State of Minnesota

Office of the State Auditor

Julie Blaha
State Auditor

Mille Lacs County
Milaca, Minnesota

Year Ended December 31, 2022

Description of the Office of the State Auditor

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

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

- **Audit Practice**: Helps ensure fiscal integrity by conducting financial and compliance audits of local governments and the federal compliance audit of the State of Minnesota.

- **Constitution:** Connects with the public via external communication, media relations, legislative coordination, and public engagements for the State Auditor.

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

- **Government Information**: Collects, analyzes, and shares local government financial data to assist in policy and spending decisions; administers and supports financial tools including the Small Cities and Towns Accounting System (CTAS) software and infrastructure comparison tools.

- **Legal/Special Investigations**: Provides legal analysis and counsel to the OSA and responds to outside inquiries about Minnesota local law relevant to local government finances; investigates local government financial records in response to specific allegations of theft, embezzlement, or unlawful use of public funds or property.

- **Operations:** Ensures the office runs efficiently by providing fiscal management and technology support to the office.

- **Pension:** Analyzes investment, financial, and actuarial reporting for Minnesota's local public pension plans and monitors pension plan operations.

- **Tax Increment Financing (TIF)**: Promotes compliance and accountability in local governments' use of tax increment financing through education, reporting, and compliance reviews.

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Mille Lacs County
Milaca, Minnesota

Year Ended December 31, 2022

Office of the State Auditor

Audit Practice Division
Office of the State Auditor
State of Minnesota

Mille Lacs County
Milaca, Minnesota

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Mille Lacs County
Milaca, Minnesota

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Introductory Section

Mille Lacs County
Milaca, Minnesota

Organization
2022

Office	Name	Term From	Term To
Commissioners			
1st District	Genny Reynolds[1]	January 2021	January 2025
2nd District	Tim Wilhelm	January 2019	January 2023
3rd District	Phil Peterson	January 2021	January 2025
4th District	Roger Tellinghuisen	January 2019	January 2023
5th District	David Oslin	January 2021	January 2025
Elected			
Attorney	Joe Walsh	January 2019	January 2023
Sheriff	Don Lorge	January 2019	January 2023
Appointed			
County Administrator	Dillon Hayes	August 2021	Indefinite
County Assessor	Jason Jorgensen[2]	March 2022	Indefinite
County Auditor-Treasurer	Brenda Eklund	February 2022	Indefinite
County Engineer	*Vacant*	N/A	N/A
Community and Veterans Services Director	Beth Crook	January 2014	Indefinite
County Recorder	Jackie Struffert	January 2022	Indefinite
Medical Examiner	Dr. Quinn Strobl	January 2022	December 2022

[1]Board Chair
[2]Resigned November, 2022

Financial Section

STATE OF MINNESOTA

Office of the State Auditor

Julie Blaha
State Auditor

Suite 500
525 Park Street
Saint Paul, MN 55103

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, 2022, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Mille Lacs County as of December 31, 2022, and the respective changes in financial position, and, where applicable, its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Emphasis of Matter – Change in Accounting Principle

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the County's ability to continue as a going concern

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise 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 April 8, 2024, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

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

April 8, 2024

Management’s Discussion and Analysis

Mille Lacs County
Milaca, Minnesota

Management's Discussion and Analysis
As of and for the Year Ended December 31, 2022

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, 2022. 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 $85,242,608, of which $73,317,662 is the net investment in capital assets, and $6,675,020 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, 2022, was $16,684,739; the net cost was funded by general revenues and other items totaling $32,787,045.

- At the close of 2022, Mille Lacs County's governmental funds reported combined ending fund balances of $25,411,802, an increase of $7,080,352 from the previous year-end balance. At the end of the year, Mille Lacs County's assigned and unassigned fund balance totaled $18,736,687, 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.

Management's Discussion and Analysis (Required Supplementary Information)

Government-Wide Financial Statements	**Fund Financial Statements**
Notes to the Financial Statements	

Required Supplementary Information (Other than Management's Discussion and Analysis)

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

	2022	2021
Assets		
Current and other assets	$ 34,127,222	$ 29,225,653
Capital assets	88,877,398	84,162,010*
Total Assets	$ 123,004,620	$ 113,387,663
Deferred Outflows of Resources		
Deferred pension outflows	$ 12,337,306	$ 9,144,198
Deferred OPEB outflows	327,201	345,944
Total Deferred Outflows of Resources	$ 12,664,507	$ 9,490,142
Liabilities		
Long-term liabilities outstanding	$ 47,736,108	$ 36,630,109*
Other liabilities	1,406,608	5,409,253
Total Liabilities	$ 49,142,716	$ 42,039,362
Deferred Inflows of Resources		
Deferred pension inflows	$ 855,336	$ 11,646,627
Deferred OPEB inflows	428,467	51,514
Total Deferred Inflows of Resources	$ 1,283,803	$ 11,698,141
Net Position		
Net investment in capital assets	$ 73,317,662	$ 66,693,142
Restricted	6,675,020	13,962,099
Unrestricted	5,249,926	(11,514,939)
Total Net Position	$ 85,242,608	$ 69,140,302

*Prior year balances were restated and changed for comparison for the implementation of GASB 87, *Leases*. See Change in Accounting Principles in Note 1.

A large portion of Mille Lacs County's net position, $73,317,662 (86.0 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 $6,675,020 (7.8 percent). The unrestricted net position is $5,249,926 (6.2 percent) for 2022.

Table 2
Changes in Net Position

	2022	2021
Program revenues		
Fees, charges, fines, and other	$ 5,871,096	$ 4,115,965
Operating grants and contributions	13,757,137	13,378,311
Capital grants and contributions	77,775	323,386
General revenues		
Property taxes	20,836,654	17,942,533
Other	11,950,391	5,798,516
Total Revenues	$ 52,493,053	$ 41,558,711
Expenses		
General government	$ 9,333,601	$ 8,697,829
Public safety	12,207,870	9,403,049
Highways and streets	1,265,963	5,678,323
Sanitation	282,518	249,717
Human services	10,626,531	10,644,686
Health	923,355	940,994
Culture and recreation	405,810	390,201
Conservation of natural resources	344,053	1,392,922
Economic development	503,741	609,263
Interest	497,305	621,861
Total Expenses	$ 36,390,747	$ 38,628,845
Change in Net Position	$ 16,102,306	$ 2,929,866
Net Position – January 1	69,140,302	66,210,436
Net Position – December 31	$ 85,242,608	$ 69,140,302

Governmental Activities

Revenues for Mille Lacs County's governmental activities for the year ended December 31, 2022, were $52,493,053. The County's cost for all governmental activities for the year ended December 31, 2022, was $36,390,747. The net position for the County's governmental activities increased by $16,102,306 in 2022.

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 $20,836,654, because $5,871,096 of the costs were paid by those who directly benefited from the programs, and $13,834,912 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 $7,946,682 in grants and contributions not restricted to specific programs and $4,003,709 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 2022

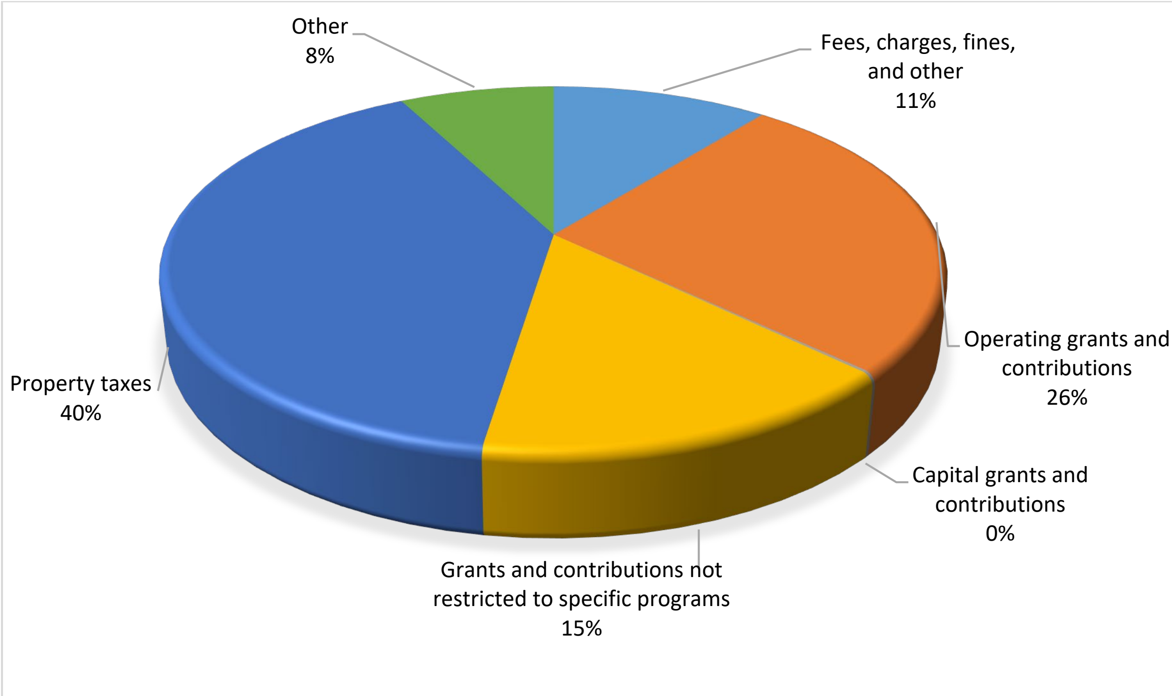
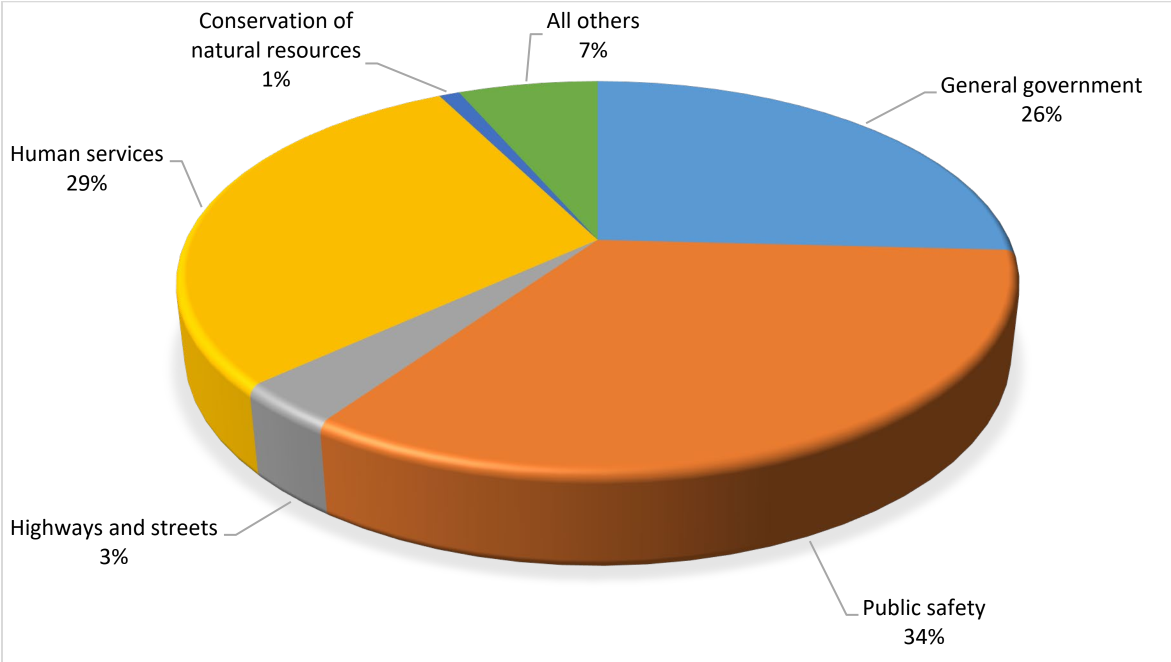


Table 3 presents the cost of each of Mille Lacs County's four largest program functions as well as each function's net cost (total cost, less revenues generated by the activities). The net cost shows the financial burden placed on Mille Lacs County's taxpayers by each of these functions.

Table 3
Governmental Activities

	2022	
	Total Cost of Services	Net Cost of Services
Program expenses		
General government	$ 9,333,601	$ (7,008,457)
Public safety	12,207,870	(10,708,299)
Highways and streets	1,265,963	4,618,869
Human services	10,626,531	(3,782,883)
All others	2,956,782	196,031
Total Program Expenses	$ 36,390,747	$ (16,684,739)

County Expenses for Fiscal Year 2022



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 $25,411,802, an increase of $7,080,352 in comparison with the prior year. Of the combined ending fund balances, $18,736,687 represents unrestricted (committed, assigned, and unassigned) fund balance, which is available for spending at the County's discretion. The remaining fund balance, $6,675,115, 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 2022, the General Fund's fund balance was $11,092,610, of which $8,989,489 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 45.6 percent of total General Fund expenditures. During 2022, the ending fund balance increased by $9,014,407.

The Road and Bridge Special Revenue Fund had a total fund balance of $676,393 at the end of 2022. The fund balance decreased $523,001 during 2022.

The Community and Veteran Services Special Revenue Fund had a total fund balance of $8,645,242 at the end of 2022. The fund balance increased by $1,532,372.

The Debt Service Fund had a total fund balance of $3,376,128 at the end of 2022. The fund balance decreased $3,435,146 during 2022.

The Capital Projects Fund had a total fund balance of $709,378 at the end of 2022. The fund balance decreased $306,564 during 2022.

The Opioid Settlement Fund had a total fund balance of $403,884 at the end of 2022. This fund was new in 2022 and not previously reported.

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 2022, the General Fund's actual revenues exceeded expected revenues by $6,435,426, and actual expenditures were less than budgeted expenditures by $143,596.

Capital Assets and Debt Administration

Capital Assets

At the end of 2022, Mille Lacs County had $88,877,398 invested in a broad range of capital assets, net of depreciation and amortization. This investment in capital assets includes land, land improvements, buildings, highways and streets, equipment, software, and leased machinery and equipment (see Table 4).

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

	2022	2021*
Land	$ 4,653,769	$ 3,028,726
Construction in progress	437,979	2,186,052
Land improvements	159,025	184,339
Buildings	13,583,399	14,320,953
Machinery and equipment	2,291,056	2,511,407
Infrastructure	67,130,679	61,463,568
Software	-	1,207
Leased machinery and equipment	621,491	465,758
Total	$ 88,877,398	$ 84,162,010

*Prior year balances were restated and changed for comparison for the implementation of GASB 87, *Leases*. See Change in Accounting Principles in Note 1.

Debt Administration

On December 31, 2022, Mille Lacs County had $17,246,000 in bonds and notes outstanding, compared with $22,076,000 as of December 31, 2021, a decrease of 21.9 percent, as shown in Table 5.

Table 5
Outstanding Debt at Year-End

Bonds and Notes Payable	Governmental Activities 2022	Governmental Activities 2021	Percent (%) Change
2010B Taxable Capital Improvement Bonds – Recovery Zone Economic Development Bonds	$ 540,000	$ 670,000	(19.4)
2014 G.O. Capital Improvement Plan Refunding Bonds	-	3,945,000	(100.0)
2018A G.O. Capital Improvement Plan Bonds	8,260,000	8,625,000	(4.2)
2019A G.O. Capital Improvement Plan Bonds	2,665,000	2,820,000	(5.5)
2021A G.O. Capital Improvement Plan Bonds	3,535,000	3,535,000	-
2019B G.O. Drainage Bonds	1,105,000	1,150,000	(3.9)
2021B G.O. Drainage Bonds	516,000	516,000	-
2019A G.O. Capital Equipment Notes	625,000	815,000	(23.3)
Total	$ 17,246,000	$ 22,076,000	(21.9)

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 2022 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 2022.

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, 2022

Assets		
Cash and pooled investments	$	24,444,642
Petty cash and change funds		750
Departmental cash		88
Taxes receivable		
Delinquent		530,277
Special assessments receivable		
Delinquent		15,116
Noncurrent		1,089,229
Accounts receivable – net		385,098
Loans receivable – net		359,842
Accrued interest receivable		915
Due from other governments		7,081,860
Inventories		219,405
Capital assets		
Non-depreciable and amortizable		5,091,748
Depreciable and amortizable – net of accumulated depreciation and amortization		83,785,650
Total Assets	**$**	**123,004,620**
Deferred Outflows of Resources		
Deferred pension outflows	$	12,337,306
Deferred other postemployment benefits outflows		327,201
Total Deferred Outflows of Resources	**$**	**12,664,507**
Liabilities		
Accounts payable	$	680,497
Salaries payable		355,619
Due to other governments		126,798
Accrued interest payable		204,768
Unearned revenue		38,926
Long-term liabilities		
Due within one year		1,766,078
Due in more than one year		19,183,841
Other postemployment benefits liability		2,613,580
Net pension liability		24,172,609
Total Liabilities	**$**	**49,142,716**

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

Mille Lacs County
Milaca, Minnesota

Exhibit 1
(Continued)

Statement of Net Position
Governmental Activities
December 31, 2022

Deferred Inflows of Resources		
Deferred pension inflows	$	855,336
Deferred other postemployment benefits inflows		428,467
Total Deferred Inflows of Resources	**$**	**1,283,803**
Net Position		
Net investment in capital assets	$	73,317,662
Restricted for		
General government		384,489
Public safety		970,871
Highway and streets		3,606,040
Conservation of natural resources		1,113,560
Economic development		31,086
Sanitation		165,090
Opioid remediation activities		403,884
Unrestricted		5,249,926
Total Net Position	**$**	**85,242,608**

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

Mille Lacs County
Milaca, Minnesota

Exhibit 2

Statement of Activities
Governmental Activities
For the Year Ended December 31, 2022

	Expenses	Program Revenues: Fees, Charges, Fines, and Other	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Functions/Programs					
Governmental activities					
General government	$ 9,333,601	$ 1,692,307	$ 632,837	$ -	$ (7,008,457)
Public safety	12,207,870	664,034	835,537	-	(10,708,299)
Highways and streets	1,265,963	253,908	5,553,149	77,775	4,618,869
Sanitation	282,518	260,589	78,021	-	56,092
Human services	10,626,531	1,385,907	5,457,741	-	(3,782,883)
Health	923,355	148,660	809,120	-	34,425
Culture and recreation	405,810	50,000	127,119	-	(228,691)
Conservation of natural resources	344,053	1,294,485	200,081	-	1,150,513
Economic development	503,741	121,206	63,532	-	(319,003)
Interest expense on long-term debt	497,305	-	-	-	(497,305)
Total Governmental Activities	**$ 36,390,747**	**$ 5,871,096**	**$ 13,757,137**	**$ 77,775**	**$ (16,684,739)**

General Revenues	
Property taxes	$ 20,836,654
Gravel tax	32,110
Mortgage registry and deed tax	127,551
Wheelage tax	532,349
Local option sales tax	1,950,011
Payments in lieu of tax	190,164
Grants and contributions not restricted to specific programs	7,946,682
Unrestricted investment earnings	313,046
Miscellaneous	240,033
Gain on sale of capital assets	618,445
Total general revenues	**$ 32,787,045**
Change in net position	**$ 16,102,306**
Net Position – January 1	**69,140,302**
Net Position – December 31	**$ 85,242,608**

Fund Financial Statements

Governmental Funds

Mille Lacs County
Milaca, Minnesota

Balance Sheet
Governmental Funds
December 31, 2022

	General	Road and Bridge	Community and Veteran Services
Assets			
Cash and pooled investments	$ 11,308,940	$ 614,350	$ 7,568,782
Petty cash and change funds	700	-	50
Departmental cash	88	-	-
Taxes receivable			
Delinquent	388,339	10,216	120,090
Special assessments receivable			
Delinquent	9,438	-	-
Noncurrent	35,800	-	-
Accounts receivable – net	21,190	5,309	358,599
Loans receivable – net	359,842	-	-
Accrued interest receivable	915	-	-
Due from other funds	21,428	7,583	-
Due from other governments	434,885	5,452,709	1,026,570
Inventories	-	219,405	-
Advances to other funds	10,602	-	-
Total Assets	**$ 12,592,167**	**$ 6,309,572**	**$ 9,074,091**
Liabilities, Deferred Inflows of Resources, and Fund Balances			
Liabilities			
Accounts payable	$ 235,014	$ 384,024	$ 49,845
Salaries payable	220,463	24,834	110,322
Due to other funds	7,583	-	21,428
Due to other governments	71,114	5,505	50,179
Unearned revenue	38,926	-	-
Advances from other funds	-	-	-
Total Liabilities	**$ 573,100**	**$ 414,363**	**$ 231,774**
Deferred Inflows of Resources			
Unavailable revenue	**$ 926,457**	**$ 5,218,816**	**$ 197,075**

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

Exhibit 3

Debt Service	Capital Projects	Opioid Settlement	Nonmajor Ditch Special Revenue Fund	Total
$ 3,208,432	$ 709,378	$ 403,884	$ 530,383	$ 24,344,149
-	-	-	-	750
-	-	-	-	88
10,098	1,534	-	-	530,277
2,399	-	-	3,279	15,116
1,053,429	-	-	-	1,089,229
-	-	-	-	385,098
-	-	-	-	359,842
-	-	-	-	915
-	-	-	-	29,011
167,696	-	-	-	7,081,860
-	-	-	-	219,405
-	-	-	-	10,602
$ 4,442,054	**$ 710,912**	**$ 403,884**	**$ 533,662**	**$ 34,066,342**
$ -	$ -	$ -	$ 11,614	$ 680,497
-	-	-	-	355,619
-	-	-	-	29,011
-	-	-	-	126,798
-	-	-	-	38,926
-	-	-	10,602	10,602
$ -	**$ -**	**$ -**	**$ 22,216**	**$ 1,241,453**
$ 1,065,926	**$ 1,534**	**$ -**	**$ 3,279**	**$ 7,413,087**

Mille Lacs County
Milaca, Minnesota

Balance Sheet
Governmental Funds
December 31, 2022

	General	Road and Bridge	Community and Veteran Services
Liabilities, Deferred Inflows of Resources, and Fund Balances (Continued)			
Fund Balances			
Nonspendable			
Inventories	$ -	$ 219,405	$ -
Advances to other funds	10,602	-	-
Restricted for			
Debt service	-	-	-
Law library	194,186	-	-
Recorder's technology and equipment	139,061	-	-
Clean water legacy and Natural Resources Block Grant (NRBG)	164,200	-	-
Administering the carrying of weapons	189,788	-	-
Law enforcement	112,536	-	-
Enhanced 911 system	353,090	-	-
Opioid remediation	-	-	-
Gravel pit restoration	154,021	-	-
DARE program	63,215	-	-
Prisoner account	252,242	-	-
Prosecutorial purposes	51,242	-	-
Aquatic invasive species	222,762	-	-
Ditch maintenance and repairs	-	-	-
SCORE	165,090	-	-
Economic development	31,086	-	-
Assigned to			
General government	266,260	-	-
Public safety	99,875	-	-
Highways and streets	-	456,988	-
Culture and recreation	50,000	-	-
Community and veteran services programs	-	-	8,645,242
Capital projects	-	-	-
Unassigned	8,573,354	-	-
Total Fund Balances	**$ 11,092,610**	**$ 676,393**	**$ 8,645,242**
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	**$ 12,592,167**	**$ 6,309,572**	**$ 9,074,091**

Exhibit 3

(Continued)

Debt Service	Capital Projects	Opioid Settlement	Nonmajor Ditch Special Revenue Fund	Total
$ -	$ -	$ -	$ -	$ 219,405
-	-	-	-	10,602
3,376,128	-	-	-	3,376,128
-	-	-	-	194,186
-	-	-	-	139,061
-	-	-	-	164,200
-	-	-	-	189,788
-	-	-	-	112,536
-	-	-	-	353,090
-	-	403,884	-	403,884
-	-	-	-	154,021
-	-	-	-	63,215
-	-	-	-	252,242
-	-	-	-	51,242
-	-	-	-	222,762
-	-	-	572,577	572,577
-	-	-	-	165,090
-	-	-	-	31,086
-	-	-	-	266,260
-	-	-	-	99,875
-	-	-	-	456,988
-	-	-	-	50,000
-	-	-	-	8,645,242
-	709,378	-	-	709,378
-	-	-	(64,410)	8,508,944
$ 3,376,128	**$ 709,378**	**$ 403,884**	**$ 508,167**	**$ 25,411,802**
$ 4,442,054	**$ 710,912**	**$ 403,884**	**$ 533,662**	**$ 34,066,342**

Mille Lacs County
Milaca, Minnesota

Exhibit 4

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position—Governmental Activities
December 31, 2022

Fund balances – total governmental funds (Exhibit 3)		**$ 25,411,802**
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.		88,877,398
Deferred outflows of resources resulting from pension obligations are not available resources and, therefore, are not reported in the governmental funds.		12,337,306
Deferred outflows of resources resulting from the other postemployment benefits liability are not available resources and, therefore, are not reported in the governmental funds.		327,201
Revenues in the statement of activities that do not provide current financial resources are not reported in the governmental funds.		7,413,087
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	$ (15,000,000)	
Special assessment bonds	(1,621,000)	
Unamortized premium on bonds	(531,395)	
Capital equipment notes	(625,000)	
Unamortized premium on notes	(44,517)	
Loans payable	(200,000)	
Lease payable	(615,814)	
Compensated absences	(2,312,193)	
Net pension liability	(24,172,609)	
Other postemployment benefits liability	(2,613,580)	(47,736,108)
Deferred inflows resulting from pension obligations are not due and payable in the current period and, therefore, are not reported in the governmental funds.		(855,336)
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.		(428,467)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the governmental funds.		(204,768)
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.		100,493
Net Position of Governmental Activities (Exhibit 1)		**$ 85,242,608**

Mille Lacs County
Milaca, Minnesota

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

	General	Road and Bridge	Community and Veteran Services
Revenues			
Taxes	$ 15,887,894	$ 963,245	$ 4,404,306
Special assessments	205,542	-	-
Licenses and permits	535,031	33,350	-
Intergovernmental	9,568,597	4,210,792	6,960,979
Charges for services	1,049,202	128,237	887,389
Fines and forfeits	65,346	-	-
Gifts and contributions	24,906	-	3,740
Settlement revenue	-	-	-
Investment earnings	313,046	-	-
Miscellaneous	925,964	92,321	652,311
Total Revenues	**$ 28,575,528**	**$ 5,427,945**	**$ 12,908,725**
Expenditures			
Current			
General government	$ 7,593,422	$ -	$ 197,087
Public safety	10,681,873	-	-
Highways and streets	-	5,488,296	-
Sanitation	279,156	-	-
Human services	-	-	10,226,324
Health	-	-	950,434
Culture and recreation	116,297	-	-
Conservation of natural resources	338,543	-	-
Economic development	507,429	-	-
Intergovernmental			
Highways and streets	-	409,837	-
Culture and recreation	289,513	-	-
Capital outlay			
General government	-	-	-
Public safety	-	-	-
Highways and streets	-	-	-
Debt service			
Principal	152,330	22,254	2,468
Interest	4,252	168	40
Administrative (fiscal) charges	-	-	-
Total Expenditures	**$ 19,962,815**	**$ 5,920,555**	**$ 11,376,353**
Excess of Revenues Over (Under) Expenditures	**$ 8,612,713**	**$ (492,610)**	**$ 1,532,372**

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

Exhibit 5

Debt Service	Capital Projects	Opioid Settlement	Nonmajor Ditch Special Revenue Fund	Total
$ 2,157,576	$ 74,107	$ -	$ -	$ 23,487,128
211,193	-	-	21,147	437,882
-	-	-	-	568,381
4,846	-	-	-	20,745,214
-	-	-	-	2,064,828
-	-	-	-	65,346
-	-	-	-	28,646
-	-	403,884	-	403,884
-	-	-	-	313,046
-	-	-	-	1,670,596
$ 2,373,615	**$ 74,107**	**$ 403,884**	**$ 21,147**	**$ 49,784,951**
$ -	$ -	$ -	$ -	$ 7,790,509
-	-	-	-	10,681,873
-	-	-	-	5,488,296
-	-	-	-	279,156
-	-	-	-	10,226,324
-	-	-	-	950,434
-	-	-	-	116,297
-	-	-	24,192	362,735
-	-	-	-	507,429
-	-	-	-	409,837
-	-	-	-	289,513
-	296,645	-	-	296,645
-	35,193	-	-	35,193
-	14,137	-	-	14,137
4,830,000	34,484	-	-	5,041,536
548,331	212	-	-	553,003
32,985	-	-	-	32,985
$ 5,411,316	**$ 380,671**	**$ -**	**$ 24,192**	**$ 43,075,902**
$ (3,037,701)	**$ (306,564)**	**$ 403,884**	**$ (3,045)**	**$ 6,709,049**

Mille Lacs County
Milaca, Minnesota

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

	General	Road and Bridge	Community and Veteran Services
Other Financing Sources (Uses)			
Transfers in	$ -	$ -	$ -
Transfers out	-	-	-
Proceeds from sale of capital assets	40,102	118,000	-
Issuance of leases	361,592	-	-
Total Other Financing Sources (Uses)	**$ 401,694**	**$ 118,000**	**$ -**
Net Change in Fund Balances	**$ 9,014,407**	**$ (374,610)**	**$ 1,532,372**
Fund Balances – January 1	**2,078,203**	**1,199,394**	**7,112,870**
Increase (decrease) in inventories	**-**	**(148,391)**	**-**
Fund Balances – December 31	**$ 11,092,610**	**$ 676,393**	**$ 8,645,242**

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

Exhibit 5
(Continued)

Debt Service	Capital Projects	Opioid Settlement	Nonmajor Ditch Special Revenue Fund	Total
$ -	$ -	$ -	$ 397,445	$ 397,445
(397,445)	-	-	-	(397,445)
-	-	-	-	158,102
-	-	-	-	361,592
$ (397,445)	**$ -**	**$ -**	**$ 397,445**	**$ 519,694**
$ (3,435,146)	**$ (306,564)**	**$ 403,884**	**$ 394,400**	**$ 7,228,743**
6,811,274	**1,015,942**	**-**	**113,767**	**18,331,450**
-	**-**	**-**	**-**	**(148,391)**
$ 3,376,128	**$ 709,378**	**$ 403,884**	**$ 508,167**	**$ 25,411,802**

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, 2022

Net change in fund balance – total governmental funds (Exhibit 5)		**$ 7,228,743**
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	$ 7,413,087	
Unavailable revenue – January 1	(5,503,899)	1,909,188
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	$ 7,594,403	
Net book value of assets sold or disposed of	460,343	
Current year depreciation and amortization	(3,339,358)	4,715,388
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.		
Proceeds of new debt		
Leases issued	$ (361,592)	
Principal repayments		
General obligation bonds	4,595,000	
Special assessment bonds	45,000	
Capital equipment notes	190,000	
Leases	211,536	4,679,944

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

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, 2022

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		
Change in accrued interest payable	$ 45,258	
Change in compensated absences	(141,900)	
Change in other postemployment benefits liability	251,534	
Change in net pension asset	(140,952)	
Change in net pension liability	(15,939,002)	
Change in deferred pension outflows	3,193,108	
Change in deferred pension inflows	10,791,291	
Change in deferred other postemployment benefits outflows	(18,743)	
Change in deferred other postemployment benefits inflows	(376,953)	
Change in inventories	(148,391)	
Current year amortization of premium on bonds issued	43,425	(2,441,325)
The increase or decrease in net position of the internal service fund is reported in the statement of activities as governmental activities.		10,368
Change in Net Position of Governmental Activities (Exhibit 2)		**$ 16,102,306**

Self-Insurance Internal Service Fund

Mille Lacs County
Milaca, Minnesota

Exhibit 7

Statement of Net Position
Self-Insurance Internal Service Fund
December 31, 2022

		Governmental Activities
Assets		
Cash and pooled investments	$	100,493
Net Position		
Unrestricted	$	100,493

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

Mille Lacs County
Milaca, Minnesota

Exhibit 8

Statement of Revenues, Expenses, and Changes in Fund Net Position
Self-Insurance Internal Service Fund
For the Year Ended December 31, 2022

	Governmental Activities
Operating Revenues	
Insurance fees	$ 166,021
Operating Expenses	
Insurance	155,653
Operating Income (Loss)	**$ 10,368**
Net Position – January 1	**90,125**
Net Position – December 31	**$ 100,493**

Mille Lacs County
Milaca, Minnesota

Exhibit 9

Statement of Cash Flows
Self-Insurance Internal Service Fund
For the Year Ended December 31, 2022

		Governmental Activities
Cash Flows From Operating Activities		
Insurance fees	$	166,021
Insurance		(169,270)
Net Cash Provided by (Used in) Operating Activities	**$**	**(3,249)**
Cash and Cash Equivalents at January 1		**103,742**
Cash and Cash Equivalents at December 31	**$**	**100,493**
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities		
Operating income (loss)	$	10,368
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities		
Increase (decrease) in claims payable		(13,617)
Net Cash Provided by (Used in) Operating Activities	**$**	**(3,249)**

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

Fiduciary Funds

Mille Lacs County
Milaca, Minnesota

Exhibit 10

Statement of Fiduciary Net Postion
Fiduciary Funds
December 31, 2022

	Private-Purpose Trust Funds	Custodial Funds
Assets		
Cash and pooled investments	$ 83,521	$ 636,855
Interest receivable	22	-
Due from other governments	-	5,309
Accounts receivable for other governments – net	-	106,709
Taxes receivable for other governments	-	473,089
Total Assets	**$ 83,543**	**$ 1,221,962**
Liabilities		
Due to other governments	**-**	**438,112**
Net Position		
Restricted for individuals, organizations, and other governments	**$ 83,543**	**$ 783,850**

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

Mille Lacs County
Milaca, Minnesota

Exhibit 11

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

	Private-Purpose Trust Funds	Custodial Funds
Additions		
Contributions from individuals	$ 275,433	$ 693,807
Contributions from entities	-	130,785
Interest earnings	61	-
Property tax collections for other governments	-	17,582,366
Federal/State revenue	-	437,906
Other taxes and fees collected for other governments	-	1,482,599
Mortgage foreclosure sales	-	835,947
Total Additions	**$ 275,494**	**$ 21,163,410**
Deductions		
Beneficiary payments to individuals	$ 252,571	$ 768,047
Payments of property tax to other governments	-	17,593,972
Administrative expense	5	-
Payments to the state	-	1,355,367
Payments to other individuals/entities	-	1,492,611
Total Deductions	**$ 252,576**	**$ 21,209,997**
Change in Net Position	**$ 22,918**	**$ (46,587)**
Net Position – January 1	**60,625**	**830,437**
Net Position – December 31	**$ 83,543**	**$ 783,850**

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

Note 1 – Summary of Significant Accounting Policies

The County's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as of and for the year ended December 31, 2022. The Governmental Accounting Standards Board (GASB) is responsible for establishing 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 2022.

Joint Ventures

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

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.

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 revenue 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.

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

Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Auditor-Treasurer to increase earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2022. All investments are measured at the net asset value 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 2022 were $313,046.

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 net asset value per share provided by the pool.

Receivables and Payables

Activities between funds representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (the current portion of interfund loans) or “advances to/from other funds” (the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.”

Advances between funds, as reported in the fund financial statements, are offset by nonspendable fund balance 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 2015 through 2022 and noncurrent special assessments payable in 2023 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 loans to property owners who qualified within the cities of Isle and Wahkon.

Accounts receivable include an allowance for doubtful accounts. Total accounts receivable for the year ended December 31, 2022, were $3,639,265 for governmental activities and $9,588,386 for fiduciary funds. The allowance for doubtful accounts was $3,254,167 for governmental activities and $9,481,677 for fiduciary funds, resulting in a net effect of $385,098 and $106,709, respectively.

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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, 2022.

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 of 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.

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 County has three types of deferred inflows. The governmental funds report unavailable revenue from delinquent property taxes and special assessments receivable, loans receivable, and grants receivable. 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 also reports deferred inflows of 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.

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.

Change in Accounting Principles

During the year ended December 31, 2022, the County adopted new accounting guidance by implementing provisions of Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, which establishes criteria for the accounting and financial reporting for leases. The implementation of this statement resulted in changing the presentation of the notes to the financial statements by increasing the beginning balances of the right-to-use capital assets and the beginning balances of the lease liability by $465,758.

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Note 2 – Stewardship, Compliance, and Accountability

Deficit Fund Equity

The Ditch Special Revenue Fund had a positive fund balance of $508,167 as of December 31, 2022, although 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	$	572,577
1 ditch with a deficit fund balance		(64,410)
Total Fund Balance	$	508,167

Tax Abatements

The County is subject to tax abatements granted by cities within the County, pursuant to Minn. Stat. §§ 469.174 to 469.1794, through a pay-as-you-go note program. 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 pay-as-you-go note provides for payment to the developer of a percentage of all tax increment received in the prior six months. The payment reimburses the developer for certain public improvements. During 2022, there were four pay-as-you-go notes within the County. The TIF funds collected during 2022 totaled $129,762. The County's portion of the captured tax capacity and related property taxes was approximately 43 percent, or $55,798.

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, 2022

Government-wide statement of net position	
Governmental activities	
Cash and pooled investments	$ 24,444,642
Petty cash and change funds	750
Departmental cash	88
Statement of fiduciary net position	
Cash and pooled investments	
Private-purpose trust funds	83,521
Custodial funds	636,855
Total Cash and Investments	$ 25,165,856

Deposits

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

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

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 $5,531,091 as of December 31, 2022; the bank balance was $6,419,374.

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, 2022, none of the County's deposits were exposed to custodial credit risk.

Investments

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

(1) securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as “high risk” by Minn. Stat. § 118A.04, subd. 6;

(2) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;

(3) general obligations of the State of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;

(4) bankers’ acceptances of United States banks;

(5) commercial paper issued by United States corporations or their Canadian subsidiaries 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.

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, 2022, 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.

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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, 2022, and information relating to potential investment risks:

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

	Credit Risk		Concentration Risk	Interest Rate Risk	
Investment Type	Credit Rating	Rating Agency	Over 5% of Portfolio	Maturity Date	Carrying (Fair) Value
Investment pools/mutual funds					
MAGIC Fund	N/R	N/A	100.0%	N/A	$ 19,633,927
Deposits					5,531,091
Petty cash and change funds					750
Departmental cash					88
Total Cash and Investments					$ 25,165,856

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 net asset value (NAV). The County invests in this pool for the purpose of the joint investment of the County's money with that of other counties to enhance the investment earnings accruing to each member.

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, 2022

	Investments Measured at NAV
	As of December 31, 2022
Investments	
MAGIC Portfolio	$ 19,633,927

Receivables

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

Governmental Activities' Receivables as of December 31, 2022

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental activities		
Taxes, delinquent	$ 530,277	$ -
Special assessments receivable		
Delinquent	15,116	-
Noncurrent	1,089,229	927,632
Accounts receivable – net	385,098	48,955
Loans receivable – net	359,842	37,741
Accrued interest	915	-
Due from other governments	7,081,860	-
Total Governmental Activities	$ 9,462,337	$ 1,014,328

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.

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.

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A summary of loans receivable outstanding at December 31, 2022, are as follows:

Loans Receivable as of December 31, 2022

	Original Loan Amount	Balance Repaid at December 31, 2022	Outstanding Balance at December 31, 2022	Term (Years)	Interest Rate (%)
General Fund					
Economic development relief loans	$ 3,355,777	$ 505,001	$ 2,850,776	20	-
Small cities development program loans					
Residential	156,529	104,277	52,252	7	-
Commercial	15,128	5,472	9,656	10	1.0
Total Loans Receivable	$ 3,527,434	$ 614,750	$ 2,912,684		
Less: allowance for uncollectible loans					
Economic development relief loans			(2,500,590)		
Small cities development program loans			(52,252)		
Net Loans Receivable			$ 359,842		
Due within one year					
Economic development relief loans			$ 320,442		
Small cities development program loans			1,659		
Total			$ 322,101		

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Capital Assets

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

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

	Beginning Balance, as Restated*	Adjustment**	Increase	Decrease	Ending Balance
Capital assets not depreciated					
Land	$ 3,028,726	$ 1,356,153	$ 297,760	$ 28,870	$ 4,653,769
Construction in progress	2,186,052	-	252,045	2,000,118	437,979
Total capital assets not depreciated	$ 5,214,778	$ 1,356,153	$ 549,805	$ 2,028,988	$ 5,091,748
Capital assets depreciated/amortized					
Land improvements	$ 968,190	$ -	$ -	$ 15,210	$ 952,980
Buildings	26,141,767	-	-	25,888	26,115,879
Machinery and equipment	10,964,251	-	509,250	1,726,243	9,747,258
Infrastructure	91,716,896	(1,356,153)	8,166,974	28,222	98,499,495
Software	271,558	-	-	36,190	235,368
Leased machinery and equipment assets	465,758	-	368,492	-	834,250
Total capital assets depreciated/amortized	$ 130,528,420	$ (1,356,153)	$ 9,044,716	$ 1,831,753	$ 136,385,230
Less: accumulated depreciation/amortization for					
Land improvements	$ 783,851	$ -	$ 23,620	$ 13,516	$ 793,955
Buildings	11,820,814	-	731,461	19,795	12,532,480
Machinery and equipment	8,452,844	-	546,817	1,543,459	7,456,202
Infrastructure	30,253,328	-	1,824,701	709,213	31,368,816
Software	270,351	-	-	34,983	235,368
Leased machinery and equipment assets	-	-	212,759	-	212,759
Total accumulated depreciation/amortization	$ 51,581,188	$ -	$ 3,339,358	$ 2,320,966	$ 52,599,580
Total capital assets depreciated/amortized, net	$ 78,947,232	$ (1,356,153)	$ 5,705,358	$ (489,213)	$ 83,785,650
Governmental Activities Capital Assets, Net	$ 84,162,010	$ -	$ 6,255,163	$ 1,539,775	$ 88,877,398

*See Change in Accounting Principles in Note 1.
**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	$ 915,501
Public safety	278,729
Sanitation	2,561
Human services	5,962
Conservation of natural resources	3,714
Highway	2,132,891
Total Depreciation and Amortization Expense – Governmental Activities	$ 3,339,358

Mille Lacs County

Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2022, was as follows:

Due To/From Other Funds

Interfund Receivables and Payables

	Receivable	Payable
Major governmental funds		
General Fund	$ 21,428	$ 7,583
Road and Bridge Special Revenue Fund	7,583	-
Community and Veteran Services Special Revenue Fund	-	21,428
Total Due to/From Other Funds	$ 29,011	$ 29,011

The interfund balances above represent General Fund amounts due to the Road and Bridge Special Revenue Fund for recycling hauling expenditure reimbursement, and Community and Veteran Services Special Revenue Fund amounts due to the General Fund for miscellaneous reimbursements.

Advances From/To Other Funds

The General Fund advanced $10,602 to the Ditch Special Revenue Fund for cash flow purposes.

Transfers

Interfund transfers at December 31, 2022, were as follows:

Interfund Transfers for the Year Ended December 31, 2022

	Transfers In	Description
Transfer to Ditch Special Revenue Fund from Debt Service Fund	$ 397,445	Excess bond proceeds

Liabilities and Deferred Inflows of Resources

Construction and Other Commitments

The County has no outstanding contract commitments as of December 31, 2022.

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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, 2022, are summarized by fund:

Unavailable Revenue

	Taxes	Special Assessments	Grants and Highway Allotments	Loans	Other	Total
Major governmental funds						
General	$ 388,339	$ 45,238	$ 69,609	$ 359,842	$ 63,429	$ 926,457
Special Revenue						
Road and Bridge	10,216	-	5,208,600	-	-	5,218,816
Community and Veteran Services	120,090	-	47,390	-	29,595	197,075
Debt Service	10,098	1,055,828	-	-	-	1,065,926
Capital Projects	1,534	-	-	-	-	1,534
Nonmajor governmental funds						
Ditch Special Revenue Fund	-	3,279	-	-	-	3,279
Total Unavailable Revenue	$ 530,277	$ 1,104,345	$ 5,325,599	$ 359,842	$ 93,024	$ 7,413,087

Leases

The County leases equipment and vehicles for various terms under long-term, non-cancelable lease agreements. The leases expire at various dates through 2026. 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, 2022

Year Ending December 31	Principal	Interest
2023	$ 252,989	$ 6,880
2024	204,939	4,337
2025	112,726	2,091
2026	45,160	312
Total	$ 615,814	$ 13,620

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Long-Term Debt

Bonds Payable as of December 31, 2022

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2022
General obligation taxable bonds					
General obligation bonds 2010B Taxable Capital Improvement Bonds – Recovery Zone Economic Development Bonds	02/01/2026	$125,000-$140,000	3.30-4.45	$ 920,000	$ 540,000
General obligation bonds					
2018A G.O. Capital Improvement Plan Bonds	02/01/2039	$340,000-$630,000	3.00-3.50	$ 9,315,000	$ 8,260,000
2019A G.O. Capital Improvement Plan Bonds	02/01/2035	$150,000-$245,000	3.00-4.00	2,970,000	2,665,000
2021A G.O. Capital Improvement Plan Bonds	02/01/2029	$479,000-$522,000	1.15	3,535,000	3,535,000
Total general obligation bonds				$ 15,820,000	$ 14,460,000
Special assessment bonds with government commitment					
2019B G.O. Drainage Bonds	02/01/2042	$45,000-$65,000	3.00	$ 1,195,000	$ 1,105,000
2021B G.O. Drainage Bonds	02/01/2042	$20,000-$31,000	1.98	516,000	516,000
Total special assessment bonds with government commitment				$ 1,711,000	$ 1,621,000
2019A G.O. Capital Equipment Notes	02/01/2025	$185,000-$215,000	4.00	$ 1,000,000	$ 625,000
Total Bonds and Notes Payable				$ 19,451,000	$ 17,246,000
Loans payable					
State of Minnesota Clean Water Partnership Loan Program SRF0340	12/15/2033	$10,000	0.00	$ 200,000	$ 200,000

Mille Lacs County

Debt Service Requirements

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

Debt Service Requirements as of December 31, 2022

Year Ending December 31	General Obligation Bonds Principal	General Obligation Bonds Interest	Taxable General Obligation Bonds Principal	Taxable General Obligation Bonds Interest
2023	$ 1,019,000	$ 388,561	$ 130,000	$ 20,238
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	-	-
2028-2032	4,408,000	1,077,168	-	-
2033-2037	3,445,000	494,515	-	-
2038-2042	1,240,000	43,750	-	-
Total	$ 14,460,000	$ 3,314,395	$ 540,000	$ 47,321

Debt Service Requirements as of December 31, 2022

Year Ending December 31	Special Assessment Bonds Principal	Special Assessment Bonds Interest	Capital Equipment Notes Principal	Capital Equipment Notes Interest
2023	$ 65,000	$ 42,494	$ 200,000	$ 21,000
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	-	-
2028-2032	397,000	144,239	-	-
2033-2037	430,000	87,477	-	-
2038-2042	444,000	30,350	-	-
Total	$ 1,621,000	$ 456,044	$ 625,000	$ 38,100

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, 2022

Year Ending December 31	Clean Water Partnership Loan Program Principal
2024	$ 20,000
2025	20,000
2026	20,000
2027	20,000
2028-2032	100,000
2033	20,000
Total	$ 200,000

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, 2022, the County’s net annual debt service requirements to amortize all taxable general obligation bonds outstanding, including interest of $27,241 on the governmental activities debt, is as follows:

Net Annual Debt Service Requirement to Amortize all Taxable General Obligation Bonds as of December 31, 2022

Year Ending December 31	Principal	Interest	Federal Subsidy	Net Interest	Total Payment
2023	$ 130,000	$ 20,238	$ (8,588)	$ 11,650	$ 141,650
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	$ 540,000	$ 47,321	$ (20,080)	$ 27,241	$ 567,241

Changes in Long-Term Liabilities

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

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

	Beginning Balance, as Restated*	Additions	Reductions	Ending Balance	Due Within One Year
General obligation bonds	$ 18,925,000	$ -	$ 4,465,000	$ 14,460,000	$ 1,019,000
Taxable general obligation bonds	670,000	-	130,000	540,000	130,000
Special assessments bonds with government commitment	1,666,000	-	45,000	1,621,000	65,000
Capital equipment notes	815,000	-	190,000	625,000	200,000
Add: premium on bonds and notes	619,337	-	43,425	575,912	-
Leases payable	465,758	361,592	211,536	615,814	252,989
Compensated absences	2,170,293	444,752	302,852	2,312,193	99,089
Loans payable	200,000	-	-	200,000	-
Long-Term Liabilities	$ 25,531,388	$ 806,344	$ 5,387,813	$ 20,949,919	$ 1,766,078

*See Change in Accounting Principles in Note 1.

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	227
Total	231

Mille Lacs County

Total OPEB Liability

The County's total OPEB liability of $2,613,580 was measured as of January 1, 2022, 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.

The total OPEB liability in the fiscal year-end December 31, 2022, 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	2.00 percent
Salary increases	Service grade table
Health care cost trend	6.50 percent as of January 1, 2022, grading to 5.00 percent over 6 years and then 4.00 percent over the next 48 years

The current year discount rate is 2.00 percent. For the current valuation, the discount rate 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, 2022

	Total OPEB Liability
Balance at December 31, 2021	$ 2,865,114
Changes for the year	
Service cost	$ 227,521
Interest	60,755
Assumption changes	6,148
Differences between expected and actual experience	(435,665)
Benefit payments	(110,293)
Net change	$ (251,534)
Balance at December 31, 2022	$ 2,613,580

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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, 2022

	Discount Rate	Total OPEB Liability
1% Decrease	1.00%	$ 2,826,790
Current	2.00%	2,613,580
1% Increase	3.00%	2,413,946

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, 2022

	Health Care Trend Rate	Total OPEB Liability
1% Decrease	5.50% Decreasing to 4.00%	$ 2,333,557
Current	6.50% Decreasing to 5.00%	2,613,580
1% Increase	7.50% Decreasing to 6.00%	2,946,867

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

For the year ended December 31, 2022, the County recognized OPEB expense of $266,259. The County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 16,488	$ 387,257
Changes in actuarial assumptions	188,616	41,210
Contributions paid to OPEB plan subsequent to the measurement date	122,097	-
Total	$ 327,201	$ 428,467

The $122,097 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, 2023. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

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

Year Ended December 31	OPEB Expense Amount
2023	$ (22,017)
2024	(22,017)
2025	(22,017)
2026	(22,011)
2027	(11,722)
Thereafter	(123,579)

Changes in Actuarial Assumptions

The following changes in actuarial assumptions occurred in 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.

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, and the Basic Plan and Minneapolis Employees Retirement Fund members are not. The Basic Plan was closed to new members in 1967. The Minneapolis Employees Retirement Fund was closed to new members during 1978 and merged into the General Employees Plan in 2015. All new members must participate in the Coordinated Plan, for which benefits vest after five years of credited service. No 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, but before July 1, 2014, benefits vest on a prorated basis starting with 50 percent after five years and increasing ten percent for each year of service until fully vested after ten years. Benefits for members first hired after June 30, 2014, vest on a prorated basis from 50 percent after ten years and increasing five percent for each year of service until fully vested after 20 years.

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

Benefits Provided

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

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

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

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

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

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Benefits are based on a member's highest average salary for any 60 consecutive months of allowable service, age, and years of credit at termination of service. In the General Employees Plan, two methods are used to compute benefits for Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Coordinated Plan member is 1.20 percent of average salary for each of the first ten years of service and 1.70 percent of average salary for each remaining year. Under Method 2, the annuity accrual rate is 1.70 percent for Coordinated Plan members for each year of service. Only Method 2 is used for members hired after June 30, 1989. For Police and Fire Plan members, the annuity accrual rate is 3.00 percent of average salary for each year of service. For Correctional Plan members, the annuity accrual rate is 1.90 percent of average salary for each year of service.

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

Contributions

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the state legislature. Rates did not change from 2021.

Member and Employer Required Contribution Rates

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

Employer Contributions for the Year Ended December 31, 2022

General Employees Plan	$	779,964
Police and Fire Plan		486,058
Correctional Plan		136,406

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

Pension Costs

General Employees Plan

At December 31, 2022, the County reported a liability of $11,293,967 for its proportionate share of the General Employees Plan's net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2021, through June 30, 2022, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2022, the County's proportion was 0.1426 percent. It was 0.1519 percent measured as of June 30, 2021. The County recognized pension expense of $1,533,955 for its proportionate share of the General Employees Plan's pension expense.

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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 $49,481 as grant revenue and pension expense for its proportionate share of the State of Minnesota's pension expense related to the special funding situation.

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

The County's proportionate share of the net pension liability	$	11,293,967
State of Minnesota's proportionate share of the net pension liability associated with the County		331,149
Total	$	11,625,116

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

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 94,336	$ 128,249
Changes in actuarial assumptions	2,717,690	47,803
Difference between projected and actual investment earnings	-	68,273
Changes in proportion	113,213	297,864
Contributions paid to PERA subsequent to the measurement date	390,876	-
Total	$ 3,316,115	$ 542,189

The $390,876 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Mille Lacs County

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

Year Ended December 31	Pension Expense Amount
2023	$ 938,565
2024	976,129
2025	(553,015)
2026	1,021,371

Police and Fire Plan

At December 31, 2022, the County reported a liability of $10,200,162 for its proportionate share of the Police and Fire Plan's net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2021, through June 30, 2022, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2022, the County's proportion was 0.2344 percent. It was 0.2263 percent measured as of June 30, 2021. The County recognized pension expense of $1,197,364 for its proportionate share of the Police and Fire Plan's pension expense.

The State of Minnesota also contributed $18 million to the Police and Fire Plan in the plan fiscal year ended June 30, 2022. The contribution consisted of $9 million in direct state aid that meets the definition of a special funding situation and $9 million in supplemental state aid that does not meet the definition of a special funding situation.

Legislation requires the State of Minnesota to pay direct state aid of $9 million on October 1 each year until full funding is reached, or July 1, 2048, whichever is earlier. The County recognized an additional $86,456 as grant revenue and pension expense for its proportionate share of the State of Minnesota's pension expense related to the special funding situation.

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

The County's proportionate share of the net pension liability	$ 10,200,162
State of Minnesota's proportionate share of the net pension liability associated with the County	445,709
Total	$ 10,645,871

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 $21,096 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.

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

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 618,000	$ -
Changes in actuarial assumptions	5,930,853	63,301
Difference between projected and actual investment earnings	245,158	-
Changes in proportion	108,903	152,020
Contributions paid to PERA subsequent to the measurement date	249,226	-
Total	$ 7,152,140	$ 215,321

The $249,226 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

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

Year Ended December 31	Pension Expense Amount
2023	$ 1,330,836
2024	1,293,785
2025	1,149,113
2026	2,054,763
2027	859,096

Correctional Plan

At December 31, 2022, the County reported a liability of $2,678,480 for its proportionate share of the Correctional Plan's net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2021, through June 30, 2022, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2022, the County's proportion was 0.8058 percent. It was 0.8580 percent measured as of June 30, 2021. The County recognized pension expense of $923,697 for its proportionate share of the Correctional Plan's pension expense.

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

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ -	$ 91,363
Changes in actuarial assumptions	1,770,445	4,319
Difference between projected and actual investment earnings	24,580	-
Changes in proportion	7,351	2,144
Contributions paid to PERA subsequent to the measurement date	66,675	-
Total	$ 1,869,051	$ 97,826

The $66,675 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

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

Year Ended December 31	Pension Expense Amount
2023	$ 776,908
2024	804,881
2025	(92,418)
2026	215,179

Total Pension Expense

The total pension expense for all plans recognized by the County for the year ended December 31, 2022, was $3,655,016.

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Actuarial Assumptions

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

Actuarial Assumptions for the Year Ended June 30, 2022

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

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and 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 per year through December 31, 2054, and 1.50 percent per year thereafter. For the Police and Fire Plan, cost-of-living benefit increases for retirees are 1.00 percent as set by state statute.

Actuarial assumptions used in the June 30, 2022, valuations were based on the results of actuarial experience studies. The experience study for the General Employees Plan was dated June 27, 2019. The experience study for the Police and Fire Plan was dated July 14, 2020. The experience study for the Correctional Plan was dated July 10, 2020. For all plans, a review of inflation and investment assumptions dated July 12, 2022, was utilized.

The long-term expected rate of return on pension plan investments is 6.50 percent. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages.

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

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

Discount Rate

The discount rate used to measure the total pension liability was 6.50 percent for the General Employees Plan in 2022, which remained consistent with 2021. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, the fiduciary net position of the General Employees Plan was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

Changes in Actuarial Assumptions and Plan Provisions

The following changes in actuarial assumptions occurred in 2022:

General Employees Plan

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

Police and Fire Plan

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

Correctional Plan

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

Pension Liability Sensitivity

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

Mille Lacs County

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

	Proportionate Share of the					
	General Employees Plan		Police and Fire Plan		Correctional Plan	
	Discount Rate	Net Pension Liability	Discount Rate	Net Pension Liability	Discount Rate	Net Pension Liability
1% Decrease	5.50%	$ 17,839,416	4.40%	$ 15,436,637	4.42%	$ 4,718,007
Current	6.50%	11,293,967	5.40%	10,200,162	5.42%	2,678,480
1% Increase	7.50%	5,925,692	6.40%	5,966,786	6.42%	1,074,953

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 2022 and 2023. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

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

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 2022 and 2021 are as follows:

Changes in Claims Liabilities
For the Years Ended December 31, 2021, and 2022

	2022	2021
Claims payable – January 1	$ 13,617	$ 13,364
Current year claims	155,653	162,878
Claim payments	(169,270)	(162,625)
Claims payable – December 31	$ -	$ 13,617

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.

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, 2022:

Statement of Net Position
December 31, 2022

Total assets and deferred outflows of resources	$ 23,430,256
Total liabilities and deferred inflows of resources	(12,031,385)
Total Net Position	$ 11,398,871

Statement of Activities
Year Ended December 31, 2022

Operating and nonoperating revenues	$ 8,088,922
Operating and nonoperating expenses	(10,078,262)
Change in Net Position	$ (1,989,340)

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 2022 was $289,513.

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 provided $4,379 in funding to the SRWMB during 2022. 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 2022.

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 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 2022, Mille Lacs County contributed $5,702 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, 400 Second Street South, St. Cloud, Minnesota 56303.

National Opioid Settlement

Mille Lacs County is a participating government in the opioid settlement with pharmaceutical manufacturers, distributors, and pharmacy chains. The County is expected to receive up to $3,079,810 over the next 18 years. The majority of the funds are intended for opioid abatement. The *Minnesota Opioids State-Subdivision Memorandum of Agreement* (MOA) identifies the requirements for Minnesota governments participating in the settlement. Pursuant to the terms of the MOA, the County created a special revenue fund. Funds are restricted until expended. The MOA requires that the County recognize the settlement revenues when the annual distribution is made to the participating governments. Therefore, the County does not record a receivable for the settlement. For the year ended December 31, 2022, the County received $403,884 as part of the settlement.

Required Supplementary Information

Mille Lacs County
Milaca, Minnesota

Exhibit A-1

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

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 15,831,354	$ 15,815,354	$ 15,887,894	$ 72,540
Special assessments	195,000	195,000	205,542	10,542
Licenses and permits	426,107	426,107	535,031	108,924
Intergovernmental	3,820,333	3,900,941	9,568,597	5,667,656
Charges for services	842,950	842,950	1,049,202	206,252
Fines and forfeits	103,000	103,000	65,346	(37,654)
Gifts and contributions	450	450	24,906	24,456
Investment earnings	130,000	130,000	313,046	183,046
Miscellaneous	726,300	726,300	925,964	199,664
Total Revenues	**$ 22,075,494**	**$ 22,140,102**	**$ 28,575,528**	**$ 6,435,426**
Expenditures				
Current				
General government				
Commissioners	$ 268,865	$ 268,865	$ 204,778	$ 64,087
Court administrator	89,000	89,000	96,274	(7,274)
Law library	15,700	15,700	25,454	(9,754)
County administrator	647,849	647,849	734,264	(86,415)
Auditor-treasurer	299,656	299,656	368,937	(69,281)
Auditing	50,000	50,000	31,127	18,873
General administration	544,067	544,067	518,937	25,130
Information services	440,573	440,573	318,084	122,489
Data processing	146,330	146,330	161,403	(15,073)
Elections	229,100	229,100	196,506	32,594
County attorney	1,669,816	1,669,816	1,654,848	14,968
Victim emergency grant	163,986	163,986	171,861	(7,875)
Assessor	529,086	529,086	439,765	89,321
Recorder	165,067	165,067	162,515	2,552
Land records and information	115,500	115,500	26,722	88,778
Zoning and environmental services	518,740	518,740	592,191	(73,451)
Building maintenance	819,201	819,201	702,127	117,074
Other general government	1,085,734	1,085,734	1,187,629	(101,895)
Total general government	**$ 7,798,270**	**$ 7,798,270**	**$ 7,593,422**	**$ 204,848**

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

Mille Lacs County
Milaca, Minnesota

Exhibit A-1
(Continued)

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

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget
Expenditures				
Current (Continued)				
Public safety				
Sheriff	$ 4,325,465	$ 4,410,465	$ 4,656,954	$ (246,489)
Court security	524,668	532,168	509,211	22,957
Drug and alcohol contingency	1,500	1,500	-	1,500
Boat and water safety	127,240	137,240	138,927	(1,687)
Snowmobile safety enforcement	6,007	6,007	2,845	3,162
ATV grant	3,884	3,884	211	3,673
DARE program	2,000	2,000	1,624	376
Chaplaincy	300	300	-	300
DWI forfeiture	1,000	1,000	23,436	(22,436)
Drug forfeiture	42,000	42,000	38,403	3,597
Communications	14,000	14,000	491,604	(477,604)
Records system	55,000	55,000	60,926	(5,926)
Permit to carry	66,584	66,584	66,580	4
Animal control	15,000	15,000	13,373	1,627
Coroner	64,000	64,000	64,339	(339)
County jail	3,653,328	3,653,328	3,121,322	532,006
Prisoner account	285,000	285,000	139,442	145,558
Probation	1,036,216	1,036,216	343,557	692,659
Case load reduction account	10,000	10,000	9,399	601
911 services and civil defense	7,581	7,581	13,111	(5,530)
E-911	33,500	33,500	56,135	(22,635)
Public safety answering point	892,299	892,299	930,474	(38,175)
Total public safety	**$ 11,166,572**	**$ 11,269,072**	**$ 10,681,873**	**$ 587,199**
Sanitation				
Solid waste	**$ 286,464**	**$ 286,464**	**$ 279,156**	**$ 7,308**
Culture and recreation				
Historical society	$ 9,000	$ 9,000	$ 9,000	$ -
Snowmobile trails	-	-	107,297	(107,297)
Total culture and recreation	**$ 9,000**	**$ 9,000**	**$ 116,297**	**$ (107,297)**

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

Mille Lacs County
Milaca, Minnesota

Exhibit A-1
(Continued)

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

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget
Expenditures				
Current (Continued)				
Conservation of natural resources				
County agricultural society	$ 17,000	$ 17,000	$ 8,500	$ 8,500
County extension service	104,625	104,625	101,773	2,852
Soil and water conservation	124,239	124,239	119,239	5,000
Aquatic invasive species aid	98,132	98,132	54,354	43,778
Environmental resources	-	-	50,298	(50,298)
Other conservation	4,379	4,379	4,379	-
Total conservation of natural resources	**$ 348,375**	**$ 348,375**	**$ 338,543**	**$ 9,832**
Economic development				
Community development	$ 105,717	$ 105,717	$ 159,309	$ (53,592)
Economic development	-	-	348,120	(348,120)
Total economic development	**$ 105,717**	**$ 105,717**	**$ 507,429**	**$ (401,712)**
Intergovernmental				
Culture and recreation				
Library	**$ 289,513**	**$ 289,513**	**$ 289,513**	**$ -**
Debt service				
Principal	$ -	$ -	$ 152,330	$ (152,330)
Interest	-	-	4,252	(4,252)
Total debt service	**$ -**	**$ -**	**$ 156,582**	**$ (156,582)**
Total Expenditures	**$ 20,003,911**	**$ 20,106,411**	**$ 19,962,815**	**$ 143,596**
Excess of Revenues Over (Under) Expenditures	**$ 2,071,583**	**$ 2,033,691**	**$ 8,612,713**	**$ 6,579,022**
Other Financing Sources (Uses)				
Transfers in	$ 162,500	$ 162,500	$ -	$ (162,500)
Proceeds from sale of capital assets	-	-	40,102	40,102
Issuance of leases	-	-	361,592	361,592
Total Other Financing Sources (Uses)	**$ 162,500**	**$ 162,500**	**$ 401,694**	**$ 239,194**
Net Change in Fund Balance	**$ 2,234,083**	**$ 2,196,191**	**$ 9,014,407**	**$ 6,818,216**
Fund Balance – January 1	**2,078,203**	**2,078,203**	**2,078,203**	**-**
Fund Balance – December 31	**$ 4,312,286**	**$ 4,274,394**	**$ 11,092,610**	**$ 6,818,216**

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

Mille Lacs County
Milaca, Minnesota

Exhibit A-2

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

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 1,265,818	$ 1,265,817	$ 963,245	$ (302,572)
Licenses and permits	30,000	30,000	33,350	3,350
Intergovernmental	5,489,000	5,489,000	4,210,792	(1,278,208)
Charges for services	108,000	108,000	128,237	20,237
Miscellaneous	24,000	24,000	92,321	68,321
Total Revenues	**$ 6,916,818**	**$ 6,916,817**	**$ 5,427,945**	**$ (1,488,872)**
Expenditures				
Current				
Highways and streets				
Administration	$ 384,915	$ 384,915	$ 320,282	$ 64,633
Construction	3,186,721	3,186,721	2,523,671	663,050
Maintenance	2,356,294	2,356,294	1,587,006	769,288
Equipment maintenance and shop	587,675	588,175	960,554	(372,379)
Public works surveyor	114,712	114,712	96,783	17,929
Total highways and streets	**$ 6,630,317**	**$ 6,630,817**	**$ 5,488,296**	**$ 1,142,521**
Intergovernmental				
Highways and streets	286,000	286,000	409,837	(123,837)
Debt service				
Principal	$ -	$ -	$ 22,254	$ (22,254)
Interest	-	-	168	(168)
Total debt service	**$ -**	**$ -**	**$ 22,422**	**$ (22,422)**
Total Expenditures	**$ 6,916,317**	**$ 6,916,817**	**$ 5,920,555**	**$ 996,262**
Excess of Revenues Over (Under) Expenditures	**$ 501**	**$ -**	**$ (492,610)**	**$ (492,610)**
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	-	-	118,000	118,000
Net Change in Fund Balance	**$ 501**	**$ -**	**$ (374,610)**	**$ (374,610)**
Fund Balance – January 1	**1,199,394**	**1,199,394**	**1,199,394**	**-**
Increase (decrease) in inventories	**-**	**-**	**(148,391)**	**(148,391)**
Fund Balance – December 31	**$ 1,199,895**	**$ 1,199,394**	**$ 676,393**	**$ (523,001)**

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

Mille Lacs County

Exhibit A-3

Budgetary Comparison Schedule
Community and Veteran Services Special Revenue Fund
For the Year Ended December 31, 2022

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget
Revenues				
Taxes	$ 4,428,302	$ 4,428,302	$ 4,404,306	$ (23,996)
Intergovernmental	6,835,449	6,835,449	6,960,979	125,530
Charges for services	827,651	827,651	887,389	59,738
Gifts and contributions	-	-	3,740	3,740
Miscellaneous	547,641	547,641	652,311	104,670
Total Revenues	**$ 12,639,043**	**$ 12,639,043**	**$ 12,908,725**	**$ 269,682**
Expenditures				
Current				
General government				
Veteran services	**$ 195,268**	**$ 195,268**	**$ 197,087**	**$ (1,819)**
Human services				
Income maintenance	$ 2,549,527	$ 2,549,527	$ 2,504,791	$ 44,736
Social services	9,149,813	9,149,813	7,721,533	1,428,280
Total human services	**$ 11,699,340**	**$ 11,699,340**	**$ 10,226,324**	**$ 1,473,016**
Health				
Public health	**$ 1,743,204**	**$ 1,743,204**	**$ 950,434**	**$ 792,770**
Debt service				
Principal	$ -	$ -	$ 2,468	$ (2,468)
Interest	-	-	40	(40)
Total debt service	**$ -**	**$ -**	**$ 2,508**	**$ (2,508)**
Total Expenditures	**$ 13,637,812**	**$ 13,637,812**	**$ 11,376,353**	**$ 2,261,459**
Excess of Revenues Over (Under) Expenditures	**$ (998,769)**	**$ (998,769)**	**$ 1,532,372**	**$ 2,531,141**
Fund Balance – January 1	**7,112,870**	**7,112,870**	**7,112,870**	**-**
Fund Balance – December 31	**$ 6,114,101**	**$ 6,114,101**	**$ 8,645,242**	**$ 2,531,141**

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

Mille Lacs County
Milaca, Minnesota

Exhibit A-4

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

	2022	2021	2020	2019	2018
Total OPEB Liability					
Service cost	$ 227,521	$ 224,813	$ 190,162	$ 135,579	$ 138,023
Interest	60,755	77,291	87,921	69,845	65,301
Plan changes	-	-	-	107,812	-
Differences between expected and actual experience	(435,665)	-	26,382	-	-
Changes of assumption or other inputs	6,148	156,801	104,889	(82,426)	-
Benefit payments	(110,293)	(67,917)	(116,474)	(60,518)	(65,821)
Net change in total OPEB liability	**$ (251,534)**	**$ 390,988**	**$ 292,880**	**$ 170,292**	**$ 137,503**
Total OPEB Liability – Beginning	**2,865,114**	**2,474,126**	**2,181,246**	**2,010,954**	**1,873,451**
Total OPEB Liability – Ending	**$ 2,613,580**	**$ 2,865,114**	**$ 2,474,126**	**$ 2,181,246**	**$ 2,010,954**
Covered-employee payroll	$ 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	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, 2022

Measurement Date	Employer's Proportion of the Net Pension Liability/ Asset	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability Associated with 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
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

Exhibit A-6

Schedule of Contributions
PERA General Employees Retirement Plan
December 31, 2022

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b - a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
2022	$ 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.

Exhibit A-7

Schedule of Proportionate Share of Net Pension Liability
PERA Public Employees Police and Fire Plan
December 31, 2022

Measurement Date	Employer's Proportion of the Net Pension Liability/ Asset	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability Associated with 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
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

Exhibit A-8

Schedule of Contributions
PERA Public Employees Police and Fire Plan
December 31, 2022

Year Ending		Statutorily Required Contributions (a)		Actual Contributions in Relation to Statutorily Required Contributions (b)		Contribution (Deficiency) Excess (b - a)		Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
2022	$	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

Exhibit A-9

Schedule of Proportionate Share of Net Pension Liability
PERA Public Employees Local Government Correctional Service Retirement Plan
December 31, 2022

Measurement Date	Employer's Proportion of the Net Pension Liability/ Asset	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	Covered Payroll (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2022	0.8058 %	$ 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.

Mille Lacs County
Milaca, Minnesota

Exhibit A-10

Schedule of Contributions
PERA Public Employees Local Government Correctional Service Retirement Plan
December 31, 2022

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b - a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
2022	$ 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.

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

Mille Lacs County

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, 2022:

Excess of Expenditures Over Appropriations

	Expenditures	Final Budget	Excess
General Fund			
Current			
Culture and recreation	$ 116,297	$ 9,000	$ 107,297
Economic development	237,429	105,717	131,712
Debt service	156,582	-	156,582
Road and Bridge Special Revenue Fund			
Intergovernmental			
Highways and streets	409,837	286,000	123,837
Debt service	22,422	-	22,422
Community and Veteran Services Special Revenue Fund			
Current			
General Government	197,087	195,268	1,819
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.

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:

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 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

2022

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

2021

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

2020

- The price inflation assumption was decreased from 2.50 percent to 2.25 percent.
- The payroll growth assumption was decreased from 3.25 percent to 3.00 percent.
- Assumed salary increase rates were changed as recommended in the June 30, 2019, experience study. The net effect is assumed rates that average 0.25 percent less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019, experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019, experience study. The new rates are based on service and are generally lower than the previous rates for years two to five and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019, experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Employee Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 Disabled Annuitant Mortality table to the Pub-2010 General/Teacher Disabled Retiree Mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100 percent Joint and Survivor option

changed from 35 percent to 45 percent. The assumed number of married female new retirees electing the 100 percent Joint and Survivor option changed from 15 percent to 30 percent. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

- Augmentation for current privatized members was reduced to 2.00 percent for the period July 1, 2020, through December 31, 2023, and 0.00 percent thereafter. Augmentation was eliminated for privatizations occurring after June 30, 2020.

2019

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

2018

- The mortality projection scale was changed from Scale MP-2015 to Scale MP-2017.
- The assumed benefit increase rate was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter, to 1.25 percent per year.
- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Post-retirement benefit increases were changed from 1.00 percent per year with a provision to increase to 2.50 percent upon attainment of 90 percent funding to 50 percent of the Social Security cost-of-living adjustment, not less than 1.00 percent and not more than 1.50 percent, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to the Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017

- The Combined Service Annuity (CSA) loads were changed from 0.80 percent for active members and 60 percent for vested and non-vested deferred members (30 percent for deferred Minneapolis Employees Retirement Fund members). The revised CSA loads are now 0.00 percent for active member liability, 15 percent for vested deferred member liability, and 3.00 percent for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year for all years to 1.00 percent per year through 2044 and 2.50 percent per year thereafter.

- Minneapolis Employees Retirement Fund plan provisions change the employer supplemental contribution to \$21 million in calendar years 2017 and 2018 and returns to \$31 million through calendar year 2031. The state's required contribution is \$16 million in PERA's fiscal years 2018 and 2019 and returns to \$6 million annually through calendar year 2031.

2016

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2035 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

2022

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

2021

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

- Assumed rates of disability were increased for ages 25-44 and decreased for ages over 49. Overall, proposed rates result in more projected disabilities.

- Assumed percent married for active female members was changed from 60 percent to 70 percent. Minor changes to form of payment assumptions were applied.

2020

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

2019

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

2018

- The mortality projection scale was changed from Scale MP-2016 to Scale MP-2017.

- Post-retirement benefit increases changed to 1.00 percent for all years with no trigger.

- An end date of July 1, 2048, was added to the existing $9.0 million state contribution. Additionally, annual state aid will equal $4.5 million in fiscal years 2019 and 2020, and $9.0 million thereafter, until the plan reaches 100 percent funding, or July 1, 2048, if earlier.

- Member contributions were changed effective January 1, 2019, and January 1, 2020, from 10.80 percent to 11.30 and 11.80 percent of pay, respectively. Employer contributions were changed effective January 1, 2019, and January 1, 2020, from 16.20 percent to 16.95 and 17.70 percent of pay, respectively. Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.

- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.

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

2017

- The assumed salary increases were changed as recommended in the June 30, 2016, experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates.

- The assumed rates of retirement were changed, resulting in fewer retirements.

- The CSA load was 30 percent for vested and non-vested, deferred members. The CSA load has been changed to 33 percent for vested members and 2.00 percent for non-vested members.

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

- The assumed termination rates were decreased to 3.00 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.

- The assumed percentage of married female members was decreased from 65 percent to 60 percent.

- The assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.

- The assumed percentage of female members electing joint and survivor annuities was increased.

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

- The single discount rate was changed from 5.60 percent per annum to 7.50 percent per annum.

2016

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2037 and 2.50 percent per year thereafter, to 1.00 percent for all future years.

- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was changed from 7.90 percent to 5.60 percent.

- The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

Public Employees Local Government Correctional Service Retirement Plan

2022

- The single discount rate changed from 6.50 percent to 5.42 percent.

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

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

2021

- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent.

- The inflation assumption was changed from 2.50 percent to 2.25 percent.

- The payroll growth assumption was changed from 3.25 percent to 3.00 percent.

- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 Public Safety Mortality table. The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

- The base mortality table for disabled annuitants was changed from the RP-2014 Healthy Annuitant Mortality table (with future mortality improvement according to Scale MP-2019) to the Pub-2010 Public Safety Disabled Annuitant Mortality table (with future mortality improvement according to Scale MP-2020).

- Assumed rates of salary increase were modified as recommended in the July 10, 2020, experience study. The overall impact is a decrease in gross salary increase rates.

- Assumed rates of retirement were changed as recommended in the July 10, 2020, experience study. The changes result in slightly more unreduced retirements and fewer assumed early retirements.

- Assumed rates of withdrawal were changed as recommended in the July 10, 2020, experience study. The new rates predict more terminations, both in the three-year select period (based on service) and the ultimate rates (based on age).

- Assumed rates of disability were lowered.

- Assumed percent married for active members was lowered from 85 percent to 75 percent.

- Minor changes to form of payment assumptions were applied.

<u>2020</u>

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

<u>2019</u>

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

<u>2018</u>

- The single discount rate was changed from 5.96 percent per annum to 7.50 percent per annum.

- The mortality projection scale was changed from Scale MP-2016 to Scale MP-2017.

- The assumed post-retirement benefit increase was changed from 2.50 percent per year to 2.00 percent per year.

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.

- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.

- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.

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

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

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, 2022

	Social Welfare	Cemetery	Total
Assets			
Cash and pooled investments	$ 66,125	$ 17,396	$ 83,521
Interest receivable	-	22	22
Total Assets	**$ 66,125**	**$ 17,418**	**$ 83,543**
Net Position			
Restricted for individuals, organizations, and other governments	**$ 66,125**	**$ 17,418**	**$ 83,543**

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, 2022

	Social Welfare	Cemetery	Total
Additions			
Contributions from individuals	$ 275,433	$ -	$ 275,433
Interest earnings	20	41	61
Total Additions	**$ 275,453**	**$ 41**	**$ 275,494**
Deductions			
Beneficiary payments to individuals	$ 252,530	$ 41	$ 252,571
Administrative expense	-	5	5
Total Deductions	**$ 252,530**	**$ 46**	**$ 252,576**
Change in Net Position	**$ 22,923**	**$ (5)**	**$ 22,918**
Net Position – January 1	**43,202**	**17,423**	**60,625**
Net Position – December 31	**$ 66,125**	**$ 17,418**	**$ 83,543**

Mille Lacs County
Milaca, Minnesota

Exhibit B-3

Combining Statement of Fiduciary Net Position
Fiduciary Funds – Custodial Funds
December 31, 2022

	Taxes and Penalties	Jail Inmate	Family Ties	Sheriff Civil Process	State Taxes and Fees	Total Custodial Funds
Assets						
Cash and pooled investments	$ 417,852	$ 78,996	$ 99,720	$ 1,839	$ 38,448	$ 636,855
Due from other governments	5,309	-	-	-	-	5,309
Accounts receivable for other governments – net	-	-	-	-	106,709	106,709
Taxes receivable for other governments	473,089	-	-	-	-	473,089
Total Assets	**$ 896,250**	**$ 78,996**	**$ 99,720**	**$ 1,839**	**$ 145,157**	**$ 1,221,962**
Liabilities						
Due to other governments	397,875	-	-	1,789	38,448	438,112
Net Position						
Restricted for individuals, organizations, and other governments	**$ 498,375**	**$ 78,996**	**$ 99,720**	**$ 50**	**$ 106,709**	**$ 783,850**

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, 2022

	Taxes and Penalties	Jail Inmate	Family Ties	Sheriff Civil Process	State Taxes and Fees	Total Custodial Funds
Additions						
Contributions from individuals	$ -	$ 693,807	$ -	$ -	$ -	$ 693,807
Contributions from entities	-	-	130,785	-	-	130,785
Property tax collections for other governments	17,582,366	-	-	-	-	17,582,366
Federal/State revenue	305,963	-	131,943	-	-	437,906
Other taxes and fees collected for other governments	-	-	-	6,078	1,476,521	1,482,599
Mortgage foreclosure sales	-	-	-	835,947	-	835,947
Total Additions	**$ 17,888,329**	**$ 693,807**	**$ 262,728**	**$ 842,025**	**$ 1,476,521**	**$ 21,163,410**
Deductions						
Beneficiary payments to individuals	$ -	$ 768,047	$ -	$ -	$ -	$ 768,047
Payments of property tax to other governments	17,593,972	-	-	-	-	17,593,972
Payments to the state	-	-	-	4,180	1,351,187	1,355,367
Payments to other individuals/entities	272,595	-	262,728	837,845	119,443	1,492,611
Total Deductions	**$ 17,866,567**	**$ 768,047**	**$ 262,728**	**$ 842,025**	**$ 1,470,630**	**$ 21,209,997**
Change in Net Position	**$ 21,762**	**$ (74,240)**	**$ -**	**$ -**	**$ 5,891**	**$ (46,587)**
Net Position – January 1	**476,613**	**153,236**	**99,720**	**50**	**100,818**	**830,437**
Net Position – December 31	**$ 498,375**	**$ 78,996**	**$ 99,720**	**$ 50**	**$ 106,709**	**$ 783,850**

Other Schedules

Mille Lacs County
Milaca, Minnesota

Balance Sheet – By Ditch
Ditch Special Revenue Fund
December 31, 2022

	Assets		
	Cash and Pooled Investments	Special Assessments Receivable Delinquent	Total
County Ditch			
1	$ 9,842	$ 169	$ 10,011
2	425,718	756	426,474
3	40,536	1,279	41,815
4	67,379	791	68,170
5	6,415	3	6,418
6	2,536	-	2,536
7	1,125	12	1,137
11	14,363	-	14,363
14	26,879	269	27,148
Judicial Ditch			
1	(64,410)	-	(64,410)
Total	**$ 530,383**	**$ 3,279**	**$ 533,662**

Exhibit C-1

Liabilities and Deferred Inflows of Resources					
Accounts/ Contracts Payable	Advances From Other Funds	Unavailable Revenue	Total	Fund Balance	Total Liabilities and Fund Balance
$ 65	$ -	$ 169	$ 234	$ 9,777	$ 10,011
377	785	756	1,918	424,556	426,474
75	-	1,279	1,354	40,461	41,815
9,086	-	791	9,877	58,293	68,170
679	-	3	682	5,736	6,418
612	-	-	612	1,924	2,536
622	-	12	634	503	1,137
27	-	-	27	14,336	14,363
71	9,817	269	10,157	16,991	27,148
-	-	-	-	(64,410)	(64,410)
$ 11,614	**$ 10,602**	**$ 3,279**	**$ 25,495**	**$ 508,167**	**$ 533,662**

Mille Lacs County
Milaca, Minnesota

Exhibit C-2

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

Appropriations and Shared Revenue		
State		
Highway users tax	$	4,132,314
County program aid		1,886,345
Riparian buffer aid		40,000
PERA rate reimbursement		65,008
Disparity reduction aid		25,414
Police aid		370,608
Performance aid		3,753
Indian casino aid		34,926
Enhanced 911		202,495
SCORE		78,021
Aquatic invasive species aid		94,184
Market value credit		261,548
Out-of-home placement aid		470,433
Total appropriations and shared revenue	**$**	**7,665,049**
Reimbursement for Services		
State		
Minnesota Department of Human Services	**$**	**1,869,776**
Payments		
Local		
Payments in lieu of taxes	$	190,164
Other		316,401
Total payments	**$**	**506,565**
Grants		
State		
Minnesota Department/Board of		
Public Safety	$	7,574
Commerce		32,477
Health		181,280
Natural Resources		141,428
Human Services		1,310,628
Veterans Affairs		10,000
Corrections		154,647
Transportation		77,775
Water and Soil Resources		121,173
Secretary of State		49,821
Total state	**$**	**2,086,803**

Mille Lacs County
Milaca, Minnesota

Exhibit C-2
(Continued)

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

Grants (Continued)		
Federal		
Department of		
Agriculture	$	363,796
Housing and Urban Development		63,532
Justice		182,595
Transportation		155,930
Treasury		5,144,447
Education		3,183
Health and Human Services		2,639,764
Homeland Security		33,664
Election Assistance Commission		30,110
Total federal	**$**	**8,617,021**
Total state and federal grants	**$**	**10,703,824**
Total Intergovernmental Revenue	**$**	**20,745,214**

Mille Lacs County
Milaca, Minnesota

Exhibit C-3

Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2022

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			
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	222MN004W1003	$ 110,667
Passed Through Minnesota Department of Human Services			
SNAP Cluster			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	222MN101S2514	253,129
Total U.S. Department of Agriculture			**$ 363,796**
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	Not provided	**$ 63,532**
U.S. Department of Justice			
Passed Through Minnesota Department of Public Safety			
Crime Victim Assistance	16.575	F-CVS-2022-MILLACAO	$ 230,887
Passed Through Minnesota Trial Courts			
Drug Court Discretionary Grant Program	16.585	Not provided	541
Total U.S. Department of Justice			**$ 231,428**
U.S. Department of Transportation			
Passed Through the City of Saint Cloud, Minnesota			
E-911 Grant Program	20.615	A-DECN-NGGIS-2019-CMESB-1	**$ 5,930**
U.S. Department of the Treasury			
Direct			
COVID-19 – Coronavirus State and Local Fiscal Recovery Funds	21.027		$ 5,094,447
Local Assistance and Tribal Consistency Fund	21.032		50,000
Total U.S. Department of the Treasury			**$ 5,144,447**
U.S. Department of Education			
Passed Through Minnesota Department of Health			
Special Education – Grants for Infants and Families	84.181	BO4MC32551	**$ 3,183**
U.S. Election Assistance Commission			
Passed Through Minnesota Secretary of State			
2018 HAVA Election Security Grants	90.404	208652	**$ 30,110**

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

Mille Lacs County
Milaca, Minnesota

Exhibit C-3
(Continued)

Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2022

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	$ 56,981
Early Hearing Detection and Intervention	93.251	H61MC00035	750
Immunization Cooperative Agreements	93.268	NH23IP922628	66,368
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	NU50CK000508	8,158
Temporary Assistance for Needy Families	93.558	2201MNTANF	44,163
(Total Temporary Assistance for Needy Families 93.558 $289,971)			
Maternal and Child Health Services Block Grant to the States	93.994	B04MC32551	18,007
Passed Through Minnesota Department of Human Services			
Promoting Safe and Stable Families	93.556	2101MNFPSS	4,714
Temporary Assistance for Needy Families	93.558	2201MNTANF	245,808
(Total Temporary Assistance for Needy Families 93.558 $289,971)			
Child Support Enforcement	93.563	2201MNCSES	85,219
Child Support Enforcement	93.563	2201MNCEST	531,796
(Total Child Support Enforcement 93.563 $617,015)			
Refugee and Entrant Assistance – State Administered Programs	93.566	2201MNRCMA	418
CCDF Cluster			
Child Care and Development Block Grant	93.575	2201MNCCDF	15,733
Community-Based Child Abuse Prevention Grants	93.590	2102MNBCAP	25,398
Stephanie Tubbs Jones Child Welfare Services Program	93.645	2101MNCWSS	8,024
Foster Care – Title IV-E	93.658	2201MNFOST	319,303
Social Services Block Grant	93.667	2201MNSOSR	195,784
Child Abuse and Neglect State Grants	93.669	2101MNNCAN	9,454
John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674	2201MNCILP	5,840
Children's Health Insurance Program	93.767	2205MN5021	1,375
Medicaid Cluster			
Medical Assistance Program	93.778	2205MN5ADM	878,143
Medical Assistance Program	93.778	2205MN5MAP	21,077
(Total Medical Assistance Program 93.778 $899,220)			
Total U.S. Department of Health and Human Services			**$ 2,542,513**

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

Mille Lacs County

Exhibit C-3
(Continued)

Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2022

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	$	13,490
Passed Through Minnesota Department of Public Safety				
Emergency Management Performance Grants	97.042	Not provided		20,174
Total U.S. Department of Homeland Security			**$**	**33,664**
Total Federal Awards			**$**	**8,418,603**

The County did not pass any federal awards through to subrecipients during the year ended December 31, 2022.

Totals by Cluster		
Total expenditures for SNAP Cluster	$	253,129
Total expenditures for CCDF Cluster		15,733
Total expenditures for Medicaid Cluster		899,220

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

Notes to the Schedule of Expenditures of Federal Awards
As of and for the Year Ended December 31, 2022

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, 2022. 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

Note 3 – Reconciliation to Schedule of Intergovernmental Revenue

Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	$ 8,617,021
Grants received more than 60 days after year-end, considered unavailable revenue in 2022	
Crime Victim Assistance (AL No. 16.575)	63,908
Maternal and Child Health Services Block Grant (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
Unavailable revenue in 2021, recognized as revenue in 2022	
COVID-19 – Coronavirus Emergency Supplemental Funding Program (AL No. 16.034)	(15,075)
Recreational Trails Program (AL No. 20.219)	(150,000)
Temporary Assistance for Needy Families (AL No. 93.558)	(78,261)
Community-Based Child Abuse Prevention Grants (AL No. 93.590)	(6,419)
John H. Chafee Foster Care Program for Successful Transition to Adulthood (AL No. 93.674)	(2,250)
COVID-19 – John H. Chafee Foster Care Program for Successful Transition to Adulthood (AL No. 93.674)	(16,651)
Children's Health Insurance Program (AL No. 93.767)	(726)
Expenditures per Schedule of Expenditures of Federal Awards	$ 8,418,603

Management and Compliance Section

STATE OF MINNESOTA

Office of the State Auditor

Julie Blaha
State Auditor

Suite 500
525 Park Street
Saint Paul, MN 55103

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

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, 2022, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated April 8, 2024.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control 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 2022-003 and 2022-004 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 2022-001, 2022-002, 2022-005, and 2022-006 to be significant deficiencies.

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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 contracting – bid laws and miscellaneous provisions sections of the *Minnesota Legal Compliance Audit Guide for Counties*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters, as described in the Schedule of Findings and Questioned Costs as items 2022-008 through 2022-010. 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 depositories of public funds and public investments, conflicts of interest, claims and disbursements, and public indebtedness 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 internal control and legal compliance findings identified in our audit and described in the accompanying Corrective Action Plan. The County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of This Report

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

/s/Julie Blaha

Julie Blaha
State Auditor

/s/Chad Struss

Chad Struss, CPA
Deputy State Auditor

April 8, 2024

STATE OF MINNESOTA

Office of the State Auditor

Julie Blaha
State Auditor

Suite 500
525 Park Street
Saint Paul, MN 55103

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

Independent Auditor's Report

Board of County Commissioners
Mille Lacs County
Milaca, Minnesota

Report on Compliance for the Major Federal Program

Qualified Opinion
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 Mille Lacs County's major federal program for the year ended December 31, 2022. Mille Lacs County's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Qualified Opinion on COVID 19 – Coronavirus State and Local Fiscal Recovery Funds
In our opinion, except for the noncompliance described in the Basis for Qualified Opinion section of our report, Mille Lacs County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on COVID-19 – Coronavirus State and Local Fiscal Recovery Funds for the year ended December 31, 2022.

Basis for Qualified Opinion
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 qualified opinion on compliance for the major federal program. Our audit does not provide a legal determination of Mille Lacs County's compliance with the compliance requirements referred to above.

Matter Giving Rise to Qualified Opinion on COVID-19 – Coronavirus State and Local Fiscal Recovery Funds
As described in the accompanying Schedule of Findings and Questioned Costs, Mille Lacs County did not comply with requirements regarding Assistance Listing No. 21.027 COVID-19 – Coronavirus State and Local Fiscal Recovery Funds as described in finding number 2022-007 for Reporting.

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

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to 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 the major federal program as a whole.

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

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

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

Report on Internal Control Over Compliance

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

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. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2022-007 to be a material weakness.

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

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

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

/s/Julie Blaha

Julie Blaha
State Auditor

/s/Chad Struss

Chad Struss, CPA
Deputy State Auditor

April 8, 2024

Mille Lacs County
Milaca, Minnesota

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

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 the major federal program:
- Material weaknesses identified? **Yes**
- Significant deficiencies identified? **None reported**

Type of auditor's report issued on compliance for the major federal program: **Qualified.**

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

Identification of the major federal program:

Assistance Listing Number	Name of Federal Program or Cluster
21.027	COVID-19 – State and Local Fiscal Recovery Funds

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

2022-001 **<u>Segregation of Duties</u>**
Prior Year Finding Number: 2021-001
Repeat Finding Since: 1996
Type of Finding: Internal Control Over Financial Reporting
Severity of Deficiency: Significant Deficiency

Criteria: A good system of internal control provides for an adequate segregation of duties so that no one individual handles a transaction from its inception to completion. Responsibilities should be separated among employees so that a single employee is not able to authorize a transaction, record the transaction in accounts, and be responsible for custody of the asset resulting from the transaction.

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 elected officials and management be aware of the lack of segregation of duties of the accounting functions and, where possible, implement oversight procedures to ensure that the internal control policies and procedures are being implemented by staff to the extent possible.

View of Responsible Official: Concur

2022-002 **Taxes and Penalties Fund Reconciliation**
Prior Year Finding Number: 2021-002
Repeat Finding Since: 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. Reconciliations include identifying and investigating differences between two sets of records. Reconciliations should be performed timely to ascertain that balances are accurate.

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 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 Taxes and Penalties Custodial Fund be reconciled at least annually to ascertain that the ending cash balance is identifiable, and that any errors or inaccurate balances discovered are corrected in a timely manner.

View of Responsible Official: Concur

2022-003 **<u>Audit Adjustments</u>**
Prior Year Finding Number: 2021-003
Repeat Finding Since: 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 entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

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

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

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

- The General Fund accounts receivable, due from other governments, and due from other funds increased by $21,190, $263,653, and $21,000, respectively; and deferred inflows of resources – unavailable revenue and revenues increased by $90,609 and $215,234, respectively, for 2022 revenue received in the subsequent year.

- The General Fund loans receivable (net) and deferred inflows of resources – unavailable revenue increased by $359,842 for the outstanding balances on the small cities development and economic relief loan programs at year-end.

- The Road and Bridge Special Revenue Fund intergovernmental revenue increased and deferred inflows of resources – unavailable revenue decreased by $203,723 to properly record the year-end accrual received within the County's revenue recognition period.

- The Debt Service Fund due from other governments and revenues increased by $167,696 to properly record a receivable for 2022 local option sales tax not received at year-end.

- The Debt Service Fund noncurrent special assessments receivable and deferred inflows of resources – unavailable revenue increased by $1,053,429 to record outstanding balances due from benefitted land owners of the drainage system bonds.

- The State Taxes and Fees Custodial Fund cash and investments increased and deductions decreased by $172,728 to correct a journal entry posted in the County's general ledger in error.

Cause: This activity was overlooked by staff when financial statements were prepared. Furthermore, reconciliations are not being performed over the bank or general ledger accounts that would normally detect these types of errors.

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

View of Responsible Official: Concur

2022-004 **Bank Reconciliations**
Prior Year Finding Number: 2021-004
Repeat Finding Since: 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. Reconciliations include identifying and investigating differences between two sets of records. Reconciliations should be performed timely to ascertain that balances are accurate.

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 and/or bank reconciliations.

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

Cause: We were informed the County Auditor-Treasurer and Administrative Services Offices were short staffed and had multiple positions within their offices vacant. Furthermore, 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.

Recommendation: We recommend cash balances be fully reconciled in a timely manner. The County should continue to review the related accounting records to identify the source of previous unreconciled differences and resolve them as appropriate. Additional internal controls should be developed and implemented in response to any identified errors that were allowed to occur. Lastly, reviews of bank reconciliations should be performed monthly to ensure they are being completed properly and in a timely manner.

View of Responsible Official: Concur

2022-005 **Access to Computer Systems/Network**
Prior Year Finding Number: 2021-006
Repeat Finding Since: 2021
Type of Finding: Internal Control Over Financial Reporting
Severity of Deficiency: Significant Deficiency

Criteria: When employees leave County employment, their access to County computer systems and the County network should be removed in a timely manner. It is the County's policy to fully remove or disable access at the time of departure.

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.

Context: While there is no formal written policy identifying who is responsible for notifying Information Technology (IT) of personnel changes, IT relies on the department heads for such notification.

Effect: When terminated employees have access to the County's computer systems, networks, and data, it increases the risk that malicious damage to that information, fraud, and/or misstatements may occur.

Cause: During the year tested, there was a lack of communication between the department heads, Human Resources, and IT. There were also no documented policies and procedures.

Recommendation: We recommend the County implement additional procedures to ensure the removal of terminated employees' network access in a timely manner.

View of Responsible Official: Concur

2022-006 **Budget Deficiencies**
Prior Year Finding Number: N/A
Repeat Finding Since: N/A
Type of Finding: Internal Control Over Financial Reporting
Severity of Deficiency: Significant Deficiency

Criteria: Generally accepted accounting principles and the County Financial Accounting and Reporting Standards (COFARS) developed by the Office of the State Auditor recommend that the annual budget be appropriated to the various operational entities within the County and that line-item budget detail by fund be available. Good budget accounting requires: (1) an annual budget adopted by every governmental unit; (2) an accounting system that provides the basis for appropriate budgetary control; and (3) a common technology and classification used consistently throughout the budgets, accounts, and financial reports of each fund.

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

Context: The General Fund original budget for revenue was overstated by $1,886,346 in the IFS.

Effect: When Board-approved budgets are not entered in the IFS properly, it becomes difficult to compare actual activity to budgeted amounts, and the budget cannot effectively be used as a monitoring tool. Additionally, for budget presentation in the financial statement report, an audit adjustment was required to reduce the revenue budget in the General Fund.

Cause: Errors were made while posting the original Board-approved budgets to the general ledger, and the original budgets were not reviewed for accuracy after being entered.

Recommendation: We recommend the County implement procedures to improve budgetary accounting, which should include reviewing the original budgets entered in the IFS, comparing them to the Board-approved budgets, and entering budget amendments after Board approval.

View of Responsible Official: Concur

Section III – Federal Award Findings and Questioned Costs

2022-007 **<u>Reporting</u>**
Prior Year Finding Number: N/A
Repeat Finding Since: N/A
Type of Finding: Internal Control Over Compliance and Compliance
Severity of Deficiency: Material Weakness and Modified Opinion

Federal Agency: U.S. Department of the Treasury
Program: 21.027 COVID-19 – Coronavirus State and Local Fiscal Recovery Funds
Award Number and Year: Federal Direct; 2022
Pass-Through Agency: N/A – Direct

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

The U.S. Department of the Treasury requires an annual Project and Expenditure Report submitted for Coronavirus State and Local Fiscal Recovery Funds (CSLFRF) that include current period expenditures. The Annual Project and Expenditure Report is required to be submitted to the U.S. Treasury by April 30 of each year.

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.

Questioned Costs: $3,856,826

Context: The County opted to spend the CSLFRF's award under the Revenue Replacement category, which allows spending on broader types of government services.

Effect: Noncompliance with federal reporting requirements.

Cause: County staff responsible for completing and submitting the Annual Project and Expenditure Report misinterpreted the guidance and reported planned expenditures versus actual expenditures under the Revenue Replacement category.

Recommendation: We recommend the County review the U.S. Department of the Treasury's guidance and form instructions to ensure it is correctly reporting CSLFRF activity by the required deadline.

View of Responsible Official: Concur

Section IV – Other Findings and Recommendations

2022-008 **Publication of County Board Minutes**
Prior Year Finding Number: 2021-010
Repeat Finding Since: 2021
Type of Finding: Minnesota Legal Compliance

Criteria: Minnesota Statutes section 375.12 requires that County Board minutes be published within 30 days of the meeting and include an individualized, itemized list of County Board-approved payments over $2,000. For claims $2,000 or less, the total number of claims and total amounts shall be stated.

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.

Context: Of the 29 published summaries reviewed, five were not published within the 30-day requirement. All five of these instances occurred prior to June 15, 2022, when procedures for tracking the publications were implemented.

Effect: Noncompliance with Minn. Stat. § 375.12.

Cause: The County indicated that staffing shortages and staff turnover resulted in staff who had not been trained to track the Board minute publication dates, and subsequently, not all Board minutes were published within the 30 days required.

Recommendation: We recommend the County publish its summaries of the County Board minutes within the timeframe required. We also recommend the publication include a list of County Board-approved payments over $2,000 and include the total number of claims and total amount for payments under $2,000 in compliance with Minn. Stat. § 375.12.

View of Responsible Official: Concur

2022-009 **Unclaimed Funds**
Prior Year Finding Number: N/A
Repeat Finding Since: N/A
Type of Finding: Minnesota Legal Compliance

Criteria: The Minnesota Unclaimed Property Law requires 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, 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.

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

2022-010 **Contracting and Bidding Compliance – Sale of Property**
Prior Year Finding Number: N/A
Repeat Finding Since: N/A
Type of Finding: Minnesota Legal Compliance

Criteria: Minnesota Statutes section 373.01, subd. 1(c), states: "Sales of personal property the value of which is estimated to be over $15,000 or more shall be made only after advertising for bids or proposals in the county's official newspaper, on the county's website, or in a recognized industry trade journal."

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.

Context: The items were sold to an auctioneer for $118,000 and included two Volvo motor graders, a Cat wheel loader, and an asphalt kettle.

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

Cause: The County Public Works Department was not aware of the statutory requirement for advertising sales of equipment over $15,000.

Recommendation: We recommend procedures be developed to ensure all items estimated to be over the $15,000 sale price be advertised in compliance with Minn. Stat. § 373.01, subd. 1(c).

View of Responsible Official: Concur

MILLE LACS COUNTY EST. 1857

Dillon Hayes
County Administrator

Administrative Services Office
635 2nd Street SE
Milaca, MN 56353

Phone: (320) 983-8349
dillon.hayes@millelacs.mn.gov

REPRESENTATION OF MILLE LACS COUNTY
MILACA, MINNESOTA

CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED DECEMBER 31, 2022

Finding Number: 2022-001
Finding Title: Segregation of Duties

Name of Contact Person Responsible for Corrective Action:
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 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 has restructured many departments responsible for administration of these processes, a measure which is intended, in part, to address these issues.

Anticipated Completion Date:
2024

Finding Number: 2022-002
Finding Title: Taxes and Penalties 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:
Summer, 2024

MILLE LACS COUNTY EST. 1857
Dillon Hayes
County Administrator

Administrative Services Office
635 2nd Street SE
Milaca, MN 56353

Phone: (320) 983-8349
dillon.hayes@millelacs.mn.gov

Finding Number: 2022-003
Finding Title: 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:
Spring, 2024

Finding Number: 2022-004
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:
Fall, 2024

Finding Number: 2022-005
Finding Title: Access to Computer Systems/Network

Name of Contact Person Responsible for Corrective Action:
Dillon Hayes, County Administrator

Corrective Action Planned:
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.

Anticipated Completion Date:
Completed

Finding Number: 2022-006
Finding Title: Budget Deficiencies

Name of Contact Person Responsible for Corrective Action:
Dillon Hayes, County Administrator

Administrative Services Office
635 2nd Street SE
Milaca, MN 56353

Phone: (320) 983-8349
dillon.hayes@millelacs.mn.gov

Corrective Action Planned:
Budgeting processes have been modified to eliminate the data entry that resulted in this error.

Anticipated Completion Date:
Completed

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

Name of Contact Person Responsible for Corrective Action:
Dillon Hayes, County Administrator

Corrective Action Planned:
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.

Anticipated Completion Date:
Completed

Finding Number: 2022-008
Finding Title: Publication of County Board Minutes

Name of Contact Person Responsible for Corrective Action:
Dillon Hayes, County Administrator

Corrective Action Planned:
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.

Anticipated Completion Date:
Completed

Finding Number: 2022-009
Finding Title: Unclaimed Funds

Name of Contact Person Responsible for Corrective Action:
Dillon Hayes, County Administrator

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

Anticipated Completion Date:
Fall, 2024

Dillon Hayes
County Administrator

Administrative Services Office
635 2nd Street SE
Milaca, MN 56353

Phone: (320) 983-8349
dillon.hayes@millelacs.mn.gov

Finding Number: 2022-010
Finding Title: Contracting and Bidding Compliance – Sale of Property

Name of Contact Person Responsible for Corrective Action:
Dillon Hayes, County Administrator

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

Anticipated Completion Date:
Completed

Dillon Hayes
County Administrator

Administrative Services Office
635 2nd Street SE
Milaca, MN 56353

Phone: (320) 983-8349
dillon.hayes@millelacs.mn.gov

Representation of Mille Lacs County
Milaca, Minnesota
Summary Schedule of Prior Audit Findings
For the Year Ended December 31, 2022

Finding Number: 2021-001
Year of Finding Origination: 1996
Finding Title: Segregation of Duties

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

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: 2021-002
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.

MILLE LACS COUNTY EST. 1857
Dillon Hayes
County Administrator

Administrative Services Office
635 2nd Street SE
Milaca, MN 56353

Phone: (320) 983-8349
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Finding Number: 2021-003
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: 2021-004
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: 2021-005
Year of Finding Origination: 2020
Finding Title: Capital Assets – Infrastructure and Depreciation

Summary of Condition: The County currently maintains capital asset records in a centralized capital asset software system. Additions and deletions are entered into this system, and depreciation is calculated by the system based on pre-determined useful lives. During review of the County's capital assets, the auditor noted infrastructure additions have not been recorded in the capital asset system since 2017. This also resulted in related depreciation not being calculated on those assets. Audit

Dillon Hayes
County Administrator

Administrative Services Office
635 2nd Street SE
Milaca, MN 56353

Phone: (320) 983-8349
dillon.hayes@millelacs.mn.gov

adjustments are made each year to the County's governmental activities financial statements to record the infrastructure activity not accounted for in the capital asset system.

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. Additionally, migration to a new capital assets records system will include a thorough review of existing capital assets intended to identify and rectify these issues.

Status: Fully Corrected. Corrective action was taken.

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

Finding Number: 2021-006
Year of Finding Origination: 2021
Finding Title: Access to Computer Systems/Network

Summary of Condition: Fifty-seven employees leaving County employment in 2021 were tested for timely removal of network access. Eight 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: Not Corrected. Procedures have been revised to address on-boarding and off-boarding processes. Roles and responsibilities have been clarified.

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

Finding Number: 2021-007
Year of Finding Origination: 2021
Finding Title: Segregation of Duties – IFS General Ledger System Security Controls

Summary of Condition: During review of access to the Integrated Financial System (IFS) general ledger, seven individuals were identified who had the ability to add, delete, and edit vendors and process disbursements; eight individuals had the ability to process disbursements and record journal entries; and five individuals were assigned administrative rights to add new users or change access to existing users within IFS.

Summary of Corrective Action Previously Reported: County officials have restricted access as required to provide for proper segregation of duties.

Status: Fully Corrected. Corrective action was taken.

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

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County Administrator

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635 2nd Street SE
Milaca, MN 56353

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Finding Number: 2021-008
Year of Finding Origination: 2021
Finding Title: Jail Inmate Checking Account

Summary of Condition: The Sheriff's Department maintains a jail checking account to account for inmate deposits and activity associated with fees paid to the County by the inmates. During review of the checking account and testing of receipting procedures, the following weaknesses in departmental control procedures were noted:

- The jail checking account bank reconciliations were not completed correctly and did not reconcile to the book balance of inmate funds.
- There was no review of the jail checking account bank reconciliation being performed by someone independent of the preparer.
- Fees collected from inmates were not remitted to the Administrative Services Office in a timely manner. The June 2021 through September 2022 fees were remitted in November 2022. The 2021 portion of these fees totaled $40,536.
- Outstanding checks in the jail checking account date back to 2017 and have not been remitted to the Department of Commerce as required by Minn. Stat. § 345.43.

Summary of Corrective Action Previously Reported: Procedures have been modified to include review of jail inmate checking account reconciliations. Additionally, the Sheriff's Office staff have taken the necessary steps to ensure that the accounts are current, and that funds are remitted to the Administrative Services Office in a timely fashion. County officials will review outstanding checks, and work to develop appropriate policies and procedures to address those that must be remitted.

Status: Fully Corrected. Corrective action was taken.

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

Finding Number: 2021-009
Year of Finding Origination: 2021
Finding Title: Contracting and Bidding Compliance

Summary of Condition: During testing of compliance with contracting and bid laws, the following were noted:

- The County Board did not annually approve the use of the alternative method for advertising of transportation-related construction and maintenance projects as required by statute.
- For each of the four contracts tested that required being advertised in an official newspaper, there was no affidavit of publication or evidence of advertisement of bids in a newspaper of general circulation. These four contracts were solicited for bids utilizing the County's website, which the Board did not annually designate or approve.

Administrative Services Office
635 2nd Street SE
Milaca, MN 56353

Phone: (320) 983-8349
dillon.hayes@millelacs.mn.gov

- One of the four contracts tested did not include notification from the County to the prime contractor to pay any subcontractors within ten days of receipt of payment from the County or pay interest at the rate of 1.50 percent per month. This prompt pay notice is typically included in the bid specifications or contract.
- One of the six contracts tested that included the employment of individuals for wages by the contractor and where final payment had been made, the final payment was issued prior to receiving an approved Minnesota Department of Revenue Form IC-134, which requires the reporting of employee withholdings, from the contractor.

Summary of Corrective Action Previously Reported: Proper contracting procedures have been, and will continue to be in the future, reviewed with the individual departments. Furthermore, the County's purchasing policy will be revised to ensure that staff have the appropriate resources readily available when evaluating contracting procedures, and county officials will be promoting the utilization of standard contracting documents developed to ensure that all appropriate provisions are included.

Status: Fully Corrected. Corrective action was taken.

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

Finding Number: 2021-010
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 a summary of Board minutes for 2021, not all of the summaries were published in the County's official newspaper within the 30-day requirement.

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.

Status: Not Corrected. In 2023, all minutes were published on-time.

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