 31, 2023

	Investments Measured at NAV As of December 31, 2023
Investments MAGIC Portfolio	\$ 24,248,453

Receivables

Receivables as of December 31, 2023, for the County's governmental activities are as follows:

Governmental Activities' Receivables as of December 31, 2023

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental activities		
Taxes, delinquent	\$ 621,891	\$ -
Special assessments receivable		
Delinquent	16,556	-
Noncurrent	1,095,443	1,078,002
Accounts receivable – net	285,153	77,868
Loans receivable – net	280,243	229,019
Accrued interest	97	-
Due from other governments	2,566,169	-
Total Governmental Activities	\$ 4,865,552	\$ 1,384,889

Loans Receivable

Mille Lacs County initiated the Mille Lacs Lake Area Economic Relief Loan Program in partnership with the Minnesota Department of Employment and Economic Development; the program was approved during the 2016 state legislative session. The purpose is to stimulate private investment and economic relief by providing financing to new and expanding businesses in the Mille Lacs Lake area. The program seeks to enhance local business' ability to create and preserve jobs, increase property tax revenue, and promote continued community development. The maximum loan request that will be considered under this program is \$100,000.

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The loan terms and amortization schedule will be considered to a maximum of 20 years. Loans with deferred or forgivable options must remain in the local community for a minimum of five years after the closing date of the loan. The maximum loan deferral period must not exceed five years from the date the loan is approved. The maximum amount of the loan that may be forgiven must not exceed 50 percent of the principal amount and may be forgiven only if the business has remained in operation in the community for at least ten years after the loan was approved.

Mille Lacs County initiated a small cities development program to provide rehabilitation loans to property owners who qualified within the cities of Isle and Wahkon. The residential loans are forgiven after seven years unless there is a transfer, death, or sale of property.

A summary of loans receivable outstanding at December 31, 2023, is as follows:

Loans Receivable as of December 31, 2023

	Original Loan Amount	Balance Repaid at December 31, 2023	Outstanding Balance at December 31, 2023	Term (Years)	Interest Rate (%)
General Fund					
Economic development relief loans	\$ 3,355,777	\$ 740,403	\$ 2,615,374	20	-
Small cities development program loans					
Residential	156,529	41,360	115,169	7	-
Commercial	15,128	6,754	8,374	10	1.0
Total Loans Receivable	<u>\$ 3,527,434</u>	<u>\$ 788,517</u>	<u>\$ 2,738,917</u>		
Less: allowance for uncollectible loans					
Economic development relief loans			(2,343,505)		
Small cities development program loans			<u>(115,169)</u>		
Net Loans Receivable			<u>\$ 280,243</u>		
Due within one year					
Economic development relief loans			\$ 49,171		
Small cities development program loans			<u>2,053</u>		
Total			<u>\$ 51,224</u>		

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Capital Assets

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

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

	Beginning Balance	Adjustment*	Increase	Decrease	Ending Balance
Capital assets not depreciated					
Land	\$ 4,653,769	\$ 9,444	\$ -	\$ 87	\$ 4,663,126
Construction in progress	437,979	-	988,316	-	1,426,295
Total capital assets not depreciated	\$ 5,091,748	\$ 9,444	\$ 988,316	\$ 87	\$ 6,089,421
Capital assets depreciated/amortized					
Land improvements	\$ 952,980	\$ -	\$ -	\$ -	\$ 952,980
Buildings	26,115,879	-	131,011	32,740	26,214,150
Machinery and equipment	9,747,258	-	632,586	800,275	9,579,569
Infrastructure	98,499,495	(9,444)	5,912,010	-	104,402,061
Software	235,368	-	-	31,664	203,704
Leased machinery and equipment assets	834,250	-	1,311,408	-	2,145,658
Total capital assets depreciated/amortized	\$ 136,385,230	\$ (9,444)	\$ 7,987,015	\$ 864,679	\$ 143,498,122
Less: accumulated depreciation/amortization for					
Land improvements	\$ 793,955	\$ -	\$ 23,620	\$ -	\$ 817,575
Buildings	12,532,480	-	731,461	32,740	13,231,201
Machinery and equipment	7,456,202	-	511,845	575,130	7,392,917
Infrastructure	31,368,816	-	2,074,612	-	33,443,428
Software	235,368	-	-	31,664	203,704
Leased machinery and equipment assets	212,759	-	362,557	-	575,316
Total accumulated depreciation/amortization	\$ 52,599,580	\$ -	\$ 3,704,095	\$ 639,534	\$ 55,664,141
Total capital assets depreciated/amortized, net	\$ 83,785,650	\$ (9,444)	\$ 4,282,920	\$ 225,145	\$ 87,833,981
Governmental Activities Capital Assets, Net	\$ 88,877,398	\$ -	\$ 5,271,236	\$ 225,232	\$ 93,923,402

*Adjustments were made to reflect asset reclassifications between the land and infrastructure asset types.

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

Depreciation and Amortization Expense Charged to Functions/Programs

Governmental Activities	
General government	\$ 955,165
Public safety	333,095
Sanitation	2,561
Human services	6,168
Conservation of natural resources	3,508
Highway	2,403,598
Total Depreciation and Amortization Expense – Governmental Activities	<u>\$ 3,704,095</u>

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Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2023, was as follows:

Due To/From Other Funds

Interfund Receivables and Payables			
	Receivable	Payable	
Major governmental funds			
General Fund	\$ 57,833	\$ 614,869	
Road and Bridge Special Revenue Fund	146,579	-	
Community and Veteran Services Special Revenue Fund	226,788	57,833	
Debt Service Fund	68,254	-	
Capital Projects Fund	173,248	-	
Total Due to/From Other Funds	\$ 672,702	\$ 672,702	

The interfund balances above represent General Fund amounts due to the Road and Bridge Special Revenue Fund, Community and Veteran Services Special Revenue Fund, Debt Service Fund, and Capital Projects Fund for the redistribution of property tax revenue. The General Fund has an additional amount due to the Road and Bridge Special Revenue Fund for recycling hauling expenditure reimbursement. The Community and Veteran Services Special Revenue Fund has an amount due to the General Fund for miscellaneous reimbursements.

Advances From/To Other Funds

The General Fund advanced \$11,248 to the Ditch Special Revenue Fund for cash flow purposes.

Transfers

Interfund transfers at December 31, 2023, were as follows:

Interfund Transfers for the Year Ended December 31, 2023	
	Transfers In
Transfer to Road and Bridge Special Revenue Fund from Capital Projects Fund	\$ 1,565,896
Transfer to Capital Projects Fund from General Fund	11,330
Total Transfers Out	\$ 1,577,226

The transfer activity in 2023 was for activity on the South Maintenance Facility construction project.

Liabilities and Deferred Inflows of Resources

Construction and Other Commitments

As of December 31, 2023, the Road and Bridge Special Revenue Fund has active construction projects with remaining commitments of \$5,442,888.

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Deferred Inflows of Resources – Unavailable Revenue

Unavailable revenue consists of taxes, special assessments, loans receivable, state grants, allotments, and federal grants receivable not collected soon enough after year-end to pay liabilities of the current period. Deferred inflows of resources at December 31, 2023, are summarized by fund:

	Unavailable Revenue					
	Taxes	Special Assessments	Grants and Highway Allotments	Loans	Other	Total
Major governmental funds						
General	\$ 423,863	\$ 125,921	\$ -	\$ 280,243	\$ 19,378	\$ 849,405
Special Revenue						
Road and Bridge	34,301	-	968,877	-	-	1,003,178
Community and Veteran Services	98,228	-	97,998	-	86,962	283,188
Debt Service	21,576	984,698	-	-	-	1,006,274
Capital Projects	43,923	-	-	-	-	43,923
Nonmajor governmental funds						
Ditch Special Revenue Fund	-	1,380	-	-	-	1,380
Total Unavailable Revenue	\$ 621,891	\$ 1,111,999	\$ 1,066,875	\$ 280,243	\$ 106,340	\$ 3,187,348

Leases

The County leases equipment and vehicles for various terms under long-term, non-cancelable lease agreements. The leases expire at various dates through 2028. These leases have been recorded at the present value of their future minimum lease payments as of the inception date. For governmental activities, lease payments are paid from the General Fund, Road and Bridge Special Revenue Fund, and Community and Veteran Services Special Revenue Fund.

Future Minimum Lease Obligations and Net Present Value of Minimum Lease Payments as of December 31, 2023

Year Ending December 31	Principal	Interest
2024	\$ 481,593	\$ 11,429
2025	391,201	7,360
2026	325,470	3,746
2027	246,651	1,643
2028	123,180	314
Total	\$ 1,568,095	\$ 24,492

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Long-Term Debt

Long-Term Debt as of December 31, 2023

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2023
General obligation taxable bonds					
General obligation bonds 2010B Taxable					
Capital Improvement Bonds – Recovery		\$125,000-			
Zone Economic Development Bonds	02/01/2026	\$140,000	3.30-4.45	\$ 920,000	\$ 410,000
General obligation bonds					
2018A G.O. Capital Improvement Plan		\$340,000-			
Bonds	02/01/2039	\$630,000	3.00-3.50	\$ 9,315,000	\$ 7,885,000
2019A G.O. Capital Improvement Plan		\$150,000-			
Bonds	02/01/2035	\$245,000	3.00-4.00	2,970,000	2,500,000
2021A G.O. Capital Improvement Plan		\$479,000-			
Refunding Bonds	02/01/2029	\$522,000	1.15	3,535,000	3,056,000
Total general obligation bonds				\$ 15,820,000	\$ 13,441,000
Special assessment bonds with government commitment					
2019B G.O. Drainage Bonds	02/01/2042	\$45,000- \$65,000	3.00	\$ 1,195,000	\$ 1,060,000
2021B G.O. Drainage Bonds	02/01/2042	\$20,000- \$31,000	1.98	516,000	496,000
Total special assessment bonds with government commitment				\$ 1,711,000	\$ 1,556,000
2019A G.O. Capital Equipment Notes	02/01/2025	\$185,000- \$215,000	4.00	\$ 1,000,000	\$ 425,000
Total Bonds and Notes Payable				\$ 19,451,000	\$ 15,832,000
Loans payable					
State of Minnesota Clean Water Partnership Loan Program SRF0340	12/15/2033	\$10,000	0.00	\$ 200,000	\$ 190,000

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Debt Service Requirements

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

Debt Service Requirements as of December 31, 2023

Year Ending December 31	General Obligation Bonds		Taxable General Obligation Bonds	
	Principal	Interest	Principal	Interest
2024	\$ 1,052,000	\$ 364,849	\$ 135,000	\$ 14,836
2025	1,071,000	340,511	135,000	9,132
2026	1,104,000	315,428	140,000	3,115
2027	1,121,000	289,613	-	-
2028	1,151,000	263,083	-	-
2029-2033	3,997,000	961,473	-	-
2034-2038	3,315,000	379,852	-	-
2039-2042	630,000	11,025	-	-
Total	\$ 13,441,000	\$ 2,925,834	\$ 410,000	\$ 27,083

Debt Service Requirements as of December 31, 2023

Year Ending December 31	Special Assessment Bonds		Capital Equipment Notes	
	Principal	Interest	Principal	Interest
2024	\$ 67,000	\$ 40,728	\$ 210,000	\$ 12,800
2025	72,000	38,867	215,000	4,300
2026	73,000	36,922	-	-
2027	73,000	34,967	-	-
2028	74,000	33,001	-	-
2029-2033	409,000	133,404	-	-
2034-2038	428,000	76,000	-	-
2039-2042	360,000	19,661	-	-
Total	\$ 1,556,000	\$ 413,550	\$ 425,000	\$ 17,100

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Loans Payable

Loans payable are related to a zero-interest revolving loan available through the State of Minnesota Clean Water Partnership (CWP) loan program. Loan payments will be made from the General Fund beginning in 2024.

Debt Service Requirements as of December 31, 2023

Year Ending December 31	Clean Water Partnership Loan Program	
	Principal	
2024	\$	20,000
2025		20,000
2026		20,000
2027		20,000
2028		20,000
2029-2033		80,000
2034		10,000
Total	\$	190,000

As part of the American Recovery and Reinvestment Act of 2009 (ARRA), Mille Lacs County issued \$920,000 of Recovery Zone Economic Development Bonds (RZEDBs), which were issued for the Historical Courthouse Square remodel project. The Series 2010B Bonds are direct pay tax credit RZEDBs, in which the County will receive a payment from the federal government equal to 45 percent of the amount of interest payable on each interest payment date. The County has complied with all requirements of the ARRA to be eligible for the RZEDB interest credit. Pursuant to the requirements of the Balanced Budget and Emergency Deficit Control Act of 1985, the refundable credit has been reduced by 5.7 percent from sequestration. The Series 2010B Bonds were issued as taxable obligations, which the County will elect to irrevocably designate as qualified RZEDBs. The entire County has been designated as a recovery zone pursuant to a resolution adopted by the Board of Commissioners of the County on July 20, 2010.

Taking into consideration the aforementioned RZEDB interest credit, as of December 31, 2023, the County's net annual debt service requirements to amortize all taxable general obligation bonds outstanding, including interest of \$15,591 on the governmental activities debt, is as follows:

Net Annual Debt Service Requirement to Amortize all Taxable General Obligation Bonds as of December 31, 2023

Year Ending December 31	Principal		Interest		Federal Subsidy		Net Interest	Total Payment
2024	\$	135,000	\$	14,836	\$	(6,295)	\$ 8,541	\$ 143,541
2025		135,000		9,132		(3,875)	5,257	140,257
2026		140,000		3,115		(1,322)	1,793	141,793
Total	\$	410,000	\$	27,083	\$	(11,492)	\$ 15,591	\$ 425,591

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Changes in Long-Term Liabilities

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

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General obligation bonds	\$ 14,460,000	\$ -	\$ 1,019,000	\$ 13,441,000	\$ 1,052,000
Taxable general obligation bonds	540,000	-	130,000	410,000	135,000
Special assessment bonds with government commitment	1,621,000	-	65,000	1,556,000	67,000
Capital equipment notes	625,000	-	200,000	425,000	210,000
Add: premium on bonds and notes	575,912	-	43,424	532,488	-
Leases payable	615,814	1,311,408	359,127	1,568,095	481,593
Compensated absences	2,312,193	1,619,822	1,350,415	2,581,600	1,584,070
Loans payable	200,000	-	10,000	190,000	20,000
Long-Term Liabilities	<u>\$ 20,949,919</u>	<u>\$ 2,931,230</u>	<u>\$ 3,176,966</u>	<u>\$ 20,704,183</u>	<u>\$ 3,549,663</u>

Other Postemployment Benefits (OPEB)

Plan Description

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

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

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

As of the January 1, 2022, actuarial valuation, the following employees were covered by the benefit terms:

Employees Covered by the OPEB Benefit Terms As of the January 1, 2022, Actuarial Valuation

Inactive employees or beneficiaries currently receiving benefit payments	4
Active plan participants	<u>227</u>
Total	<u>231</u>

Total OPEB Liability

The County's total OPEB liability of \$3,140,683 was measured as of January 1, 2023, and was determined by an actuarial valuation as of January 1, 2022. The OPEB liability is liquidated through the General Fund, the Road and Bridge Special Revenue Fund, and the Community and Veteran Services Special Revenue Fund.

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The total OPEB liability in the fiscal year-end December 31, 2023, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

OPEB Actuarial Assumptions and Other Inputs

Actuarial cost method	Entry Age, level percentage of pay
Inflation	2.50 percent
Salary increases	Service grade table
Health care cost trend	6.25 percent in 2023, grading to 5.00 percent over 5 years and then 4.00 percent over the next 48 years.

The current year discount rate is 4.00 percent which is equal to the 20-Year AA-rated municipal bond yield.

Mortality rates used are recent tables developed and recommended by the Society of Actuaries (SOA) Pub-2010 Public Retirement Plans Headcount-Weighted Mortality tables (General, Safety) with MP-2021 Generational Improvement Scale.

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

Changes in the Total OPEB Liability

Changes in the Total OPEB Liability For the Year Ended December 31, 2023

	Total OPEB Liability
Balance at December 31, 2022	\$ 2,613,580
Changes for the year	
Service cost	\$ 166,573
Interest	54,723
Assumption changes	(636,462)
Differences between expected and actual experience	1,030,726
Benefit payments	(88,457)
Net change	\$ 527,103
Balance at December 31, 2023	\$ 3,140,683

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OPEB Liability Sensitivity

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

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate as of December 31, 2023

	Discount Rate	Total OPEB Liability
1% Decrease	3.00%	\$ 3,441,181
Current	4.00%	3,140,683
1% Increase	5.00%	2,872,007

The following presents the total OPEB liability of the County, calculated using the health care cost trend previously disclosed, as well as what the County's total OPEB liability would be if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rate:

Sensitivity of the Total OPEB Liability to Changes in the Health Care Trend Rates as of December 31, 2023

	Health Care Trend Rate	Total OPEB Liability
1% Decrease	5.25% Decreasing to 4.00%	\$ 2,798,963
Current	6.25% Decreasing to 5.00%	3,140,683
1% Increase	7.25% Decreasing to 6.00%	3,544,338

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

For the year ended December 31, 2023, the County recognized OPEB expense of \$248,562. The County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB as of December 31, 2023

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 915,075	\$ 338,849
Changes in actuarial assumptions	155,219	587,810
Contributions paid to OPEB plan subsequent to the measurement date	125,296	-
Total	<u>\$ 1,195,590</u>	<u>\$ 926,659</u>

The \$125,296 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended December 31, 2024. Other amounts reported as deferred outflows and 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, 2023

Year Ended December 31	OPEB Expense Amount
2024	\$ 27,266
2025	27,266
2026	27,272
2027	37,561
2028	21,153
Thereafter	3,117

Changes in Actuarial Assumptions

The following changes in actuarial assumptions occurred in 2023:

- The inflation rate was changed from 2.00 percent to 2.50 percent.
- The discount rate was changed from 2.00 percent to 4.00 percent.

Pension Plans

Defined Benefit Pension Plans

Plan Description

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

The General Employees Plan (accounted for in the General Employees Fund) has multiple benefit structures with members belonging to the Coordinated Plan, the Basic Plan, or the Minneapolis Employees Retirement Fund. Coordinated Plan members are covered by Social Security, 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 Mille Lacs County employees belong to either the Basic Plan or the Minneapolis Employees Retirement Fund.

Police officers, firefighters, and peace officers who qualify for membership by statute are covered by the Police and Fire Plan (accounted for in the Police and Fire Fund). For members first hired after June 30, 2010, 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.

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

Benefits Provided

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

General Employees Plan benefit recipients will receive a post-retirement increase equal to 50 percent of the cost-of-living adjustment announced by the Social Security Administration, with a minimum increase of at least 1.00 percent and a maximum of 1.50 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

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

Correctional Plan benefit recipients will receive a post-retirement increase equal to 100 percent of the cost-of-living adjustment announced by the Social Security Administration, with a minimum increase of at least 1.00 percent and a maximum of 2.50 percent. If the Correctional Plan's funding status declines to 85 percent or below for two consecutive years, or 80 percent for one year, the maximum will be lowered from 2.50 percent to 1.50 percent. If on January 1, after the year of the 1.50 percent increase, the funding level increases above the applicable 85 percent or 80 percent funding status, the increase returns to 2.50 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

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

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

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service. For Correctional Plan members, the annuity accrual rate is 1.90 percent of average salary for each year of service.

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

Contributions

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the state legislature. Rates did not change from 2022.

Member and Employer Required Contribution Rates

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

Employer Contributions for the Year Ended December 31, 2023

General Employees Plan	\$ 839,868
Police and Fire Plan	482,664
Correctional Plan	142,852

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

Pension Costs

General Employees Plan

At December 31, 2023, the County reported a liability of \$7,532,273 for its proportionate share of the General Employees Plan's net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2022, through June 30, 2023, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2023, the County's proportion was 0.1347 percent. It was 0.1426 percent measured as of June 30, 2022. The County recognized pension expense of \$748,665 for its proportionate share of the General Employees Plan's pension expense.

Legislation requires the State of Minnesota to contribute \$16 million to the General Employees Plan annually until September 15, 2031. The County recognized an additional \$933 as grant revenue and pension expense for its proportionate share of the State of Minnesota's pension expense related to the special funding situation.

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

The County's proportionate share of the net pension liability	\$ 7,532,273
State of Minnesota's proportionate share of the net pension liability associated with the County	<u>207,619</u>
Total	<u>\$ 7,739,892</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, 2023

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 250,846	\$ 58,514
Changes in actuarial assumptions	1,371,715	2,064,532
Difference between projected and actual investment earnings	-	439,092
Changes in proportion	52,460	667,838
Contributions paid to PERA subsequent to the measurement date	<u>431,684</u>	<u>-</u>
Total	<u>\$ 2,106,705</u>	<u>\$ 3,229,976</u>

The \$431,684 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

General Employees Plan Schedule of Amortization of Deferred Outflows and Inflows of Resources As of December 31, 2023

Year Ended December 31	Pension Expense Amount
2024	\$ 30,784
2025	(1,498,362)
2026	76,024
2027	(163,401)

Police and Fire Plan

At December 31, 2023, the County reported a liability of \$3,730,039 for its proportionate share of the Police and Fire Plan's net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during

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the measurement period for employer payroll paid dates from July 1, 2022, through June 30, 2023, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2023, the County's proportion was 0.2160 percent. It was 0.2344 percent measured as of June 30, 2022. The County recognized pension expense of \$1,049,052 for its proportionate share of the Police and Fire Plan's pension expense.

The State of Minnesota also contributed \$18 million to the Police and Fire Plan in the plan fiscal year ended June 30, 2023. The contribution consisted of \$9 million in direct state aid that meets the definition of a special funding situation and \$9 million in supplemental state aid that does not meet the definition of a special funding situation.

Legislation requires the State of Minnesota to pay direct state aid of \$9 million on October 1 each year until full funding is reached, or July 1, 2048, whichever is earlier. The County recognized an additional (\$9,049) as grant revenue and pension expense for its proportionate share of the State of Minnesota's pension expense related to the special funding situation.

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

The County's proportionate share of the net pension liability	\$ 3,730,039
State of Minnesota's proportionate share of the net pension liability associated with the County	<u>150,248</u>
Total	<u>\$ 3,880,287</u>

Legislation also requires the State of Minnesota to contribute \$9 million to the Police and Fire Plan each year, starting in fiscal year 2014, until the plan is 90 percent funded, or until the State Patrol Plan is 90 percent funded, whichever occurs later. The County also recognized \$19,440 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's on-behalf contribution to the Police and Fire Plan.

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

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 1,061,576	\$ -
Changes in actuarial assumptions	4,641,989	5,247,650
Difference between projected and actual investment earnings	-	87,916
Changes in proportion	52,343	781,261
Contributions paid to PERA subsequent to the measurement date	<u>241,288</u>	<u>-</u>
Total	<u>\$ 5,997,196</u>	<u>\$ 6,116,827</u>

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The \$241,288 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

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

Year Ended December 31	Pension Expense Amount
2024	\$ 129,089
2025	(15,582)
2026	890,068
2027	(305,599)
2028	(1,058,895)

Correctional Plan

At December 31, 2023, the County reported a liability of \$300,342 for its proportionate share of the Correctional Plan's net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2022, through June 30, 2023, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2023, the County's proportion was 0.6644 percent. It was 0.8058 percent measured as of June 30, 2022. The County recognized pension expense of \$230,676 for its proportionate share of the Correctional Plan's pension expense.

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

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 115,679	\$ 159,265
Changes in actuarial assumptions	885,223	313,342
Difference between projected and actual investment earnings	-	1,297,083
Changes in proportion	2,859	1,072
Contributions paid to PERA subsequent to the measurement date	75,067	-
Total	<u>\$ 1,078,828</u>	<u>\$ 1,770,762</u>

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The \$75,067 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

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

Year Ended December 31	Pension Expense Amount
2024	\$ 300,110
2025	(597,190)
2026	(127,371)
2027	(342,550)

Total Pension Expense

The total pension expense for all plans recognized by the County for the year ended December 31, 2023, was \$2,028,393.

Actuarial Assumptions

The total pension liability in the June 30, 2023, actuarial valuation was determined using the individual entry-age normal actuarial cost method and the following additional actuarial assumptions:

Actuarial Assumptions for the Year Ended June 30, 2023

	General Employees Fund	Police and Fire Fund	Correctional Fund
Inflation	2.25% per year	2.25% per year	2.25% per year
Active Member Payroll Growth	3.00% per year	3.00% per year	3.00% per year
Investment Rate of Return	7.00%	7.00%	7.00%

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

Actuarial assumptions used in the June 30, 2023, valuations were based on the results of actuarial experience studies. The experience study for the General Employees Plan was dated June 27, 2019. The experience study for the Police and Fire Plan was dated July 14, 2020. The experience study for the Correctional Plan was dated July 10, 2020. For all plans, a review of inflation and investment assumptions dated June 29, 2023, was utilized.

The long-term expected rate of return on pension plan investments is 7.00 percent. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term

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expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages.

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

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

Discount Rate

The discount rate used to measure the total pension liability was 7.00 percent in 2023. This was an increase from the 6.50 percent, 5.40 percent, and 5.42 percent used in 2022 for the General Employees Plan, the Police and Fire Plan, and the Correctional Plan, respectively. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, the fiduciary net position of the General Employees Plan, the Police and Fire Plan, and the Correctional Plan were projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Actuarial Assumptions and Plan Provisions

The following changes in actuarial assumptions occurred in 2023:

General Employees Plan

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

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Police and Fire Plan

- The investment return assumption was changed from 6.50 percent to 7.00 percent.
- The single discount rate changed from 5.40 percent to 7.00 percent.
- A one-time direct state aid contribution of \$19.4 million occurred on October 1, 2023.
- The vesting requirement for new hires after June 30, 2014, was changed from a graded 20-year vesting schedule to a graded ten-year vesting schedule, with 50 percent vesting after five years, increasing incrementally to 100 percent after ten years.
- A one-time, non-compounding benefit increase of 3.00 percent will be payable in a lump sum for calendar year 2024 by March 31, 2024.
- Psychological treatment is required effective July 1, 2023, prior to approval for a duty disability benefit for a psychological condition relating to the member's occupation.
- A total and permanent duty disability benefit was added effective July 1, 2023.

Correctional Plan

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

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Pension Liability Sensitivity

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

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

	Proportionate Share of the					
	General Employees Plan		Police and Fire Plan		Correctional Plan	
	Discount Rate	Net Pension Liability	Discount Rate	Net Pension Liability	Discount Rate	Net Pension Liability (Asset)
1% Decrease	6.00%	\$ 13,325,196	6.00%	\$ 7,400,843	6.00%	\$ 1,583,139
Current	7.00%	7,532,273	7.00%	3,730,039	7.00%	300,342
1% Increase	8.00%	2,767,374	8.00%	712,148	8.00%	(723,166)

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.

Note 4 – Summary of Significant Contingencies and Other Items

Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters for which the County carries commercial insurance. To manage these risks, the County has entered into a joint powers agreement with other Minnesota counties to form the Minnesota Counties Intergovernmental Trust (MCIT). MCIT is a public entity risk pool currently operated as a common risk management and insurance program for its members. The County is a member of both the MCIT Workers' Compensation and Property and Casualty Divisions. For all other risk, other than pertaining to health insurance, the County carries commercial insurance. There were no significant reductions in insurance from the prior year. The amount of settlements did not exceed insurance coverage for the past three fiscal years.

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at \$500,000 per claim in 2023 and 2024. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

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

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On January 1, 2010, the County contracted with Delta Dental of Minnesota to administer the County's dental benefit plan for its employees as provided by the plan accepted from Delta Dental. The County sets annual premiums for the plan based on the recommendation of the plan administration and accumulates premiums collected from all participating funds in the Self-Insurance Internal Service Fund. At the beginning of each month, the County is billed by Delta Dental of Minnesota for the previous month's claims processed and the per-employee administrative fee. The payment is made to Delta Dental from the premiums accumulated in the Self-Insurance Internal Service Fund.

Changes in the balance of claims payable during 2023 and 2022 are as follows:

Changes in Claims Liabilities			
For the Years Ended December 31, 2022 and 2023			
	2023		2022
Claims payable – January 1	\$ -	\$	13,617
Current year claims	177,892		155,653
Claim payments	(177,892)		(169,270)
Claims payable – December 31	\$ -	\$	-

Contingent Liabilities

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

The County, in connection with the normal conduct of its affairs, is involved in various claims, judgments, and litigation. Although the outcome of these lawsuits is not presently determinable, in the opinion of the County Attorney, the resolution of these matters will not have a material adverse effect on the financial condition of the County.

Tax Abatements

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

The funding payment reimburses the developer for certain public improvements. During 2023, there were five such agreements within the County. The TIF funds collected during 2023 totaled \$140,639. The County's portion of the captured tax capacity and related property taxes was approximately 43 percent, or \$60,475.

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Joint Ventures

East Central Solid Waste Commission

The East Central Solid Waste Commission was established in March 1988 by a joint powers agreement among Chisago, Isanti, Kanabec, Mille Lacs, and Pine Counties to conduct a solid waste management program on behalf of the participating counties. The Commission is an organized joint venture having the powers, duties, and privileges granted joint powers by Minn. Stat. § 471.59. The Commission has five voting members, one from each county. At its annual meeting, the Board of County Commissioners of each county chooses a member and an alternate, both County Commissioners, as representatives of the county. Each county has one voting member and, in the absence of the voting member, the alternate votes.

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

Following is a summary of the financial information as of and for the year ended December 31, 2023:

Statement of Net Position December 31, 2023

Total assets and deferred outflows of resources	\$ 25,619,255
Total liabilities and deferred inflows of resources	<u>(10,628,346)</u>
Total Net Position	<u>\$ 14,990,909</u>

Statement of Activities Year Ended December 31, 2023

Operating and nonoperating revenues	\$ 8,240,453
Operating and nonoperating expenses	<u>(4,648,415)</u>
Change in Net Position	<u>\$ 3,592,038</u>

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

East Central Regional Library

The East Central Regional Library was established by a joint powers agreement among Aitkin, Chisago, Isanti, Kanabec, Mille Lacs, and Pine Counties to provide an efficient and improved regional public library service. The Library Board comprises 18 members: one County Board member and two appointees from each member county. Mille Lacs County's contribution for 2023 was \$305,601.

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

Snake River Watershed Management Board

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

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

Percentages of Funding by Member

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

Mille Lacs County did not make any financial contributions to the Board during 2023. Upon dissolution, the personal property shall be returned to the member county contributing the same.

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

Central Minnesota Emergency Medical Services Region

The Central Minnesota Emergency Medical Services Region was established in 2001 under Minn. Stat. § 471.59, to improve access, delivery, and effectiveness of the emergency medical services system; promote systematic and cost-effective delivery of services; and identify and address system needs within the member counties. The member counties are Benton, Cass, Crow Wing, Kanabec, Mille Lacs, Morrison, Pine, Stearns, Todd, Wadena, and Wright. The Region established a Board comprising one Commissioner from each member county. The Region's Board has financial responsibility, and Stearns County is the fiscal agent. Mille Lacs County did not make any financial contributions to the Region during 2023.

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

Central Minnesota Emergency Services Board

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

The purpose of the Central Minnesota Emergency Services Board is to provide for regional administration of

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enhancements to the Statewide Public Safety Radio and Communication System (ARMER) owned and operated by the State of Minnesota.

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

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

The Central Minnesota Emergency Services Board has no long-term debt. Financing is provided by the appropriations from member parties and by state and federal grants. During 2023, Mille Lacs County contributed \$10,880 to the Central Minnesota Emergency Services Board.

Complete financial information can be obtained from the Central Minnesota Emergency Services Board, City of St. Cloud, Office of the Mayor, City Hall, 1201 7th Street South, St. Cloud, Minnesota 56301.

Required Supplementary Information

**Mille Lacs County
Milaca, Minnesota**

Exhibit A-1

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 14,651,297	\$ 14,651,297	\$ 14,885,736	\$ 234,439
Special assessments	212,550	212,550	217,765	5,215
Licenses and permits	771,893	771,893	603,741	(168,152)
Intergovernmental	3,671,537	3,800,785	5,638,608	1,837,823
Charges for services	379,850	385,850	697,959	312,109
Fines and forfeits	61,000	61,000	93,988	32,988
Gifts and contributions	1,050	1,050	2,857	1,807
Investment earnings	150,050	245,355	1,120,724	875,369
Miscellaneous	402,050	405,550	687,298	281,748
Total Revenues	\$ 20,301,277	\$ 20,535,330	\$ 23,948,676	\$ 3,413,346
Expenditures				
Current				
General government				
Commissioners	\$ 193,691	\$ 194,441	\$ 200,768	\$ (6,327)
Court administrator	112,000	115,500	131,274	(15,774)
Law library	20,700	20,700	40,766	(20,066)
County administrator	720,201	719,451	1,133,184	(413,733)
Auditor-treasurer	-	-	42,452	(42,452)
Auditing	62,500	90,000	108,505	(18,505)
General administration	610,830	652,580	1,040,363	(387,783)
Information services	573,024	597,024	373,529	223,495
Data processing	141,480	141,480	103,722	37,758
Elections	32,100	32,100	27,576	4,524
County attorney	1,786,250	1,786,250	1,733,846	52,404
Victim emergency grant	172,092	172,092	174,430	(2,338)
Assessor	-	-	50,470	(50,470)
Land records and information	105,035	105,035	76,271	28,764
Land services	1,720,590	1,720,590	1,729,098	(8,508)
Building maintenance	992,808	994,863	728,949	265,914
Other general government	1,098,276	1,098,276	1,274,313	(176,037)
Total general government	\$ 8,341,577	\$ 8,440,382	\$ 8,969,516	\$ (529,134)

**Mille Lacs County
Milaca, Minnesota**

**Exhibit A-1
(Continued)**

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

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Expenditures				
Current (Continued)				
Public safety				
Sheriff	\$ 4,174,340	\$ 4,299,726	\$ 4,599,967	\$ (300,241)
Court security	560,051	560,051	528,532	31,519
Boat and water safety	135,978	144,188	138,463	5,725
Snowmobile safety enforcement	7,100	7,100	27	7,073
ATV grant	250	250	31	219
DARE program	2,000	2,000	817	1,183
Chaplaincy	300	300	25	275
Deputy reserve account	-	-	446	(446)
DWI forfeiture	1,000	1,000	5,522	(4,522)
Drug forfeiture	-	-	15,543	(15,543)
Communications	14,000	14,000	16,696	(2,696)
Records system	62,500	62,500	63,972	(1,472)
Permit to carry	71,607	71,607	46,379	25,228
Animal control	14,000	14,250	17,414	(3,164)
Coroner	64,745	64,745	64,745	-
County jail	3,314,287	3,256,317	3,222,872	33,445
Prisoner account	180,000	195,000	138,354	56,646
Probation	1,003,210	1,003,210	1,300,296	(297,086)
Case load reduction account	10,000	10,000	9,778	222
911 services and civil defense	-	-	250	(250)
E-911	83,895	96,145	55,735	40,410
Public safety answering point	938,469	1,012,819	1,037,537	(24,718)
Total public safety	\$ 10,637,732	\$ 10,815,208	\$ 11,263,401	\$ (448,193)
Sanitation				
Solid waste	\$ 339,373	\$ 339,373	\$ 264,681	\$ 74,692
Culture and recreation				
Historical society	\$ 9,000	\$ 9,000	\$ 9,000	\$ -
Snowmobile trails	-	-	128,234	(128,234)
Parks and trails	57,454	57,454	31,274	26,180
OHV Park	105,000	105,000	19,462	85,538
Total culture and recreation	\$ 171,454	\$ 171,454	\$ 187,970	\$ (16,516)

**Mille Lacs County
Milaca, Minnesota**

Exhibit A-1
(Continued)

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

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Expenditures				
Current (Continued)				
Conservation of natural resources				
County agricultural society	\$ 18,000	\$ 18,000	\$ 18,000	\$ -
County extension service	128,089	128,089	121,385	6,704
Soil and water conservation	142,239	142,239	137,239	5,000
Aquatic invasive species aid	107,216	107,216	53,465	53,751
Environmental resources	-	-	66,601	(66,601)
Total conservation of natural resources	\$ 395,544	\$ 395,544	\$ 396,690	\$ (1,146)
Economic development				
Community development	\$ 116,767	\$ 116,767	\$ 183,386	\$ (66,619)
Economic development	-	-	287,709	(287,709)
Total economic development	\$ 116,767	\$ 116,767	\$ 471,095	\$ (354,328)
Intergovernmental				
General government				
Soil and water conservation	\$ -	\$ -	\$ 5,000	\$ (5,000)
Culture and recreation				
Library	305,601	305,601	305,601	-
Total intergovernmental	\$ 305,601	\$ 305,601	\$ 310,601	\$ (5,000)
Debt service				
Principal	\$ -	\$ -	\$ 207,390	\$ (207,390)
Interest	-	-	7,073	(7,073)
Total debt service	\$ -	\$ -	\$ 214,463	\$ (214,463)
Total Expenditures	\$ 20,308,048	\$ 20,584,329	\$ 22,078,417	\$ (1,489,088)
Excess of Revenues Over (Under) Expenditures	\$ (6,771)	\$ (48,999)	\$ 1,870,259	\$ 1,924,258
Other Financing Sources (Uses)				
Transfers out	\$ (11,330)	\$ (11,330)	\$ (11,330)	\$ -
Proceeds from sale of capital assets	15,000	15,000	64,486	49,486
Issuance of leases	-	-	875,838	875,838
Total Other Financing Sources (Uses)	\$ 3,670	\$ 3,670	\$ 928,994	\$ 925,324
Net Change in Fund Balance	\$ (3,101)	\$ (45,329)	\$ 2,799,253	\$ 2,849,582
Fund Balance – January 1	11,092,610	11,092,610	11,092,610	-
Fund Balance – December 31	\$ 11,089,509	\$ 11,047,281	\$ 13,891,863	\$ 2,849,582

**Mille Lacs County
Milaca, Minnesota**

Exhibit A-2

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 2,295,745	\$ 2,295,744	\$ 2,240,996	\$ (54,748)
Licenses and permits	35,000	35,000	27,299	(7,701)
Intergovernmental	11,223,844	11,223,844	9,476,958	(1,746,886)
Charges for services	125,000	125,000	101,369	(23,631)
Miscellaneous	170,000	170,000	50,900	(119,100)
Total Revenues	\$ 13,849,589	\$ 13,849,588	\$ 11,897,522	\$ (1,952,066)
Expenditures				
Current				
Highways and streets				
Administration	\$ 405,079	\$ 405,079	\$ 292,213	\$ 112,866
Construction	11,472,895	11,472,895	7,231,042	4,241,853
Maintenance	1,910,973	1,910,973	1,790,219	120,754
Equipment maintenance and shop	1,340,800	1,340,800	1,768,795	(427,995)
Public works surveyor	118,771	118,771	119,415	(644)
Total highways and streets	\$ 15,248,518	\$ 15,248,518	\$ 11,201,684	\$ 4,046,834
Intergovernmental				
Highways and streets	\$ 300,000	\$ 300,000	\$ 295,980	\$ 4,020
Debt service				
Principal	\$ -	\$ -	\$ 44,240	\$ (44,240)
Interest	-	-	660	(660)
Total debt service	\$ -	\$ -	\$ 44,900	\$ (44,900)
Total Expenditures	\$ 15,548,518	\$ 15,548,518	\$ 11,542,564	\$ 4,005,954
Excess of Revenues Over (Under) Expenditures	\$ (1,698,929)	\$ (1,698,930)	\$ 354,958	\$ 2,053,888
Other Financing Sources (Uses)				
Transfers in	\$ 1,565,896	\$ 1,565,896	\$ 1,565,896	\$ -
Proceeds from sale of capital assets	125,032	125,032	84,743	(40,289)
Issuance of leases	-	-	435,570	435,570
Total Other Financing Sources (Uses)	\$ 1,690,928	\$ 1,690,928	\$ 2,086,209	\$ 395,281
Net Change in Fund Balance	\$ (8,001)	\$ (8,002)	\$ 2,441,167	\$ 2,449,169
Fund Balance – January 1	676,393	676,393	676,393	-
Increase (decrease) in inventories	-	-	110,731	110,731
Fund Balance – December 31	\$ 668,392	\$ 668,391	\$ 3,228,291	\$ 2,559,900

**Mille Lacs County
Milaca, Minnesota**

Exhibit A-3

**Budgetary Comparison Schedule
Community and Veteran Services Special Revenue Fund
For the Year Ended December 31, 2023**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	\$ 3,145,854	\$ 3,145,854	\$ 3,136,988	\$ (8,866)
Intergovernmental	6,470,470	6,470,470	6,973,875	503,405
Charges for services	868,629	868,629	800,598	(68,031)
Gifts and contributions	-	-	2,000	2,000
Miscellaneous	443,277	443,277	518,490	75,213
Total Revenues	\$ 10,928,230	\$ 10,928,230	\$ 11,431,951	\$ 503,721
Expenditures				
Current				
General government				
Veteran services	\$ 209,666	\$ 209,666	\$ 180,766	\$ 28,900
Human services				
Income maintenance	\$ 2,678,430	\$ 2,678,430	\$ 2,763,880	\$ (85,450)
Social services	9,051,101	9,051,101	8,492,356	558,745
Total human services	\$ 11,729,531	\$ 11,729,531	\$ 11,256,236	\$ 473,295
Health				
Public health	\$ 987,837	\$ 987,837	\$ 937,121	\$ 50,716
Debt service				
Principal	\$ -	\$ -	\$ 2,479	\$ (2,479)
Interest	-	-	29	(29)
Total debt service	\$ -	\$ -	\$ 2,508	\$ (2,508)
Total Expenditures	\$ 12,927,034	\$ 12,927,034	\$ 12,376,631	\$ 550,403
Excess of Revenues Over (Under) Expenditures	\$ (1,998,804)	\$ (1,998,804)	\$ (944,680)	\$ 1,054,124
Fund Balance – January 1	8,645,242	8,645,242	8,645,242	-
Fund Balance – December 31	\$ 6,646,438	\$ 6,646,438	\$ 7,700,562	\$ 1,054,124

**Mille Lacs County
Milaca, Minnesota**

Exhibit A-4

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability						
Service cost	\$ 166,573	\$ 227,521	\$ 224,813	\$ 190,162	\$ 135,579	\$ 138,023
Interest	54,723	60,755	77,291	87,921	69,845	65,301
Plan changes	-	-	-	-	107,812	-
Differences between expected and actual experience	1,030,726	(435,665)	-	26,382	-	-
Changes of assumption or other inputs	(636,462)	6,148	156,801	104,889	(82,426)	-
Benefit payments	(88,457)	(110,293)	(67,917)	(116,474)	(60,518)	(65,821)
Net change in total OPEB liability	\$ 527,103	\$ (251,534)	\$ 390,988	\$ 292,880	\$ 170,292	\$ 137,503
Total OPEB Liability – Beginning	<u>2,613,580</u>	<u>2,865,114</u>	<u>2,474,126</u>	<u>2,181,246</u>	<u>2,010,954</u>	<u>1,873,451</u>
Total OPEB Liability – Ending	<u>\$ 3,140,683</u>	<u>\$ 2,613,580</u>	<u>\$ 2,865,114</u>	<u>\$ 2,474,126</u>	<u>\$ 2,181,246</u>	<u>\$ 2,010,954</u>
 Covered-employee payroll	 \$ 13,436,112	 \$ 13,189,183	 \$ 14,348,768	 \$ 13,930,843	 \$ 14,880,367	 \$ 14,446,958
 Total OPEB liability (asset) as a percentage of covered-employee payroll	 23.37%	 19.82%	 19.97%	 17.76%	 14.66%	 13.92%

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

**Mille Lacs County
Milaca, Minnesota**

Exhibit A-5

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

Measurement Date	Employer's Proportion of the Net Pension Liability/Asset	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability Associated with Mille Lacs County (b)	Employer's Proportionate Share of the Net Pension Liability and the State's Related Share of the Net Pension Liability (Asset) (a + b)	Covered Payroll (c)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2023	0.1347 %	\$ 7,532,273	\$ 207,619	\$ 7,739,892	\$ 10,673,828	70.57 %	83.10 %
2022	0.1426	11,293,967	331,149	11,625,116	10,684,725	105.70	76.67
2021	0.1519	6,486,811	198,045	6,684,856	10,934,183	59.33	87.00
2020	0.1484	8,897,258	274,403	9,171,661	10,583,314	84.07	79.06
2019	0.1478	8,171,531	253,989	8,425,520	10,460,180	78.12	80.23
2018	0.1443	8,005,172	262,525	8,267,697	9,698,405	82.54	79.53
2017	0.1403	8,956,659	112,592	9,069,251	9,035,988	99.12	75.90
2016	0.1350	10,961,330	143,093	11,104,423	8,375,446	130.87	68.91
2015	0.1397	7,239,979	N/A	7,239,979	8,211,771	88.17	78.19

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

The measurement date for each year is June 30.

N/A – Not Applicable

**Mille Lacs County
Milaca, Minnesota**

Exhibit A-6

**Schedule of Contributions
PERA General Employees Retirement Plan
December 31, 2023**

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b - a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
2023	\$ 839,868	\$ 839,868	\$ -	\$ 11,198,242	7.50 %
2022	779,964	779,964	-	10,399,558	7.50
2021	787,643	787,643	-	10,501,908	7.50
2020	845,084	845,084	-	11,267,796	7.50
2019	787,336	787,336	-	10,497,809	7.50
2018	761,561	761,561	-	10,154,133	7.50
2017	696,444	696,444	-	9,285,923	7.50
2016	655,672	655,672	-	8,742,282	7.50
2015	621,767	621,767	-	8,290,223	7.50

This schedule is intended to show information for ten years. Additional years will be displayed as they become available.
The County's year-end is December 31.

**Mille Lacs County
Milaca, Minnesota**

Exhibit A-7

**Schedule of Proportionate Share of Net Pension Liability
PERA Public Employees Police and Fire Plan
December 31, 2023**

Measurement Date	Employer's Proportion of the Net Pension Liability/Asset	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability Associated with Mille Lacs County (b)	Employer's Proportionate Share of the Net Pension Liability and the State's Related Share of the Net Pension Liability (Asset) (a + b)	Covered Payroll (c)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2023	0.2160 %	\$ 3,730,039	\$ 150,248	\$ 3,880,287	\$ 2,828,008	131.90 %	86.47 %
2022	0.2344	10,200,162	445,709	10,645,871	2,847,948	358.16	70.53
2021	0.2263	1,746,796	78,507	1,825,303	2,674,267	65.32	93.66
2020	0.2493	3,210,909	75,632	3,286,541	2,752,000	116.68	87.19
2019	0.2428	2,584,851	N/A	2,584,851	2,563,644	100.83	89.26
2018	0.2384	2,541,098	N/A	2,541,098	2,513,063	101.12	88.84
2017	0.2220	2,997,264	N/A	2,997,264	2,280,498	131.43	85.43
2016	0.1830	7,344,108	N/A	7,344,108	1,760,704	417.11	63.88
2015	0.1810	2,056,584	N/A	2,056,584	1,662,624	123.70	86.61

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

The measurement date for each year is June 30.

N/A – Not Applicable

**Mille Lacs County
Milaca, Minnesota**

Exhibit A-8

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

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b - a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
2023	\$ 482,664	\$ 482,664	\$ -	\$ 2,726,916	17.70 %
2022	486,058	486,058	-	2,746,089	17.70
2021	484,188	484,188	-	2,735,529	17.70
2020	486,505	486,505	-	2,748,615	17.70
2019	454,687	454,687	-	2,682,517	16.95
2018	414,224	414,224	-	2,556,368	16.20
2017	396,476	396,476	-	2,447,381	16.20
2016	321,902	321,902	-	1,987,052	16.20
2015	275,247	275,247	-	1,699,054	16.20

This schedule is intended to show information for ten years. Additional years will be displayed as they become available.
The County's year-end is December 31.

**Mille Lacs County
Milaca, Minnesota**

Exhibit A-9

**Schedule of Proportionate Share of Net Pension Liability
PERA Public Employees Local Government Correctional Service Retirement Plan
December 31, 2023**

Measurement Date	Employer's Proportion of the Net Pension Liability/ Asset	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	Covered Payroll (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2023	0.6644 %	\$ 300,342	\$ 1,568,718	19.15 %	95.94 %
2022	0.8058	2,678,480	1,770,232	151.31	74.58
2021	0.8580	(140,952)	1,896,062	(7.43)	101.61
2020	0.8738	237,097	1,901,341	12.47	96.67
2019	0.8266	114,443	1,765,131	6.48	98.17
2018	0.9028	148,484	1,843,896	8.05	97.64
2017	1.0800	3,078,011	2,153,767	142.91	67.89
2016	1.1200	4,091,517	2,111,303	193.79	58.16
2015	1.1680	180,882	2,098,927	8.62	96.95

This schedule is intended to show information for ten years. Additional years will be displayed as they become available.
The measurement date for each year is June 30.

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Milaca, Minnesota**

Exhibit A-10

**Schedule of Contributions
PERA Public Employees Local Government Correctional Service Retirement Plan
December 31, 2023**

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b - a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
2023	\$ 142,852	\$ 142,852	\$ -	\$ 1,632,590	8.75 %
2022	136,406	136,406	-	1,558,924	8.75
2021	161,303	161,303	-	1,842,411	8.75
2020	168,744	168,744	-	1,928,495	8.75
2019	161,813	161,813	-	1,849,289	8.75
2018	154,912	154,912	-	1,770,420	8.75
2017	177,245	177,245	-	2,025,659	8.75
2016	187,202	187,202	-	2,139,451	8.75
2015	185,187	185,187	-	2,116,421	8.75

This schedule is intended to show information for ten years. Additional years will be displayed as they become available.
The County's year-end is December 31.

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Notes to the Required Supplementary Information For the Year Ended December 31, 2023

Note 1 – Budgetary Information

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

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

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

Note 2 – Excess of Expenditures Over Appropriations

The following major governmental funds had expenditures in excess of budget at the function level for the year ended December 31, 2023:

Excess of Expenditures Over Appropriations			
	Expenditures	Final Budget	Excess
General Fund			
Current			
General government	\$ 8,969,516	\$ 8,440,382	\$ 529,134
Public safety	11,263,401	10,815,208	448,193
Culture and recreation	187,970	171,454	16,516
Conservation of natural resources	396,690	395,544	1,146
Economic development	471,095	116,767	354,328
Intergovernmental			
General government	5,000	-	5,000
Debt service	214,463	-	214,463
Road and Bridge Special Revenue Fund			
Debt service	44,990	-	44,990
Community and Veteran Services Special Revenue Fund			
Debt service	2,508	-	2,508

Note 3 – 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.

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Note 4 – Other Postemployment Benefits – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

Changes in actuarial assumptions and a change in plan provisions occurred as follows:

2023

- The inflation rate was changed from 2.00 percent to 2.50 percent.
- The discount rate was changed from 2.00 percent to 4.00 percent.

2022

- The health care trend rates, mortality tables, salary increase rates, and retirement and withdrawal rates were updated.
- The inflation rate was changed from 2.50 percent to 2.00 percent.

2021

- The discount rate was changed from 2.90 percent to 2.00 percent.

2020

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

2019

- The discount rate was changed from 3.30 percent to 3.80 percent.

2018

- The actuarial cost method used changed from the Projected Unit Credit to Entry Age Normal Percent of Pay.
- 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-2015 Generational Improvement Scale (with blue collar adjustment for police and fire personnel) to the RP-2014

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White Collar Mortality tables (de-trended to 2006) and then projected beyond the valuation date using scale MP-2017 (with blue collar adjustment for police and fire personnel).

- The retirement and withdrawal tables for all employees were updated.
- The discount rate was changed from 3.50 percent to 3.30 percent.
- The Teamsters Clerical unit declassified, and there are no longer active employees in that union.

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

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

General Employees Retirement Plan

2023

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

2022

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

2021

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

2020

- The price inflation assumption was decreased from 2.50 percent to 2.25 percent.

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- The payroll growth assumption was decreased from 3.25 percent to 3.00 percent.
- Assumed salary increase rates were changed as recommended in the June 30, 2019, experience study. The net effect is assumed rates that average 0.25 percent less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019, experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019, experience study. The new rates are based on service and are generally lower than the previous rates for years two to five and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019, experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Employee Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 Disabled Annuitant Mortality table to the Pub-2010 General/Teacher Disabled Retiree Mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100 percent Joint and Survivor option changed from 35 percent to 45 percent. The assumed number of married female new retirees electing the 100 percent Joint and Survivor option changed from 15 percent to 30 percent. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.
- Augmentation for current privatized members was reduced to 2.00 percent for the period July 1, 2020, through December 31, 2023, and 0.00 percent thereafter. Augmentation was eliminated for privatizations occurring after June 30, 2020.

2019

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

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,

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2018.

- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Post-retirement benefit increases were changed from 1.00 percent per year with a provision to increase to 2.50 percent upon attainment of 90 percent funding to 50 percent of the Social Security cost-of-living adjustment, not less than 1.00 percent and not more than 1.50 percent, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to the Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017

- The Combined Service Annuity (CSA) loads were changed from 0.80 percent for active members and 60 percent for vested and non-vested deferred members (30 percent for deferred Minneapolis Employees Retirement Fund members). The revised CSA loads are now 0.00 percent for active member liability, 15 percent for vested deferred member liability, and 3.00 percent for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year for all years to 1.00 percent per year through 2044 and 2.50 percent per year thereafter.
- Minneapolis Employees Retirement Fund plan provisions change the employer supplemental contribution to \$21 million in calendar years 2017 and 2018 and returns to \$31 million through calendar year 2031. The state's required contribution is \$16 million in PERA's fiscal years 2018 and 2019 and returns to \$6 million annually through calendar year 2031.

2016

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

Public Employees Police and Fire Plan

2023

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

Mille Lacs County Milaca, Minnesota

- 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.

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

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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.
- 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.

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- The assumed termination rates were decreased to 3.00 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- The assumed percentage of married female members was decreased from 65 percent to 60 percent.
- The assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.
- The assumed percentage of female members electing joint and survivor annuities was increased.
- The assumed post-retirement benefit increase rate was changed from 1.00 percent for all years to 1.00 percent per year through 2064 and 2.50 percent thereafter.
- The single discount rate was changed from 5.60 percent per annum to 7.50 percent per annum.

2016

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

Public Employees Local Government Correctional Service Retirement Plan

2023

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

2022

- The single discount rate changed from 6.50 percent to 5.42 percent.
- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

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- The benefit increase assumption was changed from 2.00 percent per annum to 2.00 percent per annum through December 31, 2054, and 1.50 percent per annum thereafter.

2021

- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent.
- The inflation assumption was changed from 2.50 percent to 2.25 percent.
- The payroll growth assumption was changed from 3.25 percent to 3.00 percent.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 Public Safety Mortality table. The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.
- The base mortality table for disabled annuitants was changed from the RP-2014 Healthy Annuitant Mortality table (with future mortality improvement according to Scale MP-2019) to the Pub-2010 Public Safety Disabled Annuitant Mortality table (with future mortality improvement according to Scale MP-2020).
- Assumed rates of salary increase were modified as recommended in the July 10, 2020, experience study. The overall impact is a decrease in gross salary increase rates.
- Assumed rates of retirement were changed as recommended in the July 10, 2020, experience study. The changes result in slightly more unreduced retirements and fewer assumed early retirements.
- Assumed rates of withdrawal were changed as recommended in the July 10, 2020, experience study. The new rates predict more terminations, both in the three-year select period (based on service) and the ultimate rates (based on age).
- Assumed rates of disability were lowered.
- Assumed percent married for active members was lowered from 85 percent to 75 percent.
- Minor changes to form of payment assumptions were applied.

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.

Mille Lacs County Milaca, Minnesota

- The assumed post-retirement benefit increase was changed from 2.50 percent per year to 2.00 percent per year.
- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Post-retirement benefit increases were changed from 2.50 percent per year with a provision to reduce to 1.00 percent if the funding status declines to a certain level, to 100 percent of the Social Security cost-of-living adjustment, not less than 1.00 percent and not more than 2.50 percent, beginning January 1, 2019. If the funding status declines to 85 percent for two consecutive years, or 80 percent for one year, the maximum increase will be lowered to 1.50 percent.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017

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

Mille Lacs County Milaca, Minnesota

Fiduciary Funds

Private-Purpose Trust Funds

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

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

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

Custodial Funds

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

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

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

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

Sheriff Civil Process – to account for the collection and payment of monies collected through civil law procedures on behalf of external entities.

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

**Mille Lacs County
Milaca, Minnesota**

Exhibit B-1

**Combining Statement of Fiduciary Net Position
Fiduciary Funds – Private-Purpose Trust Funds
December 31, 2023**

	<u>Social Welfare</u>	<u>Cemetery</u>	<u>Total</u>
<u>Assets</u>			
Cash and pooled investments	\$ 78,337	\$ 17,441	\$ 95,778
Interest receivable	-	73	73
Total Assets	<u>\$ 78,337</u>	<u>\$ 17,514</u>	<u>\$ 95,851</u>
<u>Net Position</u>			
Restricted for individuals, organizations, and other governments	<u>\$ 78,337</u>	<u>\$ 17,514</u>	<u>\$ 95,851</u>

**Mille Lacs County
Milaca, Minnesota**

Exhibit B-2

**Combining Statement of Changes in Fiduciary Net Position
Fiduciary Funds – Private-Purpose Trust Funds
For the Year Ended December 31, 2023**

	<u>Social Welfare</u>	<u>Cemetery</u>	<u>Total</u>
<u>Additions</u>			
Contributions from individuals	\$ 200,424	\$ -	\$ 200,424
Interest earnings	77	118	195
Total Additions	<u>\$ 200,501</u>	<u>\$ 118</u>	<u>\$ 200,619</u>
<u>Deductions</u>			
Beneficiary payments to individuals	\$ 188,289	\$ -	\$ 188,289
Administrative expense	-	22	22
Total Deductions	<u>\$ 188,289</u>	<u>\$ 22</u>	<u>\$ 188,311</u>
Change in Net Position	<u>\$ 12,212</u>	<u>\$ 96</u>	<u>\$ 12,308</u>
Net Position – January 1	<u>66,125</u>	<u>17,418</u>	<u>83,543</u>
Net Position – December 31	<u><u>\$ 78,337</u></u>	<u><u>\$ 17,514</u></u>	<u><u>\$ 95,851</u></u>

**Mille Lacs County
Milaca, Minnesota**

Exhibit B-3

**Combining Statement of Fiduciary Net Position
Fiduciary Funds – Custodial Funds
December 31, 2023**

	<u>Taxes and Penalties</u>	<u>Jail Inmate</u>	<u>Family Ties</u>	<u>Sheriff Civil Process</u>	<u>State Taxes and Fees</u>	<u>Total Custodial Funds</u>
<u>Assets</u>						
Cash and pooled investments	\$ 550,556	\$ 81,106	\$ 146,591	\$ -	\$ 1,192,342	\$ 1,970,595
Due from other governments	13,200	-	-	-	-	13,200
Accounts receivable for other governments – net	-	-	-	-	176,876	176,876
Taxes receivable for other governments	<u>526,200</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>526,200</u>
Total Assets	\$ 1,089,956	\$ 81,106	\$ 146,591	\$ -	\$ 1,369,218	\$ 2,686,871
<u>Liabilities</u>						
Due to other governments	<u>546,486</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,192,342</u>	<u>1,738,828</u>
<u>Net Position</u>						
Restricted for individuals, organizations, and other governments	<u><u>\$ 543,470</u></u>	<u><u>\$ 81,106</u></u>	<u><u>\$ 146,591</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 176,876</u></u>	<u><u>\$ 948,043</u></u>

**Mille Lacs County
Milaca, Minnesota**

Exhibit B-4

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

	Taxes and Penalties	Jail Inmate	Family Ties	Sheriff Civil Process	State Taxes and Fees	Total Custodial Funds
<u>Additions</u>						
Contributions from individuals	\$ -	\$ 421,489	\$ -	\$ -	\$ -	\$ 421,489
Contributions from entities	-	-	160,439	-	-	160,439
Property tax collections for other governments	18,923,461	-	-	-	-	18,923,461
Federal/State revenue	387,597	-	162,317	-	-	549,914
Other taxes and fees collected for other governments	-	-	-	-	2,221,695	2,221,695
Mortgage foreclosure sales	-	-	-	454,910	-	454,910
Total Additions	\$ 19,311,058	\$ 421,489	\$ 322,756	\$ 454,910	\$ 2,221,695	\$ 22,731,908
<u>Deductions</u>						
Beneficiary payments to individuals	\$ -	\$ 419,379	\$ -	\$ -	\$ -	\$ 419,379
Payments of property tax to other governments	18,648,830	-	-	-	-	18,648,830
Payments to the state	-	-	-	-	956,616	956,616
Payments to other individuals/entities	617,133	-	275,885	454,960	1,194,912	2,542,890
Total Deductions	\$ 19,265,963	\$ 419,379	\$ 275,885	\$ 454,960	\$ 2,151,528	\$ 22,567,715
Change in Net Position	\$ 45,095	\$ 2,110	\$ 46,871	\$ (50)	\$ 70,167	\$ 164,193
Net Position – January 1	498,375	78,996	99,720	50	106,709	783,850
Net Position – December 31	\$ 543,470	\$ 81,106	\$ 146,591	\$ -	\$ 176,876	\$ 948,043

Other Schedules

**Mille Lacs County
Milaca, Minnesota**

**Balance Sheet – By Ditch
Ditch Special Revenue Fund
December 31, 2023**

		Assets	
		Special	
		Assessments	
		Receivable	
		Delinquent	Total
	Cash and Pooled Investments		
County Ditch			
1	\$ 9,577	\$ -	\$ 9,577
2	5,850	-	5,850
3	40,626	-	40,626
4	41,607	-	41,607
5	6,570	37	6,607
6	2,900	8	2,908
7	2,035	30	2,065
11	14,552	29	14,581
14	40,317	1,276	41,593
Judicial Ditch			
1	(78,563)	-	(78,563)
Total	\$ 85,471	\$ 1,380	\$ 86,851

Liabilities and Deferred Inflows of Resources					
Accounts/ Contracts Payable	Advances From Other Funds	Unavailable Revenue	Total	Fund Balance	Total Liabilities and Fund Balance
\$ -	\$ -	\$ -	\$ -	\$ 9,577	\$ 9,577
-	833	-	833	5,017	5,850
-	-	-	-	40,626	40,626
-	-	-	-	41,607	41,607
-	-	37	37	6,570	6,607
-	-	8	8	2,900	2,908
-	-	30	30	2,035	2,065
-	-	29	29	14,552	14,581
-	10,415	1,276	11,691	29,902	41,593
-	-	-	-	(78,563)	(78,563)
<u>\$ -</u>	<u>\$ 11,248</u>	<u>\$ 1,380</u>	<u>\$ 12,628</u>	<u>\$ 74,223</u>	<u>\$ 86,851</u>

**Mille Lacs County
Milaca, Minnesota**

Exhibit C-2

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

Appropriations and Shared Revenue

State

Highway users tax	\$ 9,403,097
County program aid	1,825,114
Riparian buffer aid	40,000
PERA rate reimbursement	366,364
Disparity reduction aid	24,711
Police aid	392,019
Performance aid	3,848
Indian casino aid	94,541
Enhanced 911	204,994
SCORE	78,853
Public safety aid	738,861
Next generation E911	51,228
Statewide local housing aid	109,795
Aquatic invasive species aid	93,990
Market value credit	281,172
Out-of-home placement aid	430,194
Homeless prevention aid	115,470

Total appropriations and shared revenue	\$ 14,254,251
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Reimbursement for Services

State

Minnesota Department of Human Services	\$ 1,802,441
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Local

Reimbursement for services – public safety	2,911
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Total reimbursement for services	\$ 1,805,352
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Payments

Local

Payments in lieu of taxes	\$ 309,074
Other	35,738

Total payments	\$ 344,812
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Grants

State

Minnesota Department/Board of	
Public Safety	\$ 6,648
Commerce	9,000
Health	290,543
Natural Resources	138,036
Human Services	1,454,752
Veterans Affairs	10,000
Corrections	382,867
Transportation	68,460
Water and Soil Resources	55,276
Peace Officer Standards and Training Board	29,296
Secretary of State	7,458

Total state	\$ 2,452,336
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**Mille Lacs County
Milaca, Minnesota**

Exhibit C-2
(Continued)

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

Grants (Continued)

Federal

Department of	
Agriculture	\$ 399,508
Housing and Urban Development	115,000
Justice	91,647
Treasury	2,250
Education	1,078
Health and Human Services	2,597,465
Homeland Security	34,330

Total federal	\$ 3,241,278
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Total state and federal grants	\$ 5,693,614
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Total Intergovernmental Revenue	\$ 22,098,029
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**Mille Lacs County
Milaca, Minnesota**

Exhibit C-3

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

Federal Grantor Pass-Through Agency Program or Cluster Title	Assistance Listing Number	Pass-Through Grant Numbers	Expenditures
U.S. Department of Agriculture			
Passed Through Minnesota Department of Health WIC Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	232MN004W1003	\$ 138,129
Passed Through Minnesota Department of Human Services SNAP Cluster State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	232MN101S2514	<u>261,379</u>
Total U.S. Department of Agriculture			<u>\$ 399,508</u>
U.S. Department of Housing and Urban Development			
Passed Through Minnesota Department of Employment and Economic Development Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	CDAP-19-0054-O-FY20	<u>\$ 115,000</u>
U.S. Department of Justice			
Passed Through Minnesota Department of Public Safety Crime Victim Assistance	16.575	F-CVS-2023-MILLACAO	<u>\$ 27,739</u>
U.S. Department of the Treasury			
Direct COVID-19 – Coronavirus State and Local Fiscal Recovery Funds	21.027		<u>\$ 2,250</u>
U.S. Department of Education			
Passed Through Minnesota Department of Health Special Education – Grants for Infants and Families	84.181	BO4MC32551	<u>\$ 1,663</u>

**Mille Lacs County
Milaca, Minnesota**

Exhibit C-3
(Continued)

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

Federal Grantor Pass-Through Agency Program or Cluster Title	Assistance Listing Number	Pass-Through Grant Numbers	Expenditures
U.S. Department of Health and Human Services			
Passed Through Minnesota Department of Health			
Public Health Emergency Preparedness	93.069	NU90TP922026	\$ 35,866
Early Hearing Detection and Intervention	93.251	H61MC00035	225
Immunization Cooperative Agreements	93.268	NH23IP922628	32,704
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505	X1043589	125,154
Temporary Assistance for Needy Families	93.558	2301MNTANF	25,215
(Total Temporary Assistance for Needy Families 93.558 \$258,515)			
Block Grants for Prevention and Treatment of Substance Abuse	93.959	B08TI083504	750
Center for Disease Control Collaboration with Academia to Strengthen Public Health	93.967	NE11OE000048	5,988
Maternal and Child Health Services Block Grant to the States	93.994	B04MC32551	16,300
Passed Through Minnesota Department of Human Services			
MaryLee Allen Promoting Safe and Stable Families Program	93.556	2201MNFPS	2,454
Temporary Assistance for Needy Families	93.558	2301MNTANF	233,300
(Total Temporary Assistance for Needy Families 93.558 \$258,515)			
Child Support Services	93.563	2301MNCSES	122,101
Child Support Services	93.563	2301MNCEST	531,796
(Total Child Support Services 93.563 \$653,897)			
Refugee and Entrant Assistance State/Replacement Designee Administered Programs	93.566	2301MNRDMA	852
CCDF Cluster			
Child Care and Development Block Grant	93.575	2301MNCDF	14,503
Community-Based Child Abuse Prevention Grants	93.590	2202MNBCAP	23,150
Stephanie Tubbs Jones Child Welfare Services Program	93.645	2201MNCWSS	4,376
Foster Care Title IV-E	93.658	2301MNFOT	323,748
Social Services Block Grant	93.667	2301MNSOSR	198,750
John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674	2301MNCILP	14,447
COVID-19 – Elder Abuse Prevention Interventions Program	93.747	NE11OE000048	2,076
Children's Health Insurance Program	93.767	2305MNS021	979
Medicaid Cluster			
Medical Assistance Program	93.778	2305MNSADM	923,572
Medical Assistance Program	93.778	2305MNSMAP	16,061
(Total Medical Assistance Program 93.778 \$939,633)			
Total U.S. Department of Health and Human Services			\$ 2,654,367

**Mille Lacs County
Milaca, Minnesota**

Exhibit C-3
(Continued)

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

Federal Grantor Pass-Through Agency Program or Cluster Title	Assistance Listing Number	Pass-Through Grant Numbers	Expenditures
U.S. Department of Homeland Security			
Passed Through Minnesota Department of Natural Resources Boating Safety Financial Assistance	97.012	R29G70CGBLA19	\$ 14,178
Passed Through Minnesota Department of Public Safety Emergency Management Performance Grants	97.042	Not provided	20,152
Total U.S. Department of Homeland Security			\$ 34,330
Total Federal Awards			\$ 3,234,857

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

Totals by Cluster

Total expenditures for SNAP Cluster	\$ 261,379
Total expenditures for CCDF Cluster	14,503
Total expenditures for Medicaid Cluster	939,633

Mille Lacs County Milaca, Minnesota

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

Note 1 – Summary of Significant Accounting Policies

Reporting Entity

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

Basis of Presentation

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

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

Note 2 – De Minimis Cost Rate

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

**Mille Lacs County
Milaca, Minnesota**

Note 3 – Reconciliation to Schedule of Intergovernmental Revenue

Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	\$ 3,241,278
Grants received more than 60 days after year-end, considered unavailable revenue in 2023	
Special Education – Grants for Infants and Families (AL No. 84.181)	585
MaryLee Allen Promoting Safe and Stable Families Program (AL No. 93.556)	1,410
Temporary Assistance for Needy Families (AL No. 93.558)	59,174
Stephanie Tubbs Jones Child Welfare Services Program (AL No. 93.645)	1,403
Foster Care Title IV-E (AL No. 93.658)	1,500
Children’s Health Insurance Program (AL No. 93.767)	72
Maternal and Child Health Services Block Grants to the States (AL No. 93.994)	399
Unavailable revenue in 2022, recognized as revenue in 2023	
Crime Victim Assistance (AL No. 16.575)	(63,908)
Maternal and Child Health Services Block Grants to the States (AL No. 93.994)	(900)
Stephanie Tubbs Jones Child Welfare Services Program (AL No. 93.645)	(3,731)
John H. Chafee Foster Care Program for Successful Transition to Adulthood (AL No. 93.674)	(2,425)
Expenditures per Schedule of Expenditures of Federal Awards	<u>\$ 3,234,857</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
Mille Lacs County
Milaca, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mille Lacs County, Minnesota, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated March 21, 2025.

Report on Internal Control Over Financial Reporting

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

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

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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 deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2023-003 and 2023-004 to be material weaknesses.

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 deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2023-001, 2023-002, 2023-005, and 2023-006 to be significant deficiencies.

Report on Compliance and Other Matters

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

Minnesota Legal Compliance

In connection with our audit, we noted that Mille Lacs County failed to comply with the provisions of the depositories of public funds and public investments 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 2023-007 and 2023-008. Also, in connection with our audit, nothing came to our attention that caused us to believe that Mille Lacs County failed to comply with the provisions of the contracting – bid laws, 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.

Mille Lacs County's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Mille Lacs County's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs and Corrective Action Plan. The County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and compliance, and the provisions of the *Minnesota Legal Compliance Audit Guide for Counties* and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.

/s/Julie Blaha

Julie Blaha
State Auditor

March 21, 2025

/s/Chad Struss

Chad Struss, CPA
Deputy State Auditor



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
Mille Lacs County
Milaca, Minnesota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

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

In our opinion, Mille Lacs County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2023.

Basis for Opinion on Each Major Federal Program

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

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

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

- exercise professional judgment and maintain professional skepticism throughout the audit;
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Mille Lacs 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 Mille Lacs 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 Mille Lacs 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

March 21, 2025

/s/Chad Struss

Chad Struss, CPA
Deputy State Auditor

Mille Lacs County Milaca, Minnesota

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

Section I – Summary of Auditor’s Results

Financial Statements

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

Internal control over financial reporting:

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

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

Federal Awards

Internal control over major federal programs:

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

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

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

Identification of major federal programs:

Assistance Listing	
Number	Name of Federal Program or Cluster
93.563	Child Support Services
93.778	Medicaid Cluster

The threshold used to distinguish between Type A and B programs was \$750,000.

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

Section II – Financial Statement Findings

2023-001 Segregation of Duties

Prior Year Finding Number: 2022-001

Year of Finding Origination: 1996

Type of Finding: Internal Control Over Financial Reporting

Severity of Deficiency: Significant Deficiency

Criteria: Management is responsible for establishing and maintaining internal control. Adequate segregation of duties is a significant internal control in preventing and detecting errors or irregularities. To protect the County’s 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.

Mille Lacs County Milaca, Minnesota

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, depositing receipts, and, if applicable, preparing reports.

Context: This is not unusual in operations the size of Mille Lacs County; however, the County's management should constantly be aware of this condition and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from an accounting point of view.

Effect: Inadequate segregation of duties could adversely affect the 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 has indicated it does not have the economic resources needed to hire additional qualified accounting staff in order to segregate duties in every department.

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

View of Responsible Official: Concur

2023-002 Taxes and Penalties Custodial Fund Reconciliation

Prior Year Finding Number: 2022-002

Year of Finding Origination: 2020

Type of Finding: Internal Control Over Financial Reporting

Severity of Deficiency: Significant Deficiency

Criteria: Reconciliations are control activities designed to provide reasonable assurance that errors will be detected in a timely manner. The County should perform a reconciliation of the cash balance in the Taxes and Penalties Custodial Fund periodically to ensure tax collections, settlements, and other activities are accounted for accurately.

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

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

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

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

Recommendation: We recommend the County balance the Taxes and Penalties Custodial Fund, ensure correct amounts are distributed, and perform periodic reconciliations of the cash balance for the Taxes and Penalties Custodial Fund in a timely manner.

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View of Responsible Official: Concur

2023-003 Prior Period Adjustment and Audit Adjustments

Prior Year Finding Number: 2022-003

Year of Finding Origination: 2020

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 County's financial statements will not be prevented, or detected and corrected, on a timely basis. One indication of a material weakness in internal control is the restatement of previously issued financial statements to reflect the correction of material misstatements due to error.

Condition: Material audit adjustments, including a prior period adjustment, were identified that resulted in significant changes to the County's financial statements.

Context: The inability to detect material misstatements in the financial statements increases the likelihood that the financial statements would not be fairly presented. The need for prior period adjustments can raise doubts as to the accuracy of the County's financial information being presented. The adjustments were found in the audit; however, independent external auditors cannot be considered part of the County's internal control.

Effect: The following prior period adjustment was reviewed and approved by management and is reflected in the financial statements:

- The January 1, 2023, fund balances of the Debt Service Fund increased and the Ditch Special Revenue Fund decreased by \$417,998 for cash that was recorded in the incorrect fund.

In addition, the following audit adjustments were reviewed and approved by management and are reflected in the financial statements:

- The General Fund accounts receivable, due from other governments, due from other funds, and departmental cash increased by \$21,825, \$246,561, \$57,611, and \$15,341, respectively; and revenues increased and expenditures decreased by \$291,556 and \$49,782, respectively, for 2023 revenue received in the subsequent year, for cash received in 2023 but not recorded until 2024, and to reduce expenditures reimbursed and recorded by another fund.
- The General Fund cash and pooled investments and accounts payable decreased by \$1,251,341 for ACH/EFT transactions not properly recorded in the general ledger accounting system.
- The General Fund due to other funds increased and property tax revenue decreased by \$591,632 to accurately record the property tax revenue distribution.
- The Road and Bridge Special Revenue Fund intergovernmental revenue decreased and deferred inflows of resources – advance from other governments increased by \$2,192,862 to properly record the year-end

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deferred inflow for the advance on the allotment.

- The Road and Bridge Special Revenue Fund highways and streets expenditures and contracts payable increased by \$725,811 to properly record the accrual for payments made on construction projects after year-end.
- The Road and Bridge Special Revenue Fund due from other funds and property tax revenue increased by \$25,975 to accurately record the property tax revenue distribution.
- The Community and Veteran Services Special Revenue Fund due from other funds and property tax revenue increased by \$226,788 to accurately record the property tax revenue distribution.
- The Debt Service Fund due from other funds and property tax revenue increased by \$68,254 to accurately record the property tax revenue distribution.
- The Capital Projects Fund due from other funds and property tax revenue increased by \$173,248 to accurately record the property tax revenue distribution.
- The Internal Service Fund cash and investments and claims payable decreased by \$177,892 for ACH/EFT transactions not properly recorded in the general ledger accounting system.

Cause: The County is not performing reviews and reconciliations of the bank or general ledger activity that would normally detect these types of errors. Furthermore, electronic funds transfers transactions did not post correctly due to a system setup error during the migration to Munis in 2023.

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

View of Responsible Official: Concur

2023-004 Bank Reconciliations

Prior Year Finding Number: 2022-004

Year of Finding Origination: 2020

Type of Finding: Internal Control Over Financial Reporting

Severity of Deficiency: Material Weakness

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

Condition: The County has been unable to successfully reconcile the bank balances to the general ledger balances since April 2020, noting unidentified reconciling items each month.

Context: The unreconciled differences between the two sets of records fluctuated throughout the year, which indicates continuing errors or irregularities in the County's accounting records, bank reconciliations, or both.

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

During the audit, we noted the following internal control deficiencies as a result of monthly bank reconciliations not being completed:

- electronic funds transfer transactions from throughout the year totaling \$1,429,233 were not properly posted to cash and accounts payable;
- a deposit from the Department of Revenue in the amount of \$94,541 on March 13, 2023, was not recorded until November 7, 2024; and
- deposits received throughout the year from the Department of Revenue for local option sales tax were recorded at the gross amount rather than the net amount received, which resulted in a difference in cash of \$29,452.

Cause: We were informed the Administrative Services Office was short-staffed and had multiple positions vacant. The County reorganized and moved many of the accounting functions, including completing bank reconciliations, from the Auditor-Treasurer's Office to the Administrative Services Office. Furthermore, the County's migration to a new accounting software in 2023 resulted in additional delays and challenges in accurately completing the reconciliations.

Recommendation: We recommend the County review procedures in place over preparation of the bank reconciliation as well as the timeliness of its completion. The County should make necessary adjustments to the general ledger in a timely manner to ensure bank records reconcile to the County's general ledger.

View of Responsible Official: Concur

2023-005 Capital Asset Records

Prior Year Finding Number: N/A

Year of Finding Origination: 2023

Type of Finding: Internal Control Over Financial Reporting

Severity of Deficiency: Significant Deficiency

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

Condition: Inconsistencies in original cost and accumulated depreciation were identified between the capital asset system and the subsidiary capital asset records maintained by the County for financial statement presentation. In addition, at the time of the audit, the County was unable to generate a report from the capital asset system that included current year depreciation amounts by asset.

Context: The County subsequently updated the capital asset system to coincide with the subsidiary records.

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Effect: Inaccurate capital asset records could lead to misstated financial statements, which could impact decision making and compliance with reporting requirements. The lack of a reliable depreciation report could hinder proper capital asset management.

Cause: The discrepancies are the result of incomplete or inconsistent input of asset information by the County during the implementation of the new capital asset system during 2023. Additionally, the system's inability to generate a report with current year depreciation suggests inadequate configuration or reporting capabilities during setup.

Recommendation: We recommend the County implement controls to regularly update and review the capital asset system to ensure capital assets are entered into the system correctly and accumulated depreciation is accurately calculated. Additionally, the County should assess and enhance system reporting capabilities to ensure that all necessary financial information, including current year depreciation, is readily available for review and audit purposes.

View of Responsible Official: Concur

2023-006 Journal Entry Approval

Prior Year Finding Number: N/A

Year of Finding Origination: 2023

Type of Finding: Internal Control Over Financial Reporting

Severity of Deficiency: Significant Deficiency

Criteria: The County's written journal entry procedure requires journal entries to be approved by department heads, entered into the financial reporting system by the Administrative Manager or their designee, and subsequently reviewed by the County Administrator.

Condition: Four of the eight journal entries tested did not include indication of review or approval. In addition, one of these entries was missing supporting documentation and incorrectly entered into the general ledger.

Context: The County migrated their accounting system from the Integrated Financial System to Munis on April 1, 2023.

Effect: Without proper support, review, and approval of journal entries, there is an increased risk that errors or irregularities may occur and may not be detected in a timely manner.

Cause: The County did not properly implement the journal entry approval functions in the new financial system, which led to journal entries being posted without the proper approvals.

Recommendation: We recommend the County retain support for all journal entries and review and approve them in accordance with the policies and procedures in place.

View of Responsible Official: Concur

Section III – Federal Award Findings and Questioned Costs

No matters were reported.

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Section IV – Other Findings and Recommendations

2023-007 Unclaimed Funds

Prior Year Finding Number: 2022-009

Year of Finding Origination: 2022

Type of Finding: Minnesota Legal Compliance

Criteria: Minnesota statutes require uncashed vendor or refund checks be reported to the state after three years. The reporting requirements for unclaimed property and its payment to the Commissioner of the Minnesota Department of Commerce are detailed in Minn. Stat. §§ 345.38–.43.

Condition: As of December 31, 2023, the County has 25 outstanding checks from the general checking account totaling \$4,318 that are more than three years old and have not been reported and paid or delivered to the Minnesota Department of Commerce.

Context: The Administrative Services Office is responsible for submitting unclaimed property to the Minnesota Department of Commerce.

Effect: The County is not in compliance with Minnesota statutes regarding unclaimed property.

Cause: Due to bank reconciliations not being completed each month, the County has been unable to determine the amount of unclaimed property that should be remitted to the Minnesota Department of Commerce.

Recommendation: We recommend the County finalize unclaimed property amounts, file the required unclaimed property reports with the Minnesota Department of Commerce, and remit any funds required to be remitted to the state.

View of Responsible Official: Concur

2023-008 Insufficient Collateral

Prior Year Finding Number: N/A

Year of Finding Origination: 2023

Type of Finding: Minnesota Legal Compliance

Criteria: Government entities are required by Minn. Stat. § 118A.03, subd. 3, to obtain collateral to secure deposits to the extent funds on deposit exceed available federal deposit insurance at the close of the financial institution's banking day.

The market value of the collateral should be at least ten percent more than the uninsured and unbonded amount on deposit, unless the collateral is an irrevocable letter of credit issued by Federal Home Loan Banks, which requires an amount at least equal to the amount on deposit.

Condition: The fair market value of collateral pledged to secure uninsured deposits was not sufficient to meet the 110 percent requirement for December 2023.

Context: At December 31, 2023, the County's accounts at First National Bank were exposed to custodial credit risk in the amount of \$4,493,063.

Mille Lacs County Milaca, Minnesota

Effect: The County was not in compliance with Minn. Stat. § 118A.03 and exposed the County deposits to custodial credit risk.

Cause: The County did not properly monitor deposits and collateral coverage.

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

View of Responsible Official: Concur



Dillon Hayes
County Administrator

Administrative Services Office
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**Representation of Mille Lacs County
Milaca, Minnesota**

**Corrective Action Plan
For the Year Ended December 31, 2023**

Finding Number: 2023-001

Finding Title: Segregation of Duties

Name of Contact Person Responsible for Corrective Action:

Dillon Hayes, County Administrator

Corrective Action Planned:

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

Anticipated Completion Date:

Continuous

Finding Number: 2023-002

Finding Title: Taxes and Penalties Custodial Fund Reconciliation

Name of Contact Person Responsible for Corrective Action:

Dillon Hayes, County Administrator

Corrective Action Planned:

County officials are aware of the issue and will be working to develop and implement standardized operating procedures for these processes, which will include reconciliation of the fund. County officials have been working on this issue over the past year and have reconciled many components of the Taxes and Penalties Fund.

Anticipated Completion Date:

June 2025

Finding Number: 2023-003

Finding Title: Prior Period Adjustment and Audit Adjustments

Name of Contact Person Responsible for Corrective Action:

Dillon Hayes, County Administrator

Corrective Action Planned:

County officials are aware of the issue, and will be working to revise processes as necessary.

Anticipated Completion Date:

May 2025

Finding Number: 2023-004

Finding Title: Bank Reconciliations

Name of Contact Person Responsible for Corrective Action:

Dillon Hayes, County Administrator

Corrective Action Planned:

County officials are aware of the issue, and, in conjunction with the revisions to duties and responsibilities of finance staff, will be working to develop and implement standardized operating procedures for this process, and establish a formal methodology and timeline for the completion of bank reconciliations. Additionally, in 2022, an outside firm was hired to assist with these efforts.

Anticipated Completion Date:

October 2025

Finding Number: 2023-005

Finding Title: Capital Asset Records

Name of Contact Person Responsible for Corrective Action:

Dillon Hayes, County Administrator

Corrective Action Planned:

County officials are aware of the issue, and these issues were addressed following implementation of the new capital asset system.

Anticipated Completion Date:

Completed December 2024

Finding Number: 2023-006

Finding Title: Journal Entry Approval

Name of Contact Person Responsible for Corrective Action:

Dillon Hayes, County Administrator

Corrective Action Planned:

Implementation is complete; the issue was caused by the implementation of a new general ledger accounting system.

Anticipated Completion Date:

Completed April 2024

Finding Number: 2023-007

Finding Title: Unclaimed Funds

Name of Contact Person Responsible for Corrective Action:

Dillon Hayes, County Administrator

Corrective Action Planned:

This is expected to be completed in coordination with the bank reconciliation process; additionally, procedures have been changed recently to expedite the review of outstanding checks.

Anticipated Completion Date:

September 2025

Finding Number: 2023-008

Finding Title: Insufficient Collateral

Name of Contact Person Responsible for Corrective Action:

Dillon Hayes, County Administrator

Corrective Action Planned:

County officials will review procedures and processes in order to ensure that funds are managed appropriately within the limits of existing collateralization at the applicable financial institution.

Anticipated Completion Date:

Completed January 2024

**Representation of Mille Lacs County
Milaca, Minnesota**

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

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

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

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

Status: Not Corrected. The County's limited staff in many departments prevents complete segregation of duties. The County periodically reviews its internal control processes and implements compensating controls as needed to address the lack of segregation of duties. Work will continue to revise and refine procedures to work towards addressing this finding.

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

Finding Number: 2022-002
Year of Finding Origination: 2020
Finding Title: Taxes and Penalties Fund Reconciliation

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

Summary of Corrective Action Previously Reported: County officials are aware of the issue and will be working to develop and implement standardized operating procedures for these processes, which will include reconciliation of the fund. County officials have been working on this issue over the past year and have reconciled many components of the Taxes and Penalties Fund.

Status: Not Corrected. Work continues on development and implementation of standardized operating procedures. Significant turnover has delayed efforts to address this issue.

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

Finding Number: 2022-003

Year of Finding Origination: 2020

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: County officials are aware of the issue, and will be working to revise processes as necessary.

Status: Not Corrected. Work continues on development and implementation of standardized operating procedures. Significant turnover has delayed efforts to address this issue.

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

Finding Number: 2022-004

Year of Finding Origination: 2020

Finding Title: Bank Reconciliations

Summary of Condition: During review of the County's December 2021 bank reconciliation, the auditor was unable to reconcile the bank balance to the County's general ledger. During the 2021 audit, it was discovered that an electronic funds transfer was made in 2020 without being recorded in the County's general ledger. Furthermore, the County has been unable to successfully reconcile the bank balances to the general ledger balances since April 2020, noting unidentified reconciling items for each month.

Summary of Corrective Action Previously Reported: County officials are aware of the issue, and, in conjunction with the revisions to duties and responsibilities of finance staff, will be working to develop and implement standardized operating procedures for this process, and establish a formal methodology and timeline for the completion of bank reconciliations. Additionally, in 2022, an outside firm was hired to assist with these efforts.

Status: Not Corrected. Work continues on development and implementation of standardized operating procedures. Significant turnover has delayed efforts to address this issue, and the consultant hired to assist was not able to produce the desired results.

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

Finding Number: 2022-005
Year of Finding Origination: 2021
Finding Title: Access to Computer Systems/Network

Summary of Condition: Fifty-two employees leaving County employment in 2022 were tested for timely removal of network access. Two instances were identified where access had not been disabled or removed in a timely manner.

Summary of Corrective Action Previously Reported: In coordination with migration to a new Human Resources system, county officials are reviewing and revising the on-boarding and off-boarding processes that include eliminating access at the time of termination or resignation.

Status: Fully Corrected. Corrective action was taken.

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

Finding Number: 2022-006
Year of Finding Origination: 2022
Finding Title: Budget Deficiencies

Summary of Condition: The original budget entered in the County's Integrated Financial System (IFS) was not the Board-approved budget.

Summary of Corrective Action Previously Reported: Budgeting processes have been modified to eliminate the data entry that resulted in this error.

Status: Fully Corrected. Corrective action was taken.

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

Finding Number: 2022-007
Year of Finding Origination: 2022
Finding Title: Reporting Program: 21.027 COVID-19 – Coronavirus State and Local Fiscal Recovery Funds

Summary of Condition: The County incorrectly reported the full CSLFRF award amount of \$5,089,194 as expenditures on the Annual Project and Expenditure Report submitted to the U.S. Department of the Treasury for 2022 when the amount reported should have been \$1,232,368. Additionally, the 2022 Annual Project and Expenditure Report was not submitted to the U.S. Treasury by the April 30 due date. The Annual Project and Expenditure Report due in April 2022 was for the reporting period ending March 31, 2022.

Summary of Corrective Action Previously Reported: Guidance and timelines for reporting on the CSLFRF award have been changing constantly. Staff will take better care to follow future guidance. Additionally, all funds have been expended.

Status: Fully Corrected. Corrective action was taken.

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

Finding Number: 2022-008

Year of Finding Origination: 2021

Finding Title: Publication of County Board Minutes

Summary of Condition: Based on review of the affidavits of publication related to the publishing of summary Board minutes for 2022, not all of the summaries were published in the County's official newspaper within the 30-day requirement. Additionally, none of the publications included an itemized list of County Board-approved payments over \$2,000 or included the total number of claims and total amount for payments under \$2,000 as required.

Summary of Corrective Action Previously Reported: County officials are aware of this issue, and minute publication dates are now being tracked and documented to ensure compliance with the publication deadline. In 2023, all minutes were published on-time.

Status: Fully Corrected. Corrective action was taken.

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

Finding Number: 2022-009

Year of Finding Origination: 2022

Finding Title: Unclaimed Funds

Summary of Condition: As of December 31, 2022, the County has 15 outstanding checks from the general checking account totaling \$2,629 and 52 checks from the jail inmate checking account totaling \$2,164 that are more than three years old and have not been reported and paid or delivered to the Minnesota Department of Commerce.

Summary of Corrective Action Previously Reported: County officials are aware of this issue, and will be working to address this issue in conjunction with the bank reconciliation.

Status: Not Corrected. Work continues on development and implementation of standardized operating procedures. Significant turnover has delayed efforts to address this issue, and the consultant hired to assist was not able to produce the desired results.

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

Finding Number: 2022-010

Year of Finding Origination: 2022

Finding Title: Contracting and Bidding Compliance – Sale of Property

Summary of Condition: During 2022, the County Public Works Department sold four pieces of equipment at or above \$15,000 without publishing notice of the sale in the official newspaper, on the County's website, or in a recognized industry trade journal.

Summary of Corrective Action Previously Reported: New staff in the department have been informed repeatedly of the statutory requirement.

Status: Fully Corrected. Corrective action was taken.

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