

# State of Minnesota



## Office of the State Auditor

Julie Blaha  
State Auditor

Audit Practice Division

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### **Mille Lacs County Milaca, Minnesota**

Annual Financial Report and  
Management and Compliance Report

Year Ended December 31, 2024

# Mille Lacs County Milaca, Minnesota

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## **Introductory Section**

# Mille Lacs County Milaca, Minnesota

## Organization 2024

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

<sup>1</sup>Board Chair

<sup>2</sup>Resigned August 2024

## **Financial Section**



## Independent Auditor's Report

Board of County Commissioners  
Mille Lacs County  
Milaca, Minnesota

### Report on the Audit of the Financial Statements

#### Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mille Lacs County, Minnesota, as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Mille Lacs County as of December 31, 2024, and the respective changes in financial position, and, where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### Basis for Opinions

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

#### Responsibilities of Management for the Financial Statements

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

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

#### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions.

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

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

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

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

### **Required Supplementary Information**

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

### **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Mille Lacs County's basic financial statements. The budgetary comparison schedules for the Debt Service Fund and Capital Projects Fund, 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 Information**

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

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

#### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2025, on our consideration of Mille Lacs County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Mille Lacs County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Mille Lacs County's internal control over financial reporting and compliance.

*/s/Julie Blaha*

Julie Blaha  
State Auditor

November 3, 2025

*/s/Chad Struss*

Chad Struss, CPA  
Deputy State Auditor

## **Management's Discussion and Analysis**

# Mille Lacs County Milaca, Minnesota

## Management's Discussion and Analysis December 31, 2024 (Unaudited)

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, 2024. 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 \$97,054,111, of which \$83,387,055 is the net investment in capital assets, and \$10,429,737 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, 2024, was \$26,489,770; the net cost was funded by general revenues and other items totaling \$32,506,749.
- At the close of 2024, Mille Lacs County's governmental funds reported combined ending fund balances of \$30,243,746, a decrease of \$859,008 from the previous year-end balance. At the end of the year, Mille Lacs County's assigned and unassigned fund balance totaled \$21,682,679, 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.

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 long-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 expense, and reports 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**  
**Statement of Net Position**

Condensed Statement of Net Position	2024	2023
<b>Assets</b>		
Current and other assets	\$ 38,705,045	\$ 39,384,664
Capital assets, net	97,868,284	93,923,402
<b>Total Assets</b>	<b>\$ 136,573,329</b>	<b>\$ 133,308,066</b>
<b>Deferred Outflows of Resources</b>		
Deferred pension outflows	\$ 6,179,877	\$ 9,182,729
Deferred OPEB outflows	1,111,390	1,195,590
<b>Total Deferred Outflows of Resources</b>	<b>\$ 7,291,267</b>	<b>\$ 10,378,319</b>
<b>Liabilities</b>		
Long-term liabilities outstanding	\$ 29,702,977	\$ 35,407,520
Other liabilities	3,144,450	3,004,647
<b>Total Liabilities</b>	<b>\$ 32,847,427</b>	<b>\$ 38,412,167</b>
<b>Deferred Inflows of Resources</b>		
Deferred pension inflows	\$ 11,030,493	\$ 11,117,565
Deferred OPEB inflows	1,239,928	926,659
Advance from other governments	1,692,637	2,192,862
<b>Total Deferred Inflows of Resources</b>	<b>\$ 13,963,058</b>	<b>\$ 14,237,086</b>
<b>Net Position</b>		
Net investment in capital assets	\$ 83,387,055	\$ 75,564,516
Restricted	10,429,737	10,429,235
Unrestricted	3,237,319	5,043,381
<b>Total Net Position</b>	<b>\$ 97,054,111</b>	<b>\$ 91,037,132</b>

A large portion of Mille Lacs County’s net position, \$83,387,055 (85.9 percent), reflects the County’s investment in capital assets, less any related debt used to acquire those assets. The County uses these capital assets to provide services to citizens. However, it should be noted that these assets are not available for future spending or for liquidating any remaining debt. The portion of the County’s net position subject to external restrictions on how they are used is \$10,429,737 (10.7 percent). The unrestricted net position is \$3,237,319 (3.3 percent) for 2024.

**Table 2**  
**Changes in Net Position**

Condensed Statement of Activities	2024	2023
Program revenues		
Fees, charges, fines, and other	\$ 4,097,081	\$ 3,795,125
Operating grants and contributions	14,688,208	14,524,778
Capital grants and contributions	366,156	-
General revenues		
Property taxes	23,967,971	22,814,509
Other	8,538,778	7,160,623
<b>Total Revenues</b>	<b>\$ 51,658,194</b>	<b>\$ 48,295,035</b>
Expenses		
General government	\$ 9,869,445	\$ 9,984,067
Public safety	13,279,582	11,887,917
Highways and streets	8,077,043	5,894,273
Sanitation	319,765	267,006
Human services	11,429,428	11,580,456
Health	1,060,204	946,612
Culture and recreation	495,567	493,571
Conservation of natural resources	529,941	522,256
Economic development	281,151	470,424
Interest	299,089	453,929
<b>Total Expenses</b>	<b>\$ 45,641,215</b>	<b>\$ 42,500,511</b>
Change in Net Position	\$ 6,016,979	\$ 5,794,524
Net Position – January 1	91,037,132	85,242,608
Net Position – December 31	<b>\$ 97,054,111</b>	<b>\$ 91,037,132</b>

## Governmental Activities

Revenues for Mille Lacs County’s governmental activities for the year ended December 31, 2024, were \$51,658,194. The County’s cost for all governmental activities for the year ended December 31, 2024, was \$45,641,215. The net position for the County’s governmental activities increased by \$6,016,979 in 2024.

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 \$23,967,971, because \$4,097,081 of the costs were paid by those who directly benefited from the programs, and \$15,054,364 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 \$3,542,453 in grants and contributions not restricted to specific programs and \$4,996,325 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 2024

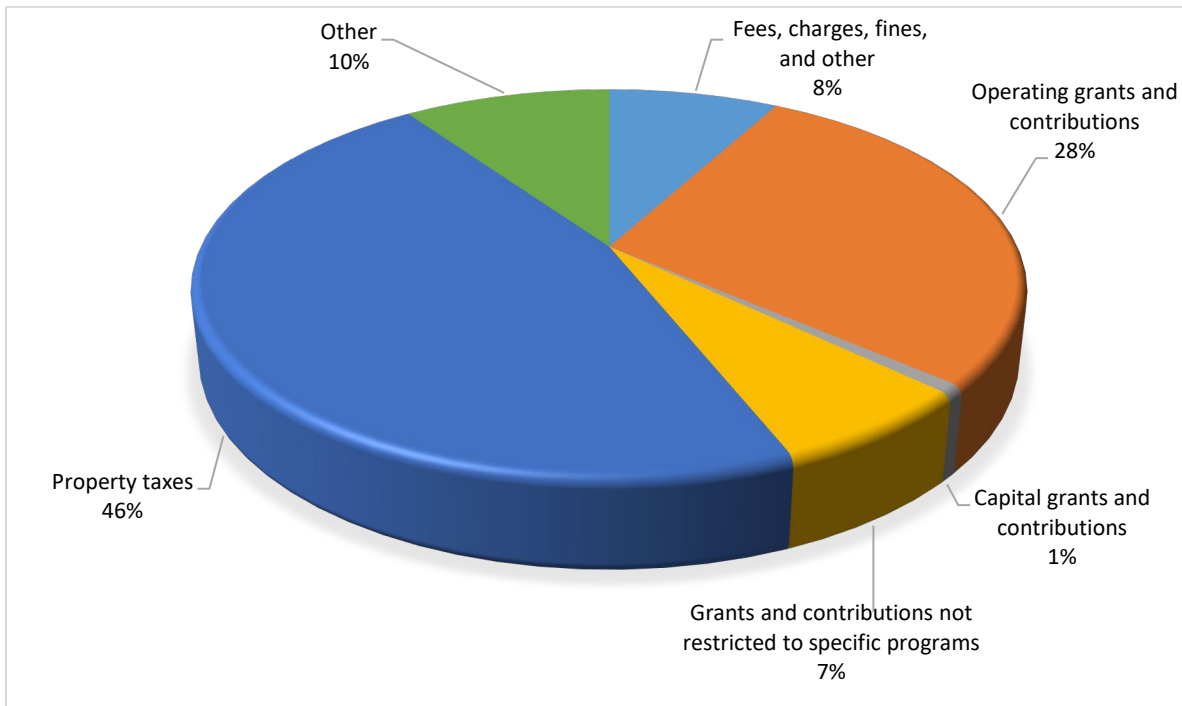
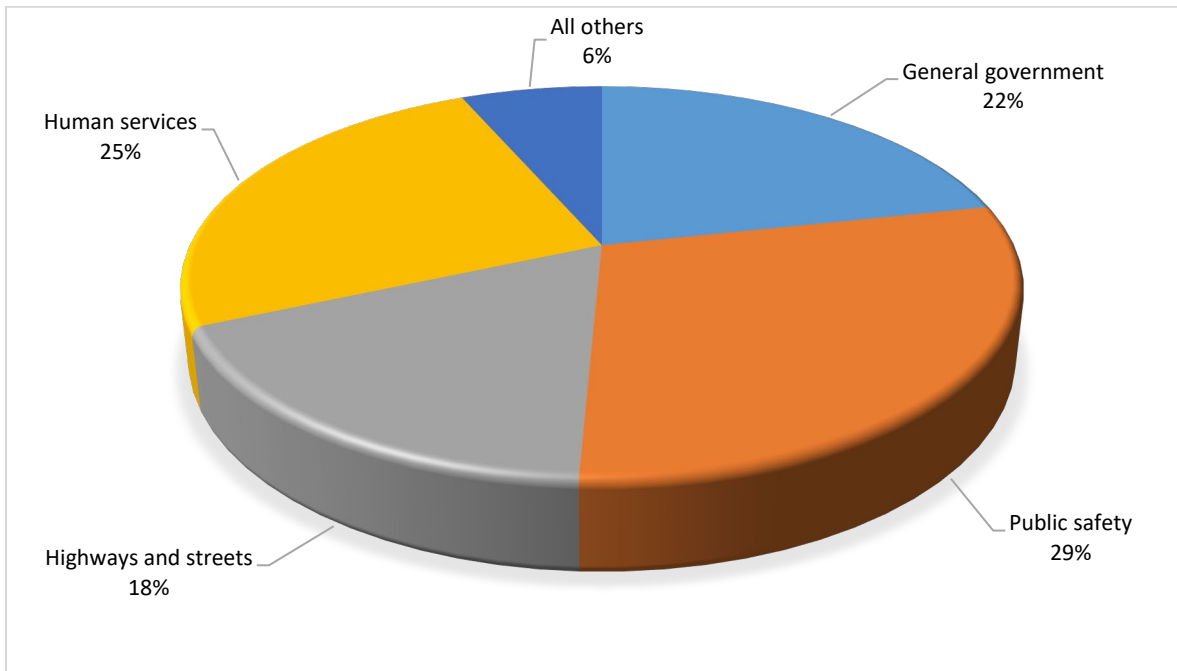


Table 3 presents the cost of each of Mille Lacs County’s four largest program functions as well as each function’s net cost (total cost, less revenues generated by the activities). The net cost shows the financial burden placed on Mille Lacs County’s taxpayers by each of these functions.

**Table 3  
Governmental Activities**

Program Expenses	Total Cost of Services – 2024	Net Cost of Services – 2024
General government	\$ 9,869,445	\$ (7,451,290)
Public safety	13,279,582	(11,297,866)
Highways and streets	8,077,043	(1,927,656)
Human services	11,429,428	(4,680,785)
All others	2,985,717	(1,132,173)
Total Program Expenses	<u>\$ 45,641,215</u>	<u>\$ (26,489,770)</u>

## County Expenses for Fiscal Year 2024



### 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 \$30,243,746, a decrease of \$859,008 in comparison with the prior year. Of the combined ending fund balances, \$21,682,679 represents unrestricted (committed, assigned, and unassigned) fund balance, which is available for spending at the County's discretion. The remaining fund balance, \$8,561,067, 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 2024, the General Fund's fund balance was \$14,802,655, of which \$12,351,025 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 53.0 percent of total General Fund expenditures. During 2024, the ending fund balance increased by \$910,792.

The Road and Bridge Special Revenue Fund had a total fund balance of \$150,952 at the end of 2024. The fund balance decreased \$3,077,339 during 2024 partially due to the advance in allotments from the Minnesota Department of Transportation.

The Community and Veteran Services Special Revenue Fund had a total fund balance of \$8,356,677 at the end of 2024. The fund balance increased by \$656,115 during 2024.

The Debt Service Fund had a total fund balance of \$4,833,205 at the end of 2024. The fund balance decreased \$86,541 during 2024.



The Capital Projects Fund had a total fund balance of \$1,281,344 at the end of 2024. The fund balance increased \$497,403 during 2024.

The Opioid Settlement Fund had a total fund balance of \$846,716 at the end of 2024. The fund balance increased by \$342,588 during 2024 due to settlement revenue received, and minimal expenditures incurred during the year.

### General Fund Budgetary Highlights

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

In 2024, the General Fund’s actual revenues exceeded expected revenues by \$2,000,784, and actual expenditures also exceeded budgeted expenditures by \$255,673.

### Capital Assets and Debt Administration

#### Capital Assets

At the end of 2024, Mille Lacs County had \$97,868,284 invested in a broad range of capital assets, net of depreciation and amortization. This investment in capital assets includes land, construction in progress, land improvements, buildings, machinery and equipment, infrastructure, and lease machinery and equipment (see Table 4).

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

Capital Assets	2024	2023
Land	\$ 4,663,126	\$ 4,663,126
Construction in progress	7,756,246	1,426,295
Land improvements	107,804	135,405
Buildings	12,239,258	12,982,949
Machinery and equipment	1,968,958	2,186,652
Infrastructure	69,700,472	70,958,633
Lease machinery and equipment	1,432,420	1,570,342
Total	<u>\$ 97,868,284</u>	<u>\$ 93,923,402</u>

#### Debt Administration

On December 31, 2024, Mille Lacs County had \$14,368,000 in bonds and notes outstanding, compared with \$15,832,000 as of December 31, 2023, a decrease of 9.2 percent, as shown in Table 5.

**Table 5**  
**Outstanding Debt at Year-End**

Bonds and Notes Payable	2024	2023
2010B Taxable Capital Improvement Bonds – Recovery Zone		
Economic Development Bonds	\$ 275,000	\$ 410,000
2018A G.O. Capital Improvement Plan Bonds	7,500,000	7,885,000
2019A G.O. Capital Improvement Plan Bonds	2,330,000	2,500,000
2021A G.O. Capital Improvement Plan Bonds	2,559,000	3,056,000
2019B G.O. Drainage Bonds	1,015,000	1,060,000
2021B G.O. Drainage Bonds	474,000	496,000
2019A G.O. Capital Equipment Notes	215,000	425,000
Total	<u>\$ 14,368,000</u>	<u>\$ 15,832,000</u>

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

### **Economic Factors and Next Year’s Budgets and Rates**

The County’s elected and appointed officials considered many factors when setting the fiscal year 2025 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 2025.

### **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**

**Exhibit 1****Mille Lacs County  
Milaca, Minnesota****Statement of Net Position  
Governmental Activities  
December 31, 2024****Assets**

Cash and pooled investments	\$	32,724,111
Petty cash and change funds		1,000
Taxes receivable		
Delinquent		667,121
Special assessments receivable		
Delinquent		16,017
Noncurrent		981,906
Accounts receivable – net		262,059
Loans receivable – net		216,580
Accrued interest receivable		99
Due from other governments		3,621,518
Inventories		214,634
Capital assets		
Non-depreciable and amortizable		12,419,372
Depreciable and amortizable – net of accumulated depreciation and amortization		85,448,912
<b>Total Assets</b>	<b>\$</b>	<b>136,573,329</b>

**Deferred Outflows of Resources**

Deferred pension outflows	\$	6,179,877
Deferred other postemployment benefits outflows		1,111,390
<b>Total Deferred Outflows of Resources</b>	<b>\$</b>	<b>7,291,267</b>

**Liabilities**

Accounts payable	\$	1,066,104
Salaries payable		633,543
Contracts payable		344,105
Due to other governments		907,296
Accrued interest payable		172,202
Unearned revenue		21,200
Long-term liabilities		
Due within one year		3,386,385
Due in more than one year		15,335,703
Other postemployment benefits liability		
Due within one year		85,861
Due in more than one year		2,772,924
Net pension liability		8,122,104
<b>Total Liabilities</b>	<b>\$</b>	<b>32,847,427</b>

**Deferred Inflows of Resources**

Deferred pension inflows	\$	11,030,493
Deferred other postemployment benefits inflows		1,239,928
Advance allotments		1,692,637
<b>Total Deferred Inflows of Resources</b>	<b>\$</b>	<b>13,963,058</b>

**Exhibit 1**  
*(Continued)*

**Mille Lacs County  
Milaca, Minnesota**  
**Statement of Net Position  
Governmental Activities  
December 31, 2024**

**Net Position**

Net investment in capital assets	\$	83,387,055
Restricted for		
General government		432,828
Public safety		993,145
Highways and streets		1,394,892
Conservation of natural resources		577,150
Economic development		117,266
Sanitation		212,250
Human services		322,288
Opioid remediation activities		846,716
Debt service		5,533,202
Unrestricted		<u>3,237,319</u>
<b>Total Net Position</b>	<b>\$</b>	<b><u><u>97,054,111</u></u></b>

**Exhibit 2**

**Mille Lacs County  
Milaca, Minnesota**

**Statement of Activities  
For the Year Ended December 31, 2024**

	Program Revenues				Net (Expense) Revenue and Changes in Net Position
	Expenses	Fees, Charges, Fines, and Other	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Functions/Programs</b>					
<b>Governmental activities</b>					
General government	\$ 9,869,445	\$ 1,820,834	\$ 597,321	\$ -	\$ (7,451,290)
Public safety	13,279,582	745,632	1,236,084	-	(11,297,866)
Highways and streets	8,077,043	133,298	5,649,933	366,156	(1,927,656)
Sanitation	319,765	233,965	94,937	-	9,137
Human services	11,429,428	899,149	5,849,494	-	(4,680,785)
Health	1,060,204	129,348	892,368	-	(38,488)
Culture and recreation	495,567	75	224,455	-	(271,037)
Conservation of natural resources	529,941	59,593	133,616	-	(336,732)
Economic development	281,151	75,187	10,000	-	(195,964)
Interest expense on long-term debt	299,089	-	-	-	(299,089)
<b>Total Governmental Activities</b>	<b>\$ 45,641,215</b>	<b>\$ 4,097,081</b>	<b>\$ 14,688,208</b>	<b>\$ 366,156</b>	<b>\$ (26,489,770)</b>
<b>General Revenues</b>					
Property taxes					\$ 23,967,971
Gravel tax					50,966
Mortgage registry and deed tax					9,220
Wheelage tax					521,882
Local option sales tax					2,042,643
Payments in lieu of tax					361,081
Grants and contributions not restricted to specific programs					3,542,453
Unrestricted investment earnings					1,371,287
Miscellaneous					335,854
Gain on sale of capital assets					303,392
<b>Total general revenues</b>					<b>\$ 32,506,749</b>
<b>Change in net position</b>					<b>\$ 6,016,979</b>
<b>Net Position – January 1</b>					<b>91,037,132</b>
<b>Net Position – December 31</b>					<b>\$ 97,054,111</b>

## **Fund Financial Statements**



## **Governmental Funds**

**Exhibit 3**

**Mille Lacs County  
Milaca, Minnesota**

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

	<u>General</u>	<u>Road and Bridge</u>	<u>Community and Veteran Services</u>
<b><u>Assets</u></b>			
Cash and pooled investments	\$ 16,783,563	\$ 1,729,983	\$ 7,498,723
Petty cash and change funds	950	-	50
Taxes receivable			
Delinquent	423,772	52,829	137,462
Special assessments receivable			
Delinquent	13,413	-	-
Noncurrent	109,706	-	-
Accounts receivable – net	9,268	6,219	246,572
Loans receivable – net	216,580	-	-
Accrued interest receivable	99	-	-
Due from other funds	33,152	214,455	485,841
Due from other governments	357,546	1,773,325	1,155,544
Inventories	-	214,634	-
Advances to other funds	11,585	-	-
<b>Total Assets</b>	<b>\$ 17,959,634</b>	<b>\$ 3,991,445</b>	<b>\$ 9,524,192</b>
<b><u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u></b>			
<b>Liabilities</b>			
Accounts payable	\$ 458,262	\$ 226,493	\$ 220,564
Salaries payable	371,042	35,473	227,028
Contracts payable	-	336,499	-
Due to other funds	863,930	-	16,934
Due to other governments	587,488	2,106	307,140
Unearned revenue	21,200	-	-
Advances from other funds	-	-	-
<b>Total Liabilities</b>	<b>\$ 2,301,922</b>	<b>\$ 600,571</b>	<b>\$ 771,666</b>
<b>Deferred Inflows of Resources</b>			
Unavailable revenue	\$ 855,057	\$ 1,547,285	\$ 395,849
Advance allotments	-	1,692,637	-
<b>Total Deferred Inflows of Resources</b>	<b>\$ 855,057</b>	<b>\$ 3,239,922</b>	<b>\$ 395,849</b>

<b>Debt Service</b>	<b>Capital Projects</b>	<b>Opioid Settlement</b>	<b>Nonmajor Ditch Special Revenue Fund</b>	<b>Total</b>
\$ 4,425,643	\$ 1,362,192	\$ 853,646	\$ -	\$ 32,653,750
-	-	-	-	1,000
21,671	31,387	-	-	667,121
1,811	-	-	793	16,017
872,200	-	-	-	981,906
-	-	-	-	262,059
-	-	-	-	216,580
-	-	-	-	99
73,399	90,235	-	-	897,082
335,103	-	-	-	3,621,518
-	-	-	-	214,634
-	-	-	-	11,585
<b>\$ 5,729,827</b>	<b>\$ 1,483,814</b>	<b>\$ 853,646</b>	<b>\$ 793</b>	<b>\$ 39,543,351</b>

\$ 940	\$ 155,807	\$ 4,038	\$ -	\$ 1,066,104
-	-	-	-	633,543
-	7,606	-	-	344,105
-	-	-	16,218	897,082
-	7,670	2,892	-	907,296
-	-	-	-	21,200
-	-	-	11,585	11,585
<b>\$ 940</b>	<b>\$ 171,083</b>	<b>\$ 6,930</b>	<b>\$ 27,803</b>	<b>\$ 3,880,915</b>

\$ 895,682	\$ 31,387	\$ -	\$ 793	\$ 3,726,053
-	-	-	-	1,692,637
<b>\$ 895,682</b>	<b>\$ 31,387</b>	<b>\$ -</b>	<b>\$ 793</b>	<b>\$ 5,418,690</b>

**Exhibit 3**  
(Continued)

**Mille Lacs County**  
**Milaca, Minnesota**

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

	<u>General</u>	<u>Road and Bridge</u>	<u>Community and Veteran Services</u>
<b><u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u></b> (Continued)			
<b>Fund Balances</b>			
Nonspendable			
Inventories	\$ -	\$ 214,634	\$ -
Advances to other funds	11,585	-	-
Restricted for			
Debt service	-	-	-
Law library	171,551	-	-
Recorder's technology and equipment	191,193	-	-
Clean water legacy	63,783	-	-
Administering the carrying of weapons	124,155	-	-
Affordable housing aid	219,590	-	-
Law enforcement	101,650	-	-
Enhanced 911 system	414,589	-	-
Opioid remediation activities	-	-	-
Gravel pit restoration	164,301	-	-
DARE program	64,860	-	-
Prisoner account	287,891	-	-
Prosecutorial purposes	70,084	-	-
Aquatic invasive species	236,882	-	-
Ditch maintenance and repairs	-	-	-
SCORE	212,250	-	-
Economic development	117,266	-	-
Homeless prevention aid	-	-	102,698
Assigned to			
General government	223,957	-	-
Public safety	17,726	-	-
Community and veteran services programs	-	-	8,253,979
Capital projects	-	-	-
Unassigned	12,109,342	(63,682)	-
<b>Total Fund Balances</b>	<b>\$ 14,802,655</b>	<b>\$ 150,952</b>	<b>\$ 8,356,677</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 17,959,634</b>	<b>\$ 3,991,445</b>	<b>\$ 9,524,192</b>

<u>Debt Service</u>	<u>Capital Projects</u>	<u>Opioid Settlement</u>	<u>Nonmajor Ditch Special Revenue Fund</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ 214,634
-	-	-	-	11,585
4,833,205	-	-	-	4,833,205
-	-	-	-	171,551
-	-	-	-	191,193
-	-	-	-	63,783
-	-	-	-	124,155
-	-	-	-	219,590
-	-	-	-	101,650
-	-	-	-	414,589
-	-	846,716	-	846,716
-	-	-	-	164,301
-	-	-	-	64,860
-	-	-	-	287,891
-	-	-	-	70,084
-	-	-	-	236,882
-	-	-	112,184	112,184
-	-	-	-	212,250
-	-	-	-	117,266
-	-	-	-	102,698
-	-	-	-	223,957
-	-	-	-	17,726
-	-	-	-	8,253,979
-	1,281,344	-	-	1,281,344
-	-	-	(139,987)	11,905,673
<b>\$ 4,833,205</b>	<b>\$ 1,281,344</b>	<b>\$ 846,716</b>	<b>\$ (27,803)</b>	<b>\$ 30,243,746</b>
<b>\$ 5,729,827</b>	<b>\$ 1,483,814</b>	<b>\$ 853,646</b>	<b>\$ 793</b>	<b>\$ 39,543,351</b>

**Exhibit 4**

**Mille Lacs County  
Milaca, Minnesota**

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

<b>Fund balances – total governmental funds (Exhibit 3)</b>	<b>\$ 30,243,746</b>
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.	<u>\$ 97,868,284</u>
Deferred outflows of resources resulting from pension obligations are not available resources and, therefore, are not reported in governmental funds.	<u>\$ 6,179,877</u>
Deferred outflows of resources resulting from the other postemployment benefits liability are not available resources and, therefore, are not reported in the governmental funds.	<u>\$ 1,111,390</u>
Revenues in the statement of activities that do not provide current financial resources are not reported in the governmental funds.	<u>\$ 3,726,053</u>
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	\$ (12,664,000)
Special assessment bonds	(1,489,000)
Unamortized premium on bonds	(371,887)
Capital equipment notes	(215,000)
Unamortized premium on notes	(14,839)
Loans payable	(170,000)
Leases payable	(1,437,461)
Compensated absences	(2,359,901)
Net pension liability	(8,122,104)
Other postemployment benefits liability	<u>(2,858,785)</u>
Long-term liabilities not reported in the governmental funds	<u>\$ (29,702,977)</u>
Deferred inflows of resources resulting from pension obligations are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>\$ (11,030,493)</u>
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.	<u>\$ (1,239,928)</u>
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the governmental funds.	<u>\$ (172,202)</u>
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.	<u>\$ 70,361</u>
<b>Net Position of Governmental Activities (Exhibit 1)</b>	<b><u>\$ 97,054,111</u></b>

**Exhibit 5**

**Mille Lacs County  
Milaca, Minnesota**

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

	General	Road and Bridge	Community and Veteran Services
<b>Revenues</b>			
Taxes	\$ 14,231,563	\$ 4,161,667	\$ 5,447,064
Special assessments	257,384	-	-
Licenses and permits	602,700	30,350	-
Intergovernmental	5,547,414	5,491,102	7,192,049
Charges for services	697,008	25,741	753,608
Fines and forfeits	41,093	-	-
Gifts and contributions	510	-	2,000
Settlement revenue	-	-	-
Investment earnings	1,371,287	-	-
Miscellaneous	878,058	77,207	132,838
<b>Total Revenues</b>	<b>\$ 23,627,017</b>	<b>\$ 9,786,067</b>	<b>\$ 13,527,559</b>
<b>Expenditures</b>			
<b>Current</b>			
General government	\$ 8,687,888	\$ -	\$ 177,837
Public safety	12,758,101	-	-
Highways and streets	-	12,533,077	-
Sanitation	319,505	-	-
Human services	-	-	11,691,091
Health	-	-	1,020,490
Public health	-	-	-
Culture and recreation	181,378	-	-
Conservation of natural resources	413,979	-	-
Economic development	281,170	-	-
<b>Intergovernmental</b>			
Highways and streets	-	331,817	-
Culture and recreation	314,189	-	-
<b>Capital outlay</b>			
General government	-	-	-
Public safety	-	-	-
Highways and streets	-	-	-
Human services	-	-	-
<b>Debt service</b>			
Principal	355,829	97,946	2,493
Interest	11,979	2,545	14
Administrative (fiscal) charges	-	-	-
<b>Total Expenditures</b>	<b>\$ 23,324,018</b>	<b>\$ 12,965,385</b>	<b>\$ 12,891,925</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 302,999</b>	<b>\$ (3,179,318)</b>	<b>\$ 635,634</b>
<b>Other Financing Sources (Uses)</b>			
Transfers in	\$ 118,888	\$ -	\$ 20,481
Transfers out	-	-	-
Proceeds from sale of capital assets	89,046	217,481	-
Issuance of leases	399,859	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 607,793</b>	<b>\$ 217,481</b>	<b>\$ 20,481</b>
<b>Net Change in Fund Balance</b>	<b>\$ 910,792</b>	<b>\$ (2,961,837)</b>	<b>\$ 656,115</b>
<b>Fund Balance – January 1</b>	<b>13,891,863</b>	<b>3,228,291</b>	<b>7,700,562</b>
<b>Increase (decrease) in inventories</b>	<b>-</b>	<b>(115,502)</b>	<b>-</b>
<b>Fund Balance – December 31</b>	<b>\$ 14,802,655</b>	<b>\$ 150,952</b>	<b>\$ 8,356,677</b>

Debt Service	Capital Projects	Opioid Settlement	Nonmajor Ditch Special Revenue Fund	Total
\$ 1,675,530	\$ 1,031,628	\$ -	\$ -	\$ 26,547,452
141,589	-	-	24,328	423,301
-	-	-	-	633,050
6,314	-	-	-	18,236,879
-	-	-	-	1,476,357
-	-	-	-	41,093
-	-	-	-	2,510
-	-	610,208	-	610,208
-	-	-	-	1,371,287
-	-	-	-	1,088,103
<b>\$ 1,823,433</b>	<b>\$ 1,031,628</b>	<b>\$ 610,208</b>	<b>\$ 24,328</b>	<b>\$ 50,430,240</b>
\$ -	\$ -	\$ -	\$ -	\$ 8,865,725
-	-	-	-	12,758,101
-	-	-	-	12,533,077
-	-	-	-	319,505
-	-	-	-	11,691,091
-	-	-	-	1,020,490
-	-	128,251	-	128,251
-	-	-	-	181,378
-	-	-	126,354	540,333
-	-	-	-	281,170
-	-	-	-	331,817
-	-	-	-	314,189
-	95,394	-	-	95,394
-	100,013	-	-	100,013
-	134,793	-	-	134,793
-	108,855	-	-	108,855
1,464,000	94,225	-	-	2,014,493
433,153	945	-	-	448,636
12,821	-	-	-	12,821
<b>\$ 1,909,974</b>	<b>\$ 534,225</b>	<b>\$ 128,251</b>	<b>\$ 126,354</b>	<b>\$ 51,880,132</b>
<b>\$ (86,541)</b>	<b>\$ 497,403</b>	<b>\$ 481,957</b>	<b>\$ (102,026)</b>	<b>\$ (1,449,892)</b>
\$ -	\$ -	\$ -	\$ -	\$ 139,369
-	-	(139,369)	-	(139,369)
-	-	-	-	306,527
-	-	-	-	399,859
<b>\$ -</b>	<b>\$ -</b>	<b>\$ (139,369)</b>	<b>\$ -</b>	<b>\$ 706,386</b>
<b>\$ (86,541)</b>	<b>\$ 497,403</b>	<b>\$ 342,588</b>	<b>\$ (102,026)</b>	<b>\$ (743,506)</b>
<b>4,919,746</b>	<b>783,941</b>	<b>504,128</b>	<b>74,223</b>	<b>31,102,754</b>
<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(115,502)</b>
<b>\$ 4,833,205</b>	<b>\$ 1,281,344</b>	<b>\$ 846,716</b>	<b>\$ (27,803)</b>	<b>\$ 30,243,746</b>



**Exhibit 6**

**Mille Lacs County  
Milaca, Minnesota**

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

**Net change in fund balance – total governmental funds (Exhibit 5) \$ (743,506)**

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.

Deferred inflows of resources – unavailable revenue – December 31	\$ 3,726,053
Deferred inflows of resources – unavailable revenue – January 1	<u>(3,187,348)</u>

Total adjustment to revenue in the government-wide statements for current and prior year unavailable revenue	\$ <u>538,705</u>
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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 capital 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 disposed.

Expenditures for general capital assets and infrastructure	\$ 8,432,116
Net book value of capital assets disposed	(332,113)
Current year depreciation and amortization	<u>(4,155,121)</u>

Total adjustment to the government-wide statements for current year capital asset activity	\$ <u>3,944,882</u>
--	---------------------

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 government 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 over the life of the debt in the statement of activities.

Issuance of new debt	
Leases issued	<u>\$ (399,859)</u>

Principal repayments	
General obligation bonds	\$ 1,187,000
Special assessment bonds	67,000
Capital equipment notes	210,000
Leases	530,493
Loans	<u>20,000</u>

Total adjustment to the government-wide statements for payments made on long-term liabilities	\$ <u>2,014,493</u>
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**Exhibit 6**  
**(Continued)**

**Mille Lacs County**  
**Milaca, Minnesota**

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

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

Change in accrued interest payable	\$	16,606
Change in compensated absences		221,699
Change in other postemployment benefits liability		281,898
Change in net pension liability		3,440,550
Change in deferred pension outflows		(3,002,852)
Change in deferred pension inflows		87,072
Change in deferred other postemployment benefits outflows		(84,200)
Change in deferred other postemployment benefits inflows		(313,269)
Change in inventories		(115,502)
Current year amortization of premium on bonds issued		<u>145,762</u>
 Total adjustment to the government-wide statements for other activities not reported in governmental funds	 \$	 <u>677,764</u>
 The increase or decrease in net position of the internal service fund is reported in the statements of activities as governmental activities.	 \$	 <u>(15,500)</u>
<b>Change in Net Position of Governmental Activities (Exhibit 2)</b>	<b>\$</b>	<b><u>6,016,979</u></b>

**Self-Insurance Internal Service Fund**

**Exhibit 7**

**Mille Lacs County  
Milaca, Minnesota**

**Statement of Net Position  
Self-Insurance Internal Service Fund  
December 31, 2024**

	<u>Governmental Activities</u>
<b><u>Assets</u></b>	
Cash and pooled investments	\$ <u>70,361</u>
<b><u>Net Position</u></b>	
Unrestricted	\$ <u><u>70,361</u></u>

**Exhibit 8**

**Mille Lacs County  
Milaca, Minnesota**

**Statement of Revenues, Expenses, and Changes in Net Position  
Self-Insurance Internal Service Fund  
For the Year Ended December 31, 2024**

	<u>Governmental Activities</u>
<b>Operating Revenues</b>	
Insurance fees	\$ 166,928
<b>Operating Expenses</b>	
Insurance	<u>182,428</u>
<b>Operating Income (Loss)</b>	<b>\$ (15,500)</b>
<b>Net Position – January 1</b>	<u>85,861</u>
<b>Net Position – December 31</b>	<b><u>\$ 70,361</u></b>

**Exhibit 9**

**Mille Lacs County  
Milaca, Minnesota**

**Statement of Cash Flows  
Self-Insurance Internal Service Fund  
For the Year Ended December 31, 2024**

	<u>Governmental Activities</u>
<b>Cash Flows From Operating Activities</b>	
Insurance fees	\$ 166,928
Insurance payments	<u>(182,428)</u>
<b>    Net Cash Provided by (Used in) Operating Activities</b>	<b>\$ (15,500)</b>
<b>Cash and Cash Equivalents at January 1</b>	<u>85,861</u>
<b>Cash and Cash Equivalents at December 31</b>	<b>\$ <u>70,361</u></b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities</b>	
Operating income (loss)	<u>\$ (15,500)</u>

## **Fiduciary Funds**

**Exhibit 10**

**Mille Lacs County  
Milaca, Minnesota**

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

	<b>Social Welfare</b>	
	<b>Trust Fund</b>	<b>Custodial Funds</b>
<b><u>Assets</u></b>		
Cash and pooled investments	\$ 26,621	\$ 995,475
Due from other governments	-	14,949
Accounts receivable for other governments – net	-	141,702
Interest receivable	-	89
Taxes receivable for other governments	-	512,700
	<hr/>	<hr/>
<b>Total Assets</b>	<b>\$ 26,621</b>	<b>\$ 1,664,915</b>
<b><u>Liabilities</u></b>		
Due to other governments	\$ -	\$ 699,664
<b><u>Net Position</u></b>		
Restricted for individuals, organizations, and other governments	<b>\$ 26,621</b>	<b>\$ 965,251</b>



**Exhibit 11**

**Mille Lacs County  
Milaca, Minnesota**

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

	Private-Purpose	
	Trust Funds	Custodial Funds
<b>Additions</b>		
Contributions from individuals	\$ 155,431	\$ 356,271
Contributions from entities	-	130,234
Interest earnings	68	171
Property tax collections for other governments	-	19,793,777
Federal/State revenue	-	617,790
Other taxes and fees collected for other governments	-	1,484,264
Mortgage foreclosure sales	-	836,594
<b>Total Additions</b>	<b>\$ 155,499</b>	<b>\$ 23,219,101</b>
<b>Deductions</b>		
Beneficiary payments to individuals	\$ 207,215	\$ 342,656
Payments of property tax to other governments	-	19,806,081
Payments to the state	-	1,422,127
Payments to other individuals/entities	-	1,648,543
<b>Total Deductions</b>	<b>\$ 207,215</b>	<b>\$ 23,219,407</b>
<b>Change in Net Position</b>	<b>\$ (51,716)</b>	<b>\$ (306)</b>
Net Position – January 1, as previously reported	\$ 95,851	\$ 948,043
Change within financial reporting entity (private-purpose trust fund to custodial fund)	(17,514)	17,514
<b>Net Position – January 1, as adjusted</b>	<b>\$ 78,337</b>	<b>\$ 965,557</b>
<b>Net Position – December 31</b>	<b>\$ 26,621</b>	<b>\$ 965,251</b>

# Mille Lacs County Milaca, Minnesota

## Notes to the Financial Statements

As of and for the Year Ended December 31, 2024

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### Note 1 – Summary of Significant Accounting Policies

The County's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as of and for the year ended December 31, 2024. The Governmental Accounting Standards Board (GASB) is responsible for establishing 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 2024.

#### Joint Ventures

The County participates in several joint ventures described in Note 4, Summary of Significant Contingencies and Other Items.

# Mille Lacs County

## Milaca, Minnesota

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### 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.

## Mille Lacs County Milaca, Minnesota

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

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

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

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

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

Additionally, the County reports the following fund types:

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

The Social Welfare Trust Fund is used to account for resources legally held in trust for the benefit of individuals.

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

### Measurement Focus and Basis of Accounting

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

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

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

# Mille Lacs County

## Milaca, Minnesota

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

#### Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Administrative Services Office to increase earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2024. All investments are measured at the net asset value (NAV) per share. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments of governmental and fiduciary funds are credited to the General Fund. Other funds received investment earnings based on other statutes, grant agreements, contracts, and bond covenants. Pooled investment earnings for 2024 were \$1,371,287.

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

Mille Lacs County invests in an external investment pool, the Minnesota Association of Governments Investing for Counties (MAGIC) Fund, which is created under a joint powers agreement pursuant to Minn. Stat. § 471.59. The investment in the pool is measured at the NAV per share provided by the pool.

#### Receivables and Payables

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

Advances between funds, as reported in the fund financial statements, are offset by nonspendable fund balance when occurring in the General Fund to indicate they are not available for appropriation and are not expendable available financial resources.

Property taxes are levied as of January 1 on property values assessed as of January 1 of the previous year. The tax levy notice is mailed in March with the first half payment due May 15 and the second half payment due October 15. Unpaid taxes at December 31 become liens on the respective property and are classified in the financial statements as delinquent taxes receivable. Special assessments receivable consist of delinquent special assessments payable in the years 2016 through 2024 and noncurrent special assessments payable in 2025 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 consist of economic development and rehabilitation loans made to private enterprises or individuals as per the parameters of the specific programs. The economic development loans stimulate private investment and economic relief by providing financing to new and expanding businesses in the Mille Lacs Lake area.

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

Accounts receivable includes an allowance for doubtful accounts. Total accounts receivable for the year ended December 31, 2024, were \$4,783,239 for governmental activities and \$13,473,470 for fiduciary funds. The

# Mille Lacs County

## Milaca, Minnesota

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allowance for doubtful accounts was \$4,521,180 for governmental activities and \$13,331,768 for fiduciary funds, resulting in a net effect of \$262,059 and \$141,702, respectively.

### Inventories

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.

### 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.

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

Property, plant, and equipment of the County are depreciated using the straight-line method over the following estimated useful lives, while right-to-use assets are amortized over the shorter of the underlying assets' estimated useful life or the lease term:

#### Estimated Useful Lives of Capital Assets

Assets	Years
Land improvements	20-35
Buildings	25-40
Machinery and equipment	3-15
Infrastructure	15-75
Software	5

### Unearned Revenue

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

### Compensated Absences

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

# Mille Lacs County

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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 trend analysis of current usage of vacation and sick leave. The noncurrent portion consists of the remaining amount of vacation and sick leave.

### Long-Term Obligations

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

### Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents consumption of net assets that applies to a future period(s) and will not be recognized as an outflow of resources (expenditure/expense) until that time. The County reports deferred outflows of resources only under the full accrual basis of accounting associated with pension plans and other postemployment benefits (OPEB) and, accordingly, are reported only in the statement of net position.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The governmental funds report unavailable revenue associated with revenue received after the period of availability. Unavailable revenue arises only under the modified accrual basis of accounting and, accordingly, is reported only in the governmental funds balance sheet. Unavailable revenue is deferred and recognized as an inflow of resources in the period that the amounts become available. The County reports advance allotments for state aid received by the County not yet appropriated by the State of Minnesota. Advance allotments are reported on the governmental funds balance sheet and on the government-wide statement of net position. The County also reports deferred inflows of 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.

# Mille Lacs County

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### 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



## Mille Lacs County Milaca, Minnesota

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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, 2024, the County adopted new accounting guidance by implementing the provisions of GASB Statement No. 100, *Accounting Changes and Error Corrections*, which provides clarification on the categories and prescribed accounting for changes in accounting principles, changes in accounting estimates, changes to or within the financial reporting entity, and corrections of errors in previously issued financial statements. Additional disclosures are included for the current year restatements as a result of GASB Statement 100. The Cemetery Fund, which was previously recorded as a private-purpose trust fund, was moved to a custodial fund to align with fund documentation. Beginning net position of the custodial funds was increased by \$17,514, and beginning net position of the private-purpose trust funds was decreased by \$17,514 for this change.

The County also adopted new accounting guidance by implementing the provisions of GASB Statement No. 101, *Compensated Absences*, which establishes new criteria for accounting and financial reporting for the compensated absences liability. The implementation of GASB Statement 101 resulted in changing the calculation of the compensated absences liability recorded in the long-term liabilities of the government-wide financial statements.

# Mille Lacs County Milaca, Minnesota

## Note 2 – Stewardship, Compliance, and Accountability

### Deficit Fund Equity

The Ditch Special Revenue Fund had a deficit fund balance of \$27,803 as of December 31, 2024. The deficit 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

Count of Individual Ditches	Amount
7 ditches with positive fund balances	\$ 112,184
3 ditches with deficit fund balances	(139,987)
Total Fund Balance	\$ (27,803)

## 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, 2024

Basic Financial Statement Accounts	Governmental Activities	Fiduciary Funds – Social Welfare Trust Fund	Fiduciary Funds – Custodial Funds	Total
Cash and pooled investments	\$ 32,724,111	\$ 26,621	\$ 995,475	\$ 33,746,207
Petty cash and change fund	1,000	-	-	1,000
Total	\$ 32,725,111	\$ 26,621	\$ 995,475	\$ 33,747,207

### 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

# Mille Lacs County

## Milaca, Minnesota

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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 \$8,135,582 as of December 31, 2024; the bank balance was \$9,785,817.

### 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, 2024, \$1,469,856 of the County's deposits were exposed to custodial credit risk. The County will obtain additional collateral in subsequent periods.

### Investments

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

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

### Interest Rate Risk

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

### 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.

# Mille Lacs County Milaca, Minnesota

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## 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, 2024, none of the County’s investments were subject to custodial credit risk.

## Concentration of Credit Risk

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

The following table presents the County’s deposit and investment balances at December 31, 2024, and information relating to potential investment risks:

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

Investment Pools/Mutual Funds	Credit Risk – Credit Rating	Credit Risk – Rating Agency	Concentration Risk – Over 5% of Portfolio	Interest Rate Risk – Maturity Date	Carrying (Fair) Value
MAGIC Fund	N/R	N/A	100.0%	N/A	<u>\$ 25,610,625</u>

N/A – Not Applicable

N/R – Not Rated

## Fair Value Measurements

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

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.

# Mille Lacs County Milaca, Minnesota

## Recurring Fair Value Measurements as of December 31, 2024

Investments Measured at NAV	Amount as of December 31, 2024
MAGIC Portfolio	\$ 25,610,625

### Receivables

Receivables as of December 31, 2024, for the County's governmental activities are as follows:

## Governmental Activities' Receivables as of December 31, 2024

Receivables – Governmental Activities	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Taxes, delinquent	\$ 667,121	\$ -
Special assessments receivable		
Delinquent	16,017	-
Noncurrent	981,906	914,296
Accounts receivable – net	262,059	126,797
Accrued interest	99	-
Loans receivable – net	216,580	174,262
Due from other governments	3,621,518	-
Total	\$ 5,765,300	\$ 1,215,355

### 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 qualified property owners 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.

# Mille Lacs County Milaca, Minnesota

A summary of loans receivable outstanding at December 31, 2024, is as follows:

### Loans Receivable as of December 31, 2024

Loan Agreements – General Fund	Original Loan Amount	Balance Repaid at December 31, 2024	Outstanding Balance at December 31, 2024	Less: Allowance for Uncollectible Loans	Net Loans Receivable	Due Within One Year	Term (Years)	Interest Rate (%)
Economic development relief loans	\$ 3,355,777	\$ (877,902)	\$ 2,477,875	\$ (2,268,089)	\$ 209,786	\$ 40,000	20	-
Small cities development program loans								
Residential	156,529	(44,237)	112,292	(112,292)	-	-	7	-
Commercial	15,128	(8,334)	6,794	-	6,794	2,318	10	1.0
<b>Total Loans Receivable</b>	<b>\$ 3,527,434</b>	<b>\$ (930,473)</b>	<b>\$ 2,596,961</b>	<b>\$ (2,380,381)</b>	<b>\$ 216,580</b>	<b>\$ 42,318</b>		

### Capital Assets

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

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

Capital Assets – Governmental Activities	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 4,663,126	\$ -	\$ -	\$ 4,663,126
Construction in progress	1,426,295	6,329,951	-	7,756,246
<b>Total capital assets not depreciated</b>	<b>\$ 6,089,421</b>	<b>\$ 6,329,951</b>	<b>\$ -</b>	<b>\$ 12,419,372</b>
Capital assets depreciated/amortized				
Land improvements	\$ 952,980	\$ -	\$ -	\$ 952,980
Buildings	26,214,150	-	-	26,214,150
Machinery and equipment	9,579,569	784,015	(2,205,693)	8,157,891
Infrastructure	104,402,061	918,291	-	105,320,352
Software	203,704	-	-	203,704
Lease machinery and equipment assets	2,145,658	399,859	(271,725)	2,273,792
<b>Total capital assets depreciated/amortized</b>	<b>\$ 143,498,122</b>	<b>\$ 2,102,165</b>	<b>\$ (2,477,418)</b>	<b>\$ 143,122,869</b>
Less: accumulated depreciation/amortization for				
Land improvements	\$ 817,575	\$ 27,601	\$ -	\$ 845,176
Buildings	13,231,201	743,691	-	13,974,892
Machinery and equipment	7,392,917	669,596	(1,873,580)	6,188,933
Infrastructure	33,443,428	2,176,452	-	35,619,880
Software	203,704	-	-	203,704
Lease machinery and equipment assets	575,316	537,781	(271,725)	841,372
<b>Total accumulated depreciation/amortization</b>	<b>\$ 55,664,141</b>	<b>\$ 4,155,121</b>	<b>\$ (2,145,305)</b>	<b>\$ 57,673,957</b>
<b>Total capital assets depreciated/amortized, net</b>	<b>\$ 87,833,981</b>	<b>\$ (2,052,956)</b>	<b>\$ (332,113)</b>	<b>\$ 85,448,912</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 93,923,402</b>	<b>\$ 4,276,995</b>	<b>\$ (332,113)</b>	<b>\$ 97,868,284</b>

## Mille Lacs County Milaca, Minnesota

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 – Depreciation and Amortization	Amount
General government	\$ 1,153,662
Public safety	411,955
Sanitation	2,454
Human services	2,683
Highway and streets	2,584,367
Total	\$ 4,155,121

### Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2024, was as follows:

#### Due To/From Other Funds

### Interfund Receivables and Payables

Governmental Fund	Receivable Amount	Payable Amount
General Fund	\$ 33,152	\$ 863,930
Road and Bridge Special Revenue Fund	214,455	-
Community and Veteran Services Special Revenue Fund	485,841	16,934
Debt Service Fund	73,399	-
Capital Projects Fund	90,235	-
Nonmajor governmental fund		
Ditch Special Revenue Fund	-	16,218
Total Due To/From Other Funds	\$ 897,082	\$ 897,082

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

#### Advances From/To Other Funds

The General Fund advanced \$11,585 to the Ditch Special Revenue Fund for cash flow purposes.

# Mille Lacs County Milaca, Minnesota

## Transfers

Interfund transfers at December 31, 2024, were as follows:

### Interfund Transfers for the Year Ended December 31, 2024

Governmental Funds	Transfers In Amount
Transfer to General Fund from Opioid Settlement Special Revenue Fund	\$ 118,888
Transfer to Community and Veterans Services Special Revenue Fund from Opioid Settlement Special Revenue Fund	20,481
Total Transfers Out	\$ 139,369

The transfer activity in 2024 was for the reimbursement of funds related to the opioid settlement.

## Liabilities and Deferred Inflows of Resources

### Construction and Other Commitments

As of December 31, 2024, the Road and Bridge Special Revenue Fund had active construction projects with remaining commitments of \$1,257,050, and the Capital Projects Fund had construction commitments for the courthouse remodel project of \$392,039.

### 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, 2024, are summarized by fund:

#### Unavailable Revenue

Governmental Fund	Taxes	Special Assessments	Grants and Highway Allotments	Loans	Other	Total
General	\$ 423,772	\$ 123,119	\$ -	\$ 216,580	\$ 91,586	\$ 855,057
Special Revenue						
Road and Bridge	52,829	-	1,494,456	-	-	1,547,285
Community and Veteran Services	137,462	-	1,999	-	256,388	395,849
Debt Service	21,671	874,011	-	-	-	895,682
Capital Projects	31,387	-	-	-	-	31,387
Nonmajor governmental fund						
Ditch Special Revenue Fund	-	793	-	-	-	793
Total Unavailable Revenue	\$ 667,121	\$ 997,923	\$ 1,496,455	\$ 216,580	\$ 347,974	\$ 3,726,053



# Mille Lacs County Milaca, Minnesota

## Leases

The County leases equipment and vehicles for various terms under long-term, non-cancelable lease agreements. The leases expire at various dates through 2029. 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.

### Lease Principal and Interest Requirements to Maturity As of December 31, 2024

Year Ending December 31	Principal	Interest
2025	\$ 476,749	\$ 14,548
2026	413,008	8,942
2027	336,230	4,799
2028	191,084	1,547
2029	20,390	189
Total	<u>\$ 1,437,461</u>	<u>\$ 30,025</u>

## Long-Term Debt

### General Obligation Taxable Bonds Debt as of December 31, 2024

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2024
General Obligation Bonds 2010B Taxable					
Capital Improvement Bonds – Recovery Zone		\$125,000-			
Economic Development Bonds	02/01/2026	\$140,000	3.30-4.45	<u>\$ 920,000</u>	<u>\$ 275,000</u>

### General Obligation Bonds Debt as of December 31, 2024

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2024
2018A G.O. Capital Improvement Plan Bonds	02/01/2039	\$340,000- \$630,000	3.00-3.50	\$ 9,315,000	\$ 7,500,000
2019A G.O. Capital Improvement Plan Bonds	02/01/2035	\$150,000- \$245,000	3.00-4.00	2,970,000	2,330,000
2021A G.O. Capital Improvement Plan Refunding Bonds	02/01/2029	\$479,000- \$522,000	1.15	<u>3,535,000</u>	<u>2,559,000</u>
Total General Obligation Bonds				<u>\$ 15,820,000</u>	<u>\$ 12,389,000</u>

# Mille Lacs County Milaca, Minnesota

## Special Assessment Bonds with Government Commitment Debt as of December 31, 2024

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2024
2019B G.O. Drainage Bonds	02/01/2042	\$45,000- \$65,000	3.00	\$ 1,195,000	\$ 1,015,000
2021B G.O. Drainage Bonds	02/01/2042	\$20,000- \$31,000	1.98	516,000	474,000
Total Special Assessment Bonds With Government Commitment				<u>\$ 1,711,000</u>	<u>\$ 1,489,000</u>

## General Obligation Capital Equipment Notes Debt as of December 31, 2024

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2024
2019A G.O. Capital Equipment Notes	02/01/2025	\$185,000- \$215,000	4.00	<u>\$ 1,000,000</u>	<u>\$ 215,000</u>

## Loans Payable Debt as of December 31, 2024

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2024
State of Minnesota Clean Water Partnership Loan Program SRF0340	12/15/2033	\$10,000	0.00	<u>\$ 200,000</u>	<u>\$ 170,000</u>

### Debt Service Requirements

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

### Debt Service Requirements as of December 31, 2024

Year Ending December 31	General Obligation Bonds – Principal	General Obligation Bonds – Interest	Taxable General Obligation Bonds – Principal	Taxable General Obligation Bonds – Interest
2025	\$ 1,071,000	\$ 340,511	\$ 135,000	\$ 9,132
2026	1,104,000	315,428	140,000	3,115
2027	1,121,000	289,613	-	-
2028	1,151,000	263,083	-	-
2029	1,172,000	236,840	-	-
2030-2034	3,590,000	847,496	-	-
2035-2039	3,180,000	268,014	-	-
Total	<u>\$ 12,389,000</u>	<u>\$ 2,560,985</u>	<u>\$ 275,000</u>	<u>\$ 12,247</u>

# Mille Lacs County Milaca, Minnesota

## Debt Service Requirements as of December 31, 2024

Year Ending December 31	Special Assessment Bonds – Principal	Special Assessment Bonds – Interest	Capital Equipment Notes – Principal	Capital Equipment Notes – Interest
2025	\$ 72,000	\$ 38,867	\$ 215,000	\$ 4,300
2026	73,000	36,922	-	-
2027	73,000	34,967	-	-
2028	74,000	33,001	-	-
2029	74,000	31,026	-	-
2030-2034	421,000	122,229	-	-
2035-2039	426,000	64,613	-	-
2040-2044	276,000	11,198	-	-
Total	\$ 1,489,000	\$ 372,823	\$ 215,000	\$ 4,300

### 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 made from the General Fund began in 2024.

## Debt Service Requirements as of December 31, 2024

Year Ending December 31	Clean Water Partnership Loan Program – Principal
2025	\$ 20,000
2026	20,000
2027	20,000
2028	20,000
2029	20,000
2030-2033	70,000
Total	\$ 170,000

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.

## Mille Lacs County Milaca, Minnesota

Taking into consideration the aforementioned RZEDB interest credit, as of December 31, 2024, the County's net annual debt service requirements to amortize all taxable general obligation bonds outstanding, including interest of \$7,050 on the governmental activities debt, is as follows:

### Net Annual Debt Service Requirement to Amortize all Taxable General Obligation Bonds as of December 31, 2024

Year Ending December 31	Principal	Interest	Federal Subsidy	Net Interest	Total Payment
2025	\$ 135,000	\$ 9,132	\$ (3,875)	\$ 5,257	\$ 140,257
2026	140,000	3,115	(1,322)	1,793	141,793
Total	\$ 275,000	\$ 12,247	\$ (5,197)	\$ 7,050	\$ 282,050

### Changes in Long-Term Liabilities

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

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

Long-Term Liabilities	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General obligation bonds	\$ 13,441,000	\$ -	\$ (1,052,000)	\$ 12,389,000	\$ 1,071,000
Taxable general obligation bonds	410,000	-	(135,000)	275,000	135,000
Special assessment bonds with government commitment	1,556,000	-	(67,000)	1,489,000	72,000
Capital equipment notes	425,000	-	(210,000)	215,000	215,000
Add: premium on bonds and notes	532,488	-	(145,762)	386,726	-
Leases payable	1,568,095	399,859	(530,493)	1,437,461	476,749
Compensated absences	2,581,600	-	(221,699)*	2,359,901	1,396,636
Loans payable	190,000	-	(20,000)	170,000	20,000
Long-Term Liabilities	\$ 20,704,183	\$ 399,859	\$ (2,381,954)	\$ 18,722,088	\$ 3,386,385

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

### 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.

# Mille Lacs County Milaca, Minnesota

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As of the January 1, 2024, actuarial valuation, the following employees were covered by the benefit terms:

## Employees Covered by the OPEB Benefit Terms As of the January 1, 2024, Actuarial Valuation

Type of Participant Covered by the OPEB Benefit Terms	Number of Participants
Inactive employees or beneficiaries currently receiving benefit payments	4
Active plan participants	241
Total	245

### Total OPEB Liability

The County's total OPEB liability of \$2,858,785 was measured as of January 1, 2024, and was determined by an actuarial valuation as of January 1, 2024. 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, 2024, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

- The actuarial cost method is entry age, level percentage of pay.
- The current year inflation rate is 2.50 percent.
- The salary increases are graded by service tables.
- The health care cost trend is 6.50 percent, grading to 5.00 percent over six years and then 4.00 percent over the next 48 years.
- The current year discount rate is 3.70 percent which is equal to the 20-Year AA-rated municipal bond yield.
- Mortality rates used are recent tables developed and recommended by the Society of Actuaries, (SOA) Pub-2010 Public Retirement Plans Headcount-Weighted Mortality tables (General, Safety) with MP-2021 Generational Improvement Scale.
- Retirement and withdrawal assumptions used are similar to those used to value pension liabilities for Minnesota public employees. The state pension plans base their assumptions on periodic experience studies.

# Mille Lacs County Milaca, Minnesota

## Changes in the Total OPEB Liability

### Changes in the Total OPEB Liability For the Year Ended December 31, 2024

Total OPEB Changes for the Year	Amount
Balance at December 31, 2023	\$ 3,140,683
Service cost	\$ 156,050
Interest cost	129,388
Assumption changes	138,025
Plan changes	(64,020)
Differences between expected and actual experience	(516,045)
Benefit payments	(125,296)
Net change	\$ (281,898)
Balance at December 31, 2024	\$ 2,858,785

## 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, 2024

Change in Discount Rate	Discount Rate	Total OPEB Liability
1% Decrease	2.70%	\$ 3,141,417
Current	3.70%	2,858,785
1% Increase	4.70%	2,604,939

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, 2024

Change in Health Care Trend Rate	Health Care Trend Rate	Total OPEB Liability
1% Decrease	5.50% Decreasing to 4.00%	\$ 2,562,570
Current	6.50% Decreasing to 5.00%	2,858,785
1% Increase	7.50% Decreasing to 6.00%	3,205,183

# Mille Lacs County Milaca, Minnesota

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

For the year ended December 31, 2024, the County recognized OPEB expense of \$201,432. The County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

### Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB as of December 31, 2024

Individual Deferred Outflows of Resources and Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 782,936	\$ 741,980
Changes in actuarial assumptions	242,593	497,948
Contributions paid to OPEB plan subsequent to the measurement date	85,861	-
Total	\$ 1,111,390	\$ 1,239,928

The \$85,861 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, 2025. 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, 2024

Year Ended December 31	OPEB Expense Amount
2025	\$ (19,986)
2026	(19,980)
2027	(9,691)
2028	(26,099)
2029	(45,693)
Thereafter	(92,950)

## Changes in Actuarial Assumptions and Plan Provisions

The following changes in actuarial assumptions and a change in plan provisions occurred in 2024:

- The health care trend rates were changed to better anticipate short-term and long-term medical increases.
- The discount rate was changed from 4.00 percent to 3.70 percent.
- The parity plan for elected officials is no longer available.

# Mille Lacs County Milaca, Minnesota

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## Pension Plans

### Defined Benefit Pension Plans

#### Plan Description

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

The General Employees Plan (accounted for in the General Employees Fund) has multiple benefit structures with members belonging to the Coordinated Plan, the Basic Plan, or the Minneapolis Employees Retirement Fund. Coordinated Plan members are covered by Social Security, while the Basic Plan and Minneapolis Employees Retirement Fund members are not covered. The Basic Plan was closed to new members in 1967. The Minneapolis Employees Retirement Fund was closed to new members in 1978 and merged into the General Employees Plan in 2015. All new members must participate in the Coordinated Plan, for which benefits vest after three years of credited service. No Mille Lacs County employees belong to either the Basic Plan or the Minneapolis Employees Retirement Fund.

Police officers, firefighters, and peace officers who qualify for membership by statute are covered by the Police and Fire Plan (accounted for in the Police and Fire Fund). For members first hired after June 30, 2010, benefits vest on a prorated basis starting with 50 percent after five years and increasing ten percent for each year of service until fully vested after ten years.

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

#### Benefits Provided

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

General Employees Plan benefit recipients will receive a post-retirement increase equal to 50 percent of the cost-of-living adjustment announced by the Social Security Administration, with a minimum increase of at least 1.00 percent and a maximum of 1.50 percent. The 2024 annual increase was 1.50 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

Police and Fire Plan benefit recipients will receive a 1.00 percent post-retirement increase. Recipients that have



## Mille Lacs County Milaca, Minnesota

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been receiving the annuity or benefit for at least 36 months as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least 25 months but less than 36 months as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

Correctional Plan benefit recipients will receive a post-retirement increase equal to 100 percent of the cost-of-living adjustment announced by the Social Security Administration, with a minimum increase of at least 1.00 percent and a maximum of 2.50 percent. The 2024 annual increase was 2.50 percent. If the Correctional Plan's funding status declines to 85 percent or below for two consecutive years, or 80 percent for one year, the maximum will be lowered from 2.50 percent to 1.50 percent. If on January 1, after the year of the 1.50 percent increase, the funding level increases above the applicable 85 percent or 80 percent funding status, the increase returns to 2.50 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

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

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

For General Employees Plan members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90, and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66. For Police and Fire Plan and Correctional Plan members, normal retirement age is 55, and for members who were hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90. Disability benefits and disability qualification requirements vary by plan.

### Contributions

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the state legislature. Rates did not change from 2023.

# Mille Lacs County Milaca, Minnesota

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## Member and Employer Required Contribution Rates

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

## Employer Contributions for the Year Ended December 31, 2024

Pension Plan	Contribution
General Employees Plan	\$ 922,223
Police and Fire Plan	528,701
Correctional Plan	170,289

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

### Pension Costs

#### General Employees Plan

At December 31, 2024, the County reported a liability of \$5,138,003 for its proportionate share of the General Employees Plan’s net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County’s proportion of the net pension liability was based on the County’s contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2023, through June 30, 2024, relative to the total employer contributions received from all of PERA’s participating employers. At June 30, 2024, the County’s proportion was 0.1390 percent. It was 0.1347 percent measured as of June 30, 2023. The County recognized pension expense of \$362,072 for its proportionate share of the General Employees Plan’s pension expense.

The State of Minnesota contributed \$170.1 million to the General Employees Plan in the plan fiscal year ended June 30, 2024. This contribution was a one-time direct state aid that does not meet the definition of a special funding situation. The County recognized \$236,396 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota’s on-behalf contributions to the General Employees Plan.

Legislation requires the State of Minnesota to contribute \$16 million to the General Employees Plan annually until September 15, 2031. This contribution meets the definition of a special funding situation. The County recognized an additional \$3,562 as grant revenue and pension expense for its proportionate share of the State of Minnesota’s pension expense related to the special funding situation.

# Mille Lacs County Milaca, Minnesota

## General Employees Plan Employer's Share of the Net Pension Liability and the State's Related Liability As of December 31, 2024

Total General Employees Plan Net Pension Liability Associated with the County	Amount
The County's proportionate share of the net pension liability	\$ 5,138,003
State of Minnesota's proportionate share of the net pension liability associated with the County	<u>132,858</u>
Total	<u>\$ 5,270,861</u>

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

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

Individual Deferred Outflows of Resources and Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 479,923	\$ -
Changes in actuarial assumptions	25,739	1,900,913
Difference between projected and actual investment earnings	-	1,554,932
Changes in proportion	179,512	412,130
Contributions paid to PERA subsequent to the measurement date	<u>466,502</u>	<u>-</u>
Total	<u>\$ 1,151,676</u>	<u>\$ 3,867,975</u>

The \$466,502 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

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

Year Ended December 31	Pension Expense Amount
2025	\$ (1,899,451)
2026	(325,064)
2027	(564,489)
2028	(393,797)

# Mille Lacs County Milaca, Minnesota

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## Police and Fire Plan

At December 31, 2024, the County reported a liability of \$2,766,304 for its proportionate share of the Police and Fire Plan's net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2023, through June 30, 2024, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2024, the County's proportion was 0.2103 percent. It was 0.2160 percent measured as of June 30, 2023. The County recognized pension expense of \$456,684 for its proportionate share of the Police and Fire Plan's pension expense.

The State of Minnesota contributed \$19.4 million to the Police and Fire Plan in the plan fiscal year ended June 30, 2024. This contribution was a one-time direct state aid that does not meet the definition of a special funding situation. Additionally, the State of Minnesota contributed \$9 million of supplemental state aid to the Police and Fire Plan for the Plan's fiscal year ended June 30, 2024. Legislation requires the State of Minnesota to contribute \$9 million to the Police and Fire Plan each year, until the Police and Fire Plan and the State Patrol Plan are 90 percent funded for three consecutive years, or July 1, 2048, whichever is earlier. This contribution also does not meet the definition of a special funding situation. The County recognized \$59,710 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Plan.

Legislation also requires the State of Minnesota to pay direct state aid of \$9 million on October 1 each year until full funding is reached for three consecutive years, or July 1, 2048, whichever is earlier. This contribution meets the definition of a special funding situation. The County recognized an additional \$11,795 as grant revenue and pension expense for its proportionate share of the State of Minnesota's pension expense related to the special funding situation.

### Police and Fire Plan Employer's Share of the Net Pension Liability and the State's Related Liability As of December 31, 2024

Total Police and Fire Plan Net Pension Liability Associated with the County	Amount
The County's proportionate share of the net pension liability	\$ 2,766,304
State of Minnesota's proportionate share of the net pension liability associated with the County	105,450
Total	<u>\$ 2,871,754</u>

# Mille Lacs County Milaca, Minnesota

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

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

Individual Deferred Outflows of Resources and Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 1,121,824	\$ -
Changes in actuarial assumptions	3,353,125	4,185,639
Difference between projected and actual investment earnings	-	834,017
Changes in proportion	32,684	692,294
Contributions paid to PERA subsequent to the measurement date	266,265	-
Total	\$ 4,773,898	\$ 5,711,950

The \$266,265 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

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

Year Ended December 31	Pension Expense Amount
2025	\$ (205,970)
2026	699,678
2027	(495,989)
2028	(1,249,285)
2029	47,249

#### Correctional Plan

At December 31, 2024, the County reported a liability of \$217,797 for its proportionate share of the Correctional Plan’s net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County’s proportion of the net pension liability was based on the County’s contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2023, through June 30, 2024, relative to the total employer contributions received from all of PERA’s participating employers. At June 30, 2024, the County’s proportion was 0.7146 percent. It was 0.6644 percent measured as of June 30, 2023. The County recognized pension expense of \$630,473 for its proportionate share of the Correctional Plan’s pension expense.

The State of Minnesota contributed \$5.3 million to the Correctional Plan in the plan fiscal year ended June 30, 2024. This contribution was a one-time direct state aid that does not meet the definition of a special funding situation. The County recognized \$37,560 as revenue, which results in a reduction of the net pension liability, for

# Mille Lacs County Milaca, Minnesota

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its proportionate share of the State of Minnesota’s on-behalf contributions to the Correctional Plan.

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

### Correctional Plan Deferred Outflows of Resources and Deferred Inflows of Resources As of December 31, 2024

Individual Deferred Outflows of Resources and Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 150,017	\$ 63,391
Changes in actuarial assumptions	-	156,671
Difference between projected and actual investment earnings	-	1,230,506
Changes in proportion	15,130	-
Contributions paid to PERA subsequent to the measurement date	89,156	-
Total	\$ 254,303	\$ 1,450,568

The \$89,156 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

### Correctional Plan Schedule of Amortization of Deferred Outflows and Inflows of Resources As of December 31, 2024

Year Ended December 31	Pension Expense Amount
2025	\$ (624,942)
2026	(155,121)
2027	(423,954)
2028	(81,404)

#### Total Pension Expense

The total pension expense for all plans recognized by the County for the year ended December 31, 2024, was \$1,449,229.

# Mille Lacs County Milaca, Minnesota

## Actuarial Assumptions

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

### Actuarial Assumptions for the Year Ended June 30, 2024

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

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

Actuarial assumptions used in the June 30, 2024, valuations were based on the results of actuarial experience studies. The experience study for the General Employees Plan was dated June 27, 2019. The experience study for the Police and Fire Plan was dated July 14, 2020. The experience study for the Correctional Plan was dated July 10, 2020. For all plans, a review of inflation and investment assumptions dated June 29, 2023, was utilized.

The long-term expected rate of return on pension plan investments is 7.00 percent. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages.

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

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

## Discount Rate

The discount rate used to measure the total pension liability was 7.00 percent in 2024, which remains consistent with 2023. The projection of cash flows used to determine the discount rate assumed that employee and

# Mille Lacs County

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employer contributions will be made at the rate specified in statute. Based on that assumption, the fiduciary net position of the General Employees Plan, the Police and Fire Plan, and the Correctional Plan were projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

### Changes in Actuarial Assumptions and Plan Provisions

The following changes in actuarial assumptions occurred in 2024:

#### General Employees Plan

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

#### Police and Fire Plan

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

#### Correctional Plan

- Employee contribution rates will increase from 5.83 percent of pay to 6.83 percent of pay, effective July 1, 2025.



# Mille Lacs County Milaca, Minnesota

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

## Pension Liability Sensitivity

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

### Sensitivity of the Employer’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate As of December 31, 2024

Change in Discount Rate	General Employees Plan Discount Rate	General Employees Plan Net Pension Liability	Police and Fire Plan Discount Rate	Police and Fire Plan Net Pension Liability (Asset)	Correctional Plan Discount Rate	Correctional Plan Net Pension Liability (Asset)
1% Decrease	6.00%	\$ 11,222,226	6.00%	\$ 6,537,316	6.00%	\$ 1,769,868
Current	7.00%	5,138,003	7.00%	2,766,304	7.00%	217,767
1% Increase	8.00%	133,175	8.00%	(330,487)	8.00%	(1,018,669)

## 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](http://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 2024 and \$1,000,000 per claim in 2025. Should the MCIT Workers’

# Mille Lacs County Milaca, Minnesota

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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 2024 and 2023 are as follows:

### Changes in Claims Liabilities For the Years Ended December 31, 2024 and 2023

Claims Payable	2024	2023
Claims payable – January 1	\$ -	\$ -
Current year claims	182,428	177,892
Claim payments	(182,428)	(177,892)
Claims payable – December 31	\$ -	\$ -

### Contingent Liabilities

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

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

### Tax Abatements

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

# Mille Lacs County

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The pay-as-you-go program 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 2024, there were six pay-as-you-go programs within the County. The TIF funds collected during 2024 totaled \$233,664. The County's portion of the captured tax capacity and related property taxes was approximately 43 percent, or approximately \$100,476.

### 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, 2024:

#### Statement of Net Position December 31, 2024

Condensed Statement of Net Position	Amount
Total assets and deferred outflows of resources	\$ 28,010,994
Total liabilities and deferred inflows of resources	<u>(10,211,804)</u>
Total Net Position	<u>\$ 17,799,190</u>

#### Statement of Activities Year Ended December 31, 2024

Condensed Statement of Activities	Amount
Operating and nonoperating revenues	\$ 8,406,338
Operating and nonoperating expenses	<u>(5,598,057)</u>
Change in Net Position	<u>\$ 2,808,281</u>

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

# Mille Lacs County Milaca, Minnesota

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## 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 2024 was \$314,189.

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

## 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 2024.

Complete financial information can be obtained from the Central Minnesota Emergency Medical Services Region, Stearns County Administration Center, PO Box 1107, Saint 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 Saint 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 2024, Mille Lacs County contributed \$11,606 to the Central Minnesota Emergency Services Board.

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Milaca, Minnesota**

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

## **Required Supplementary Information**

**Exhibit A-1**

**Mille Lacs County  
Milaca, Minnesota**

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

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget</b>
<b>Revenues</b>				
Taxes	\$ 14,152,257	\$ 14,152,257	\$ 14,231,563	\$ 79,306
Special assessments	210,091	210,091	257,384	47,293
Licenses and permits	771,893	771,893	602,700	(169,193)
Intergovernmental	4,788,134	4,788,134	5,547,414	759,280
Charges for services	375,650	387,250	697,008	309,758
Fines and forfeits	61,000	61,000	41,093	(19,907)
Gifts and contributions	1,050	1,050	510	(540)
Investment earnings	750,050	750,050	1,371,287	621,237
Miscellaneous	504,508	504,508	878,058	373,550
<b>Total Revenues</b>	<b>\$ 21,614,633</b>	<b>\$ 21,626,233</b>	<b>\$ 23,627,017</b>	<b>\$ 2,000,784</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Commissioners	\$ 278,114	\$ 278,114	\$ 291,661	\$ (13,547)
Court administrator	117,000	117,000	154,219	(37,219)
Law library	30,700	30,700	45,216	(14,516)
County administrator	852,392	852,392	895,912	(43,520)
Auditing	75,000	75,000	107,168	(32,168)
General administration	723,787	871,995	963,581	(91,586)
Information services	767,140	767,140	756,532	10,608
Data processing	146,560	146,560	154,051	(7,491)
Elections	128,865	128,865	125,840	3,025
County attorney	1,920,964	1,925,964	1,730,244	195,720
Victim emergency grant	175,018	175,018	170,211	4,807
Land records and information	105,035	105,035	94,746	10,289
Land services	1,854,050	1,884,050	1,908,414	(24,364)
Building maintenance	1,104,092	1,104,092	948,559	155,533
Other general government	750,914	750,914	341,534	409,380
<b>Total general government</b>	<b>\$ 9,029,631</b>	<b>\$ 9,212,839</b>	<b>\$ 8,687,888</b>	<b>\$ 524,951</b>

**Exhibit A-1**  
(Continued)

**Mille Lacs County**  
**Milaca, Minnesota**

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

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
<b>Expenditures</b>				
<b>Current (Continued)</b>				
<b>Public safety</b>				
Sheriff	\$ 4,479,036	\$ 4,994,652	\$ 5,073,179	\$ (78,527)
Court security	551,789	540,575	505,121	35,454
K9	-	-	27,842	(27,842)
Boat and water safety	139,278	181,778	184,460	(2,682)
Snowmobile safety enforcement	3,500	13,500	9,258	4,242
ATV grant	3,850	3,850	207	3,643
DARE program	2,000	2,000	3,487	(1,487)
Chaplaincy	300	300	1,017	(717)
DWI forfeiture	1,000	1,000	-	1,000
Drug forfeiture	-	-	15,266	(15,266)
Communications	14,000	14,000	16,963	(2,963)
Records system	70,369	230,369	230,369	-
Permit to carry	83,759	83,759	111,209	(27,450)
Animal control	14,000	14,000	14,707	(707)
Coroner	64,745	64,745	72,113	(7,368)
County jail	3,458,115	3,620,590	3,710,048	(89,458)
Prisoner account	244,000	214,000	216,847	(2,847)
Probation	1,207,543	1,207,543	1,168,460	39,083
Case load reduction account	10,000	10,000	10,089	(89)
911 services and civil defense	50,809	50,809	50,214	595
E-911	83,895	172,333	367,217	(194,884)
Public safety answering point	937,085	1,022,103	970,028	52,075
<b>Total public safety</b>	<b>\$ 11,419,073</b>	<b>\$ 12,441,906</b>	<b>\$ 12,758,101</b>	<b>\$ (316,195)</b>
<b>Sanitation</b>				
Solid waste	\$ 330,327	\$ 330,327	\$ 319,505	\$ 10,822
<b>Culture and recreation</b>				
Historical society	\$ 9,000	\$ 9,000	\$ 9,000	\$ -
Snowmobile trails	-	-	112,799	(112,799)
Parks and trails	55,000	55,000	47,322	7,678
OHV Park	105,000	105,000	12,257	92,743
<b>Total culture and recreation</b>	<b>\$ 169,000</b>	<b>\$ 169,000</b>	<b>\$ 181,378</b>	<b>\$ (12,378)</b>
<b>Conservation of natural resources</b>				
County agricultural society	\$ 18,000	\$ 18,000	\$ 18,000	\$ -
County extension service	133,912	133,912	117,467	16,445
Soil and water conservation	120,000	120,000	157,013	(37,013)
Aquatic invasive species aid	112,220	125,642	121,499	4,143
<b>Total conservation of natural resources</b>	<b>\$ 384,132</b>	<b>\$ 397,554</b>	<b>\$ 413,979</b>	<b>\$ (16,425)</b>



**Exhibit A-1**  
(Continued)

**Mille Lacs County**  
**Milaca, Minnesota**

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

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
<b>Expenditures</b>				
<b>Current (Continued)</b>				
<b>Economic development</b>				
Community development	\$ 202,530	\$ 202,530	\$ 119,086	\$ 83,444
Economic development	-	-	162,084	(162,084)
<b>Total economic development</b>	<b>\$ 202,530</b>	<b>\$ 202,530</b>	<b>\$ 281,170</b>	<b>\$ (78,640)</b>
<b>Intergovernmental</b>				
<b>Culture and recreation</b>				
Library	\$ 314,189	\$ 314,189	\$ 314,189	\$ -
<b>Debt service</b>				
Principal	\$ -	\$ -	\$ 355,829	\$ (355,829)
Interest	-	-	11,979	(11,979)
<b>Total debt service</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 367,808</b>	<b>\$ (367,808)</b>
<b>Total Expenditures</b>	<b>\$ 21,848,882</b>	<b>\$ 23,068,345</b>	<b>\$ 23,324,018</b>	<b>\$ (255,673)</b>
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	<b>\$ (234,249)</b>	<b>\$ (1,442,112)</b>	<b>\$ 302,999</b>	<b>\$ 1,745,111</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	\$ 85,000	\$ 85,000	\$ 118,888	\$ 33,888
Proceeds from sale of capital assets	20,000	20,000	89,046	69,046
Issuance of leases	-	-	399,859	399,859
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 105,000</b>	<b>\$ 105,000</b>	<b>\$ 607,793</b>	<b>\$ 502,793</b>
<b>Net Change in Fund Balance</b>	<b>\$ (129,249)</b>	<b>\$ (1,337,112)</b>	<b>\$ 910,792</b>	<b>\$ 2,247,904</b>
<b>Fund Balance – January 1</b>	<b>13,891,863</b>	<b>13,891,863</b>	<b>13,891,863</b>	<b>-</b>
<b>Fund Balance – December 31</b>	<b>\$ 13,762,614</b>	<b>\$ 12,554,751</b>	<b>\$ 14,802,655</b>	<b>\$ 2,247,904</b>

**Mille Lacs County  
Milaca, Minnesota**

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

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
<b>Revenues</b>				
Taxes	\$ 3,033,088	\$ 3,033,087	\$ 4,161,667	\$ 1,128,580
Licenses and permits	35,000	35,000	30,350	(4,650)
Intergovernmental	9,450,000	9,450,000	5,491,102	(3,958,898)
Charges for services	125,000	1,277,000	25,741	(1,251,259)
Miscellaneous	20,000	20,000	77,207	57,207
<b>Total Revenues</b>	<b>\$ 12,663,088</b>	<b>\$ 13,815,087</b>	<b>\$ 9,786,067</b>	<b>\$ (4,029,020)</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Highways and streets</b>				
Administration	\$ 428,048	\$ 428,048	\$ 461,581	\$ (33,533)
Construction	7,849,541	9,001,542	8,160,065	841,477
Maintenance	2,336,535	2,106,223	1,756,717	349,506
Equipment maintenance and shop	2,156,314	2,436,671	2,109,258	327,413
Public works surveyor	127,650	97,650	45,456	52,194
<b>Total highways and streets</b>	<b>\$ 12,898,088</b>	<b>\$ 14,070,134</b>	<b>\$ 12,533,077</b>	<b>\$ 1,537,057</b>
<b>Intergovernmental</b>				
Highways and streets	\$ -	\$ -	\$ 331,817	\$ (331,817)
<b>Debt service</b>				
Principal	\$ -	\$ -	\$ 97,946	\$ (97,946)
Interest	-	-	2,545	(2,545)
<b>Total debt service</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 100,491</b>	<b>\$ (100,491)</b>
<b>Total Expenditures</b>	<b>\$ 12,898,088</b>	<b>\$ 14,070,134</b>	<b>\$ 12,965,385</b>	<b>\$ 1,104,749</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (235,000)</b>	<b>\$ (255,047)</b>	<b>\$ (3,179,318)</b>	<b>\$ (2,924,271)</b>
<b>Other Financing Sources (Uses)</b>				
Proceeds from sale of capital assets	235,000	235,000	217,481	(17,519)
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ (20,047)</b>	<b>\$ (2,961,837)</b>	<b>\$ (2,941,790)</b>
<b>Fund Balance – January 1</b>	<b>3,228,291</b>	<b>3,228,291</b>	<b>3,228,291</b>	<b>-</b>
<b>Increase (decrease) in inventories</b>	<b>-</b>	<b>-</b>	<b>(115,502)</b>	<b>(115,502)</b>
<b>Fund Balance – December 31</b>	<b>\$ 3,228,291</b>	<b>\$ 3,208,244</b>	<b>\$ 150,952</b>	<b>\$ (3,057,292)</b>

**Mille Lacs County  
Milaca, Minnesota**

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

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
<b>Revenues</b>				
Taxes	\$ 5,533,863	\$ 5,533,863	\$ 5,447,064	\$ (86,799)
Intergovernmental	6,678,150	6,678,150	7,192,049	513,899
Charges for services	969,990	969,990	753,608	(216,382)
Gifts and contributions	-	-	2,000	2,000
Miscellaneous	402,962	402,962	132,838	(270,124)
<b>Total Revenues</b>	<b>\$ 13,584,965</b>	<b>\$ 13,584,965</b>	<b>\$ 13,527,559</b>	<b>\$ (57,406)</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Veteran services	\$ 223,904	\$ 223,904	\$ 177,837	\$ 46,067
<b>Human services</b>				
Income maintenance	\$ 2,929,958	\$ 2,929,958	\$ 2,957,396	\$ (27,438)
Social services	9,312,549	9,312,549	8,733,695	578,854
<b>Total human services</b>	<b>\$ 12,242,507</b>	<b>\$ 12,242,507</b>	<b>\$ 11,691,091</b>	<b>\$ 551,416</b>
<b>Health</b>				
Public health	\$ 1,118,554	\$ 1,118,554	\$ 1,020,490	\$ 98,064
<b>Debt service</b>				
Principal	\$ -	\$ -	\$ 2,493	\$ (2,493)
Interest	-	-	14	(14)
<b>Total debt service</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,507</b>	<b>\$ (2,507)</b>
<b>Total Expenditures</b>	<b>\$ 13,584,965</b>	<b>\$ 13,584,965</b>	<b>\$ 12,891,925</b>	<b>\$ 693,040</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 635,634</b>	<b>\$ 635,634</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	-	20,481	20,481
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 656,115</b>	<b>\$ 656,115</b>
<b>Fund Balance – January 1</b>	<b>7,700,562</b>	<b>7,700,562</b>	<b>7,700,562</b>	<b>-</b>
<b>Fund Balance – December 31</b>	<b>\$ 7,700,562</b>	<b>\$ 7,700,562</b>	<b>\$ 8,356,677</b>	<b>\$ 656,115</b>

**Exhibit A-4****Mille Lacs County  
Milaca, Minnesota****Schedule of Changes in Total OPEB Liability and Related Ratios  
Other Postemployment Benefits  
December 31, 2024**

	<u>2024</u>	<u>2023</u>
<b>Total OPEB Liability</b>		
Service cost	\$ 156,050	\$ 166,573
Interest	129,388	54,723
Plan changes	(64,020)	-
Differences between expected and actual experience	(516,045)	1,030,726
Changes of assumption or other inputs	138,025	(636,462)
Benefit payments	(125,296)	(88,457)
<b>Net change in total OPEB liability</b>	<b>\$ (281,898)</b>	<b>\$ 527,103</b>
<b>Total OPEB Liability – Beginning</b>	<b>3,140,683</b>	<b>2,613,580</b>
<b>Total OPEB Liability – Ending</b>	<b>\$ 2,858,785</b>	<b>\$ 3,140,683</b>
Covered-employee payroll	\$ 16,175,830	\$ 13,436,112
Total OPEB liability (asset) as a percentage of covered-employee payroll	17.67%	23.37%

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

	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
\$	227,521	\$ 224,813	\$ 190,162	\$ 135,579	\$ 138,023
	60,755	77,291	87,921	69,845	65,301
	-	-	-	107,812	-
	(435,665)	-	26,382	-	-
	6,148	156,801	104,889	(82,426)	-
	(110,293)	(67,917)	(116,474)	(60,518)	(65,821)
<b>\$</b>	<b>(251,534)</b>	<b>\$ 390,988</b>	<b>\$ 292,880</b>	<b>\$ 170,292</b>	<b>\$ 137,503</b>
	<b>2,865,114</b>	<b>2,474,126</b>	<b>2,181,246</b>	<b>2,010,954</b>	<b>1,873,451</b>
<b>\$</b>	<b>2,613,580</b>	<b>\$ 2,865,114</b>	<b>\$ 2,474,126</b>	<b>\$ 2,181,246</b>	<b>\$ 2,010,954</b>
\$	13,189,183	\$ 14,348,768	\$ 13,930,843	\$ 14,880,367	\$ 14,446,958
	19.82%	19.97%	17.76%	14.66%	13.92%

Mille Lacs County  
Milaca, Minnesota

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

Measurement Date	Employer's Proportion of the Net Pension Liability/Asset (%)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability with Mille Lacs County (b)	Employer's Proportionate Share of the Net Pension Liability and the State's Related Net Pension Liability (Asset) (a + b)	Covered Payroll (c)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/c) (%)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (%)
2024	0.1390	\$ 5,138,003	\$ 132,858	\$ 5,270,861	\$ 11,832,082	43.42	89.08
2023	0.1347	7,532,273	207,619	7,739,892	10,673,828	70.57	83.10
2022	0.1426	11,293,967	331,149	11,625,116	10,684,725	105.70	76.67
2021	0.1519	6,486,811	198,045	6,684,856	10,934,183	59.33	87.00
2020	0.1484	8,897,258	274,403	9,171,661	10,583,314	84.07	79.06
2019	0.1478	8,171,531	253,989	8,425,520	10,460,180	78.12	80.23
2018	0.1443	8,005,172	262,525	8,267,697	9,698,405	82.54	79.53
2017	0.1403	8,956,659	112,592	9,069,251	9,035,988	99.12	75.90
2016	0.1350	10,961,330	143,093	11,104,423	8,375,446	130.87	68.91
2015	0.1397	7,239,979	N/A	7,239,979	8,211,771	88.17	78.19

The measurement date for each year is June 30.

N/A – Not Applicable

**Mille Lacs County  
Milaca, Minnesota**

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

<b>Year Ending</b>	<b>Statutorily Required Contributions (a)</b>	<b>Actual Contributions in Relation to Statutorily Required Contributions (b)</b>	<b>Contribution (Deficiency) Excess (b - a)</b>	<b>Covered Payroll (c)</b>	<b>Actual Contributions as a Percentage of Covered Payroll (b/c) (%)</b>
2024	\$ 922,223	\$ 922,223	\$ -	\$ 12,296,319	7.50
2023	839,868	839,868	-	11,198,242	7.50
2022	779,964	779,964	-	10,399,558	7.50
2021	787,643	787,643	-	10,501,908	7.50
2020	845,084	845,084	-	11,267,796	7.50
2019	787,336	787,336	-	10,497,809	7.50
2018	761,561	761,561	-	10,154,133	7.50
2017	696,444	696,444	-	9,285,923	7.50
2016	655,672	655,672	-	8,742,282	7.50
2015	621,767	621,767	-	8,290,223	7.50

The County's year-end is December 31.

**Mille Lacs County  
Milaca, Minnesota**

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

Measurement Date	Employer's Proportion of the Net Pension Liability/Asset (%)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability 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 (%)
2024	0.2103	\$ 2,766,304	\$ 105,450	\$ 2,871,754	\$ 2,845,896	97.20	90.17
2023	0.2160	3,730,039	150,248	3,880,287	2,828,008	131.90	86.47
2022	0.2344	10,200,162	445,709	10,645,871	2,847,948	358.16	70.53
2021	0.2263	1,746,796	78,507	1,825,303	2,674,267	65.32	93.66
2020	0.2493	3,210,909	75,632	3,286,541	2,752,000	116.68	87.19
2019	0.2428	2,584,851	N/A	2,584,851	2,563,644	100.83	89.26
2018	0.2384	2,541,098	N/A	2,541,098	2,513,063	101.12	88.84
2017	0.2220	2,997,264	N/A	2,997,264	2,280,498	131.43	85.43
2016	0.1830	7,344,108	N/A	7,344,108	1,760,704	417.11	63.88
2015	0.1810	2,056,584	N/A	2,056,584	1,662,624	123.70	86.61

The measurement date for each year is June 30.  
N/A – Not Applicable



**Mille Lacs County  
Milaca, Minnesota**

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

<b>Year Ending</b>	<b>Statutorily Required Contributions (a)</b>	<b>Actual Contributions in Relation to Statutorily Required Contributions (b)</b>	<b>Contribution (Deficiency) Excess (b - a)</b>	<b>Covered Payroll (c)</b>	<b>Actual Contributions as a Percentage of Covered Payroll (b/c) (%)</b>
2024	\$ 528,701	\$ 528,701	\$ -	\$ 2,987,008	17.70
2023	482,664	482,664	-	2,726,916	17.70
2022	486,058	486,058	-	2,746,089	17.70
2021	484,188	484,188	-	2,735,529	17.70
2020	486,505	486,505	-	2,748,615	17.70
2019	454,687	454,687	-	2,682,517	16.95
2018	414,224	414,224	-	2,556,368	16.20
2017	396,476	396,476	-	2,447,381	16.20
2016	321,902	321,902	-	1,987,052	16.20
2015	275,247	275,247	-	1,699,054	16.20

The County's year-end is December 31.

**Mille Lacs County  
Milaca, Minnesota**

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

<b>Measurement Date</b>	<b>Employer's Proportion of the Net Pension Liability/Asset (%)</b>	<b>Employer's Proportionate Share of the Net Pension Liability (Asset) (a)</b>	<b>Covered Payroll (b)</b>	<b>Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b) (%)</b>	<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (%)</b>
2024	0.7146	\$ 217,797	\$ 1,785,153	12.20	97.54
2023	0.6644	300,342	1,568,718	19.15	95.94
2022	0.8058	2,678,480	1,770,232	151.31	74.58
2021	0.8580	(140,952)	1,896,062	-7.43	101.61
2020	0.8738	237,097	1,901,341	12.47	96.67
2019	0.8266	114,443	1,765,131	6.48	98.17
2018	0.9028	148,484	1,843,896	8.05	97.64
2017	1.0800	3,078,011	2,153,767	142.91	67.89
2016	1.1200	4,091,517	2,111,303	193.79	58.16
2015	1.1680	180,882	2,098,927	8.62	96.95

The measurement date for each year is June 30.

**Mille Lacs County  
Milaca, Minnesota**

**Schedule of Contributions**

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

<b>Year Ending</b>	<b>Statutorily Required Contributions (a)</b>	<b>Actual Contributions in Relation to Statutorily Required Contributions (b)</b>	<b>Contribution (Deficiency) Excess (b - a)</b>	<b>Covered Payroll (c)</b>	<b>Actual Contributions as a Percentage of Covered Payroll (b/c) (%)</b>
2024	\$ 170,289	\$ 170,289	\$ -	\$ 1,946,163	8.75
2023	142,852	142,852	-	1,632,590	8.75
2022	136,406	136,406	-	1,558,924	8.75
2021	161,303	161,303	-	1,842,411	8.75
2020	168,744	168,744	-	1,928,495	8.75
2019	161,813	161,813	-	1,849,289	8.75
2018	154,912	154,912	-	1,770,420	8.75
2017	177,245	177,245	-	2,025,659	8.75
2016	187,202	187,202	-	2,139,451	8.75
2015	185,187	185,187	-	2,116,421	8.75

The County's year-end is December 31.

# Mille Lacs County Milaca, Minnesota

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

### 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. 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, 2024:

#### Excess of Expenditures Over Appropriations

Fund/Function	Expenditures	Final Budget	Excess
General Fund			
Current			
Public safety	\$ 12,758,101	\$ 12,441,906	\$ 316,195
Culture and recreation	181,378	169,000	12,378
Conservation of natural resources	413,979	397,554	16,425
Economic development	281,170	202,530	78,640
Debt service	367,808	-	367,808
Road and Bridge Special Revenue Fund			
Intergovernmental	331,817	-	331,817
Debt service	100,491	-	100,491
Community and Veteran Services Special Revenue Fund			
Debt service	2,507	-	2,507

### 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.

# Mille Lacs County

## Milaca, Minnesota

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

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

#### 2024

- The health care trend rates were changed to better anticipate short-term and long-term medical increases.
- The discount rate was changed from 4.00 percent to 3.70 percent.
- The parity plan for elected officials is no longer available.

#### 2023

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

#### 2022

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

#### 2021

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

#### 2020

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

#### 2019

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

# Mille Lacs County

## Milaca, Minnesota

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### 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

### 2024

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

# Mille Lacs County

## Milaca, Minnesota

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### 2023

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

### 2022

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

### 2021

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

### 2020

- The price inflation assumption was decreased from 2.50 percent to 2.25 percent.
- The payroll growth assumption was decreased from 3.25 percent to 3.00 percent.
- Assumed salary increase rates were changed as recommended in the June 30, 2019, experience study. The net effect is assumed rates that average 0.25 percent less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019, experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019, experience study. The new rates are based on service and are generally lower than the previous rates for years two to five and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019, experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Employee Mortality table, with adjustments. The base mortality table for disabled

## Mille Lacs County Milaca, Minnesota

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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.



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### 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

### 2024

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

### 2023

- The investment return assumption was changed from 6.50 percent to 7.00 percent.
- The single discount rate changed from 5.40 percent to 7.00 percent.
- A one-time direct state aid contribution of \$19.4 million occurred on October 1, 2023.

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

### 2022

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

### 2021

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

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### 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.

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- 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

#### 2024

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

#### 2023

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

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## Milaca, Minnesota

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### 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.

### 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.

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### 2018

- The single discount rate was changed from 5.96 percent per annum to 7.50 percent per annum.
- The mortality projection scale was changed from Scale MP-2016 to Scale MP-2017.
- The assumed post-retirement benefit increase was changed from 2.50 percent per year to 2.00 percent per year.
- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Post-retirement benefit increases were changed from 2.50 percent per year with a provision to reduce to 1.00 percent if the funding status declines to a certain level, to 100 percent of the Social Security cost-of-living adjustment, not less than 1.00 percent and not more than 2.50 percent, beginning January 1, 2019. If the funding status declines to 85 percent for two consecutive years, or 80 percent for one year, the maximum increase will be lowered to 1.50 percent.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

### 2017

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

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

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
<b>Revenues</b>				
Taxes	\$ 1,829,291	\$ 1,829,291	\$ 1,675,530	\$ (153,761)
Special assessments	-	-	141,589	141,589
Intergovernmental	-	-	6,314	6,314
<b>Total Revenues</b>	<b>\$ 1,829,291</b>	<b>\$ 1,829,291</b>	<b>\$ 1,823,433</b>	<b>\$ (5,858)</b>
<b>Expenditures</b>				
<b>Debt service</b>				
Principal	\$ 1,397,000	\$ 1,397,000	\$ 1,464,000	\$ (67,000)
Interest	392,485	392,485	433,153	(40,668)
Administrative (fiscal) charges	-	-	12,821	(12,821)
<b>Total Expenditures</b>	<b>\$ 1,789,485</b>	<b>\$ 1,789,485</b>	<b>\$ 1,909,974</b>	<b>\$ (120,489)</b>
<b>Net Change in Fund Balance</b>	<b>\$ 39,806</b>	<b>\$ 39,806</b>	<b>\$ (86,541)</b>	<b>\$ (126,347)</b>
<b>Fund Balance – January 1</b>	<b>4,919,746</b>	<b>4,919,746</b>	<b>4,919,746</b>	<b>-</b>
<b>Fund Balance – December 31</b>	<b>\$ 4,959,552</b>	<b>\$ 4,959,552</b>	<b>\$ 4,833,205</b>	<b>\$ (126,347)</b>



**Mille Lacs County  
Milaca, Minnesota**

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

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
<b>Revenues</b>				
Taxes	\$ 1,027,539	\$ 1,027,539	\$ 1,031,628	\$ 4,089
Miscellaneous	15,000	15,000	-	(15,000)
<b>Total Revenues</b>	<b>\$ 1,042,539</b>	<b>\$ 1,042,539</b>	<b>\$ 1,031,628</b>	<b>\$ (10,911)</b>
<b>Expenditures</b>				
<b>Capital outlay</b>				
General government	\$ 894,331	\$ 894,331	\$ 95,394	\$ 798,937
Public safety	-	-	100,013	(100,013)
Highways and streets	161,630	-	134,793	(134,793)
Human services	-	-	108,855	(108,855)
<b>Total capital outlay</b>	<b>\$ 1,055,961</b>	<b>\$ 894,331</b>	<b>\$ 439,055</b>	<b>\$ 455,276</b>
<b>Debt service</b>				
Principal	\$ -	\$ -	\$ 94,225	\$ (94,225)
Interest	-	-	945	(945)
<b>Total debt service</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 95,170</b>	<b>\$ (95,170)</b>
<b>Total Expenditures</b>	<b>\$ 1,055,961</b>	<b>\$ 894,331</b>	<b>\$ 534,225</b>	<b>\$ 360,106</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (13,422)</b>	<b>\$ 148,208</b>	<b>\$ 497,403</b>	<b>\$ 349,195</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	13,422	13,422	-	(13,422)
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ 161,630</b>	<b>\$ 497,403</b>	<b>\$ 335,773</b>
<b>Fund Balance – January 1</b>	<b>783,941</b>	<b>783,941</b>	<b>783,941</b>	<b>-</b>
<b>Fund Balance – December 31</b>	<b>\$ 783,941</b>	<b>\$ 945,571</b>	<b>\$ 1,281,344</b>	<b>\$ 335,773</b>

# 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.

### 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.

Cemetery – to account for funds held by Mille Lacs County on behalf of the cemetery.

**Mille Lacs County  
Milaca, Minnesota**

**Combining Statement of Changes in Fiduciary Net Position  
Fiduciary Funds – Private-Purpose Trust Funds  
For the Year Ended December 31, 2024**

	Social Welfare	Formerly Private- Purpose Trust Fund Cemetery	Total
<b><u>Additions</u></b>			
Contributions from individuals	\$ 155,431	\$ -	\$ 155,431
Interest earnings	68	-	68
<b>Total Additions</b>	<b>\$ 155,499</b>	<b>\$ -</b>	<b>\$ 155,499</b>
<b><u>Deductions</u></b>			
Beneficiary payments to individuals	207,215	-	207,215
<b>Change in Net Position</b>	<b>\$ (51,716)</b>	<b>\$ -</b>	<b>\$ (51,716)</b>
Net Position – January 1, as previously reported	\$ 78,337	\$ 17,514	\$ 95,851
Change within financial reporting entity (private-purpose trust fund to custodial fund)	-	(17,514)	(17,514)
<b>Net Position – January 1, as adjusted</b>	<b>\$ 78,337</b>	<b>\$ -</b>	<b>\$ 78,337</b>
<b>Net Position – December 31</b>	<b>\$ 26,621</b>	<b>\$ -</b>	<b>\$ 26,621</b>

**Mille Lacs County  
Milaca, Minnesota**

**Combining Statement of Fiduciary Net Position  
Fiduciary Funds – Custodial Funds  
December 31, 2024**

	Taxes and Penalties	Jail Inmate
<b><u>Assets</u></b>		
Cash and pooled investments	\$ 565,101	\$ 94,721
Due from other governments	13,200	-
Accounts receivable for other governments – net	-	-
Interest receivable	-	-
Taxes receivable for other governments	512,700	-
	<b>\$ 1,091,001</b>	<b>\$ 94,721</b>
<b><u>Liabilities</u></b>		
Due to other governments	<b>\$ 526,449</b>	<b>\$ -</b>
<b><u>Net Position</u></b>		
Restricted for individuals, organizations, and other governments	<b>\$ 564,552</b>	<b>\$ 94,721</b>

Family Ties	Sheriff Civil Process	State Taxes and Fees	Cemetery	Total Custodial Funds
\$ 146,591	\$ -	\$ 171,466	\$ 17,596	\$ 995,475
-	-	1,749	-	14,949
-	-	141,702	-	141,702
-	-	-	89	89
-	-	-	-	512,700
<b>\$ 146,591</b>	<b>\$ -</b>	<b>\$ 314,917</b>	<b>\$ 17,685</b>	<b>\$ 1,664,915</b>
\$ -	\$ -	\$ 173,215	\$ -	\$ 699,664
<b>\$ 146,591</b>	<b>\$ -</b>	<b>\$ 141,702</b>	<b>\$ 17,685</b>	<b>\$ 965,251</b>

**Mille Lacs County  
Milaca, Minnesota**

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

	Taxes and Penalties	Jail Inmate
<b>Additions</b>		
Contributions from individuals	\$ -	\$ 356,271
Contributions from entities	-	-
Investment earnings	-	-
Property tax collections for other governments	19,793,777	-
Federal/State revenue	447,767	-
Other taxes and fees collected for other governments	-	-
Mortgage foreclosure sales	-	-
	<b>\$ 20,241,544</b>	<b>\$ 356,271</b>
<b>Deductions</b>		
Beneficiary payments to individuals	\$ -	\$ 342,656
Payments of property tax to other governments	19,806,081	-
Payments to the state	-	-
Payments to other individuals/entities	414,381	-
	<b>\$ 20,220,462</b>	<b>\$ 342,656</b>
<b>Change in Net Position</b>	<b>\$ 21,082</b>	<b>\$ 13,615</b>
Net Position – January 1, as previously reported	\$ 543,470	\$ 81,106
Change within financial reporting entity (private-purpose trust fund to custodial fund)	-	-
<b>Net Position – January 1, as adjusted</b>	<b>\$ 543,470</b>	<b>\$ 81,106</b>
<b>Net Position – December 31</b>	<b>\$ 564,552</b>	<b>\$ 94,721</b>

Family Ties	Sheriff Civil Process	State Taxes and Fees	Cemetery	Total Custodial Funds
\$ -	\$ -	\$ -	\$ -	\$ 356,271
130,234	-	-	-	130,234
-	-	-	171	171
-	-	-	-	19,793,777
170,023	-	-	-	617,790
-	-	1,484,264	-	1,484,264
-	836,594	-	-	836,594
<b>\$ 300,257</b>	<b>\$ 836,594</b>	<b>\$ 1,484,264</b>	<b>\$ 171</b>	<b>\$ 23,219,101</b>
\$ -	\$ -	\$ -	\$ -	\$ 342,656
-	-	-	-	19,806,081
-	-	1,422,127	-	1,422,127
300,257	836,594	97,311	-	1,648,543
<b>\$ 300,257</b>	<b>\$ 836,594</b>	<b>\$ 1,519,438</b>	<b>\$ -</b>	<b>\$ 23,219,407</b>
<b>\$ -</b>	<b>\$ -</b>	<b>\$ (35,174)</b>	<b>\$ 171</b>	<b>\$ (306)</b>
\$ 146,591	\$ -	\$ 176,876	\$ -	\$ 948,043
-	-	-	17,514	17,514
<b>\$ 146,591</b>	<b>\$ -</b>	<b>\$ 176,876</b>	<b>\$ 17,514</b>	<b>\$ 965,557</b>
<b>\$ 146,591</b>	<b>\$ -</b>	<b>\$ 141,702</b>	<b>\$ 17,685</b>	<b>\$ 965,251</b>

## **Other Schedules**



**Mille Lacs County  
Milaca, Minnesota**

**Balance Sheet – By Ditch  
Ditch Special Revenue Fund  
December 31, 2024**

	Due from Other Funds *	Special Assessments Receivable Delinquent	Total Assets
<b>County Ditch</b>			
1	\$ 9,216	\$ 442	\$ 9,658
2	-	-	-
3	26,115	-	26,115
4	-	-	-
5	6,257	19	6,276
6	3,885	-	3,885
7	2,311	43	2,354
11	15,508	22	15,530
14	59,619	267	59,886
<b>Judicial Ditch</b>			
1	-	-	-
<b>Total</b>	<b>\$ 122,911</b>	<b>\$ 793</b>	<b>\$ 123,704</b>

\*Due to and due from other funds within the Ditch Fund have been eliminated for reporting on Exhibit 3.

	<b>Due to Other Funds*</b>	<b>Advances from Other Funds</b>	<b>Unavailable Revenue</b>	<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>Fund Balance</b>	<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balance</b>
\$	-	\$ -	\$ 442	\$ 442	\$ 9,216	\$ 9,658
	11,075	858	-	11,933	(11,933)	-
	-	-	-	-	26,115	26,115
	27,040	-	-	27,040	(27,040)	-
	-	-	19	19	6,257	6,276
	-	-	-	-	3,885	3,885
	-	-	43	43	2,311	2,354
	-	-	22	22	15,508	15,530
	-	10,727	267	10,994	48,892	59,886
	101,014	-	-	101,014	(101,014)	-
<b>\$</b>	<b>139,129</b>	<b>\$ 11,585</b>	<b>\$ 793</b>	<b>\$ 151,507</b>	<b>\$ (27,803)</b>	<b>\$ 123,704</b>

**Mille Lacs County  
Milaca, Minnesota**

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

**Appropriations and Shared Revenue**

<b>State</b>	
Highway users tax	\$ 5,060,314
County program aid	2,388,408
Riparian buffer aid	40,000
PERA rate reimbursement	60,094
Disparity reduction aid	24,711
Police aid	352,080
Performance aid	3,848
Indian casino aid	109,897
Cannabis aid	2,114
Enhanced 911	204,994
SCORE	94,937
Statewide local housing aid	109,795
Aquatic invasive species aid	93,616
Market value credit	300,159
Out-of-home placement aid	363,719
Homeless prevention aid	94,619
	<hr/>
<b>Total appropriations and shared revenue</b>	<b>\$ 9,303,305</b>

**Reimbursement for Services**

<b>State</b>	
Minnesota Department of Human Services	\$ 1,816,507
<b>Local</b>	
Reimbursement for services – public safety	6,406
	<hr/>
<b>Total reimbursement for services</b>	<b>\$ 1,822,913</b>

**Payments**

Payments in lieu of taxes	\$ 361,081
Local grants	16,314
	<hr/>
<b>Total payments</b>	<b>\$ 377,395</b>

**Grants**

<b>State</b>	
Minnesota Department/Board of	
Public Safety	\$ 12,778
Health	329,783
Natural Resources	224,455
Human Services	1,241,437
Veterans Affairs	8,571
Corrections	472,248
Transportation	430,196
Pollution Control Agency	28,442
Water and Soil Resources	134,990
Peace Officer Standards and Training Board	24,327
Secretary of State	52,982
	<hr/>
<b>Total state</b>	<b>\$ 2,960,209</b>

**Exhibit D-2**  
**(Continued)**

**Mille Lacs County**  
**Milaca, Minnesota**

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

**Grants (Continued)**

**Federal**

Department of	
Agriculture	\$ 416,321
Justice	174,190
Education	585
Health and Human Services	3,113,839
Homeland Security	68,122
	<hr/>

**Total federal** **\$ 3,773,057**

**Total state and federal grants** **\$ 6,733,266**

**Total Intergovernmental Revenue** **\$ 18,236,879**

**Mille Lacs County  
Milaca, Minnesota**

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

Federal Grantor Pass-Through Agency Program or Cluster Title	Assistance Listing Number	Pass-Through Grant Numbers	Expenditures
<b>U.S. Department of Agriculture</b>			
Passed Through Minnesota Department of Health WIC Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	242MN004W1003	\$ 153,936
Passed Through Minnesota Department of Human Services SNAP Cluster State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	242MN101S2514	<u>262,385</u>
<b>Total U.S. Department of Agriculture</b>			<b><u>\$ 416,321</u></b>
<b>U.S. Department of Justice</b>			
Passed Through Minnesota Department of Public Safety Crime Victim Assistance	16.575	F-CVS-2024-MILLACAO	<b><u>\$ 174,190</u></b>
<b>U.S. Department of Health and Human Services</b>			
Passed Through Minnesota Department of Health Public Health Emergency Preparedness	93.069	NU90TU000040	\$ 36,328
Early Hearing Detection and Intervention	93.251	H61MC00035	1,850
COVID-19 – Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	NU50CK000508	31,606
Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families 93.558 \$389,596)	93.558	2401MNTANF	49,191
Centers for Disease Control and Prevention Collaboration with Academia to Strengthen Public Health	93.967	NE11OE000048	19,748
Maternal, Infant and Early Childhood Home Visiting Grant	93.870	Not provided	160,388
Maternal and Child Health Services Block Grant to the States	93.994	B04MC32551	33,708

**Exhibit D-3**  
(Continued)

**Mille Lacs County  
Milaca, Minnesota**

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

Federal Grantor Pass-Through Agency Program or Cluster Title	Assistance Listing Number	Pass-Through Grant Numbers	Expenditures
<b>U.S. Department of Health and Human Services (Continued)</b>			
Passed Through Minnesota Department of Human Services			
MaryLee Allen Promoting Safe and Stable Families Program	93.556	2301MNFPS	8,878
Temporary Assistance for Needy Families	93.558	2401MNTANF	340,405
(Total Temporary Assistance for Needy Families 93.558 \$389,596)			
Child Support Services	93.563	2301MNCSES	79,147
Child Support Services	93.563	2301MNCSES/2301MNCEST	597,321
(Total Child Support Services 93.563 \$676,468)			
Refugee and Entrant Assistance State/Replacement Designee Administered Programs	93.566	2401MNRCA	1,450
CCDF Cluster			
Child Care and Development Block Grant	93.575	2401MNCCDF	17,007
Community-Based Child Abuse Prevention Grants	93.590	2302MNBCAP	26,215
Stephanie Tubbs Jones Child Welfare Services Program	93.645	2301MNCWSS	5,562
Foster Care Title IV-E	93.658	2401MNFOST	346,461
Social Services Block Grant	93.667	2401MNSOSR	201,043
John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674	2301MNCILP	7,770
Children's Health Insurance Program	93.767	2305MN5021	509
Medicaid Cluster			
Medical Assistance Program	93.778	2405MN5ADM	1,072,423
Medical Assistance Program	93.778	2405MN5MAP	12,871
(Total Medical Assistance Program 93.778 \$1,085,294)			
<b>Total U.S. Department of Health and Human Services</b>			<b>\$ 3,049,881</b>
<b>U.S. Department of Homeland Security</b>			
Passed Through Minnesota Department of Natural Resources			
Boating Safety Financial Assistance	97.012	R29G70CGBLA19	\$ 12,179
Passed Through Minnesota Department of Public Safety			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-4722DR-MN	30,744
Emergency Management Performance Grants	97.042	A-EMPG-2022-MILLACCO-050	25,199
<b>Total U.S. Department of Homeland Security</b>			<b>\$ 68,122</b>
<b>Total Federal Awards</b>			<b>\$ 3,708,514</b>

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

**Totals by Cluster**

Total expenditures for SNAP Cluster	\$ 262,385
Total expenditures for CCDF Cluster	17,007
Total expenditures for Medicaid Cluster	1,085,294

# Mille Lacs County Milaca, Minnesota

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

### Note 1 – Summary of Significant Accounting Policies

#### Reporting Entity

The Schedule of Expenditures of Federal Awards presents the activities of federal award programs expended by 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 award activity of Mille Lacs County under programs of the federal government for the year ended December 31, 2024. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule of Expenditures of Federal Awards presents only a selected portion of the operations of 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 cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

### Note 2 – De Minimis Cost Rate

Mille Lacs County has elected not to use the ten percent de minimis indirect cost rate nor the 15 percent de minimis indirect cost rate, as applicable, allowed under the Uniform Guidance.

### Note 3 – Reconciliation to Schedule of Intergovernmental Revenue

#### Reconciliation to Schedule of Intergovernmental Revenue

Reconciling Items	Amount
Federal grant revenue per Schedule of Intergovernmental Revenue	\$ 3,773,057
Unavailable revenue in 2023, recognized as revenue in 2024	
Special Education – Grants for Infants and Families (AL No. 84.181)	(585)
MaryLee Allen Promoting Safe and Stable Families Program (AL No. 93.556)	(1,410)
Temporary Assistance for Needy Families (AL No. 93.558)	(59,174)
Stephanie Tubbs Jones Child Welfare Services Program (AL No. 93.645)	(1,403)
Foster Care Title IV-E (AL No. 93.658)	(1,500)
Children’s Health Insurance Program (AL No. 93.767)	(72)
Maternal and Child Health Services Block Grants to the States (AL No. 93.994)	(399)
Expenditures per Schedule of Expenditures of Federal Awards	\$ 3,708,514

## **Management and Compliance Section**





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

### Independent Auditor's Report

Board of County Commissioners  
Mille Lacs County  
Milaca, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mille Lacs County, Minnesota, as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated November 3, 2025.

### Report on Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be 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 2024-003 and 2024-004 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 2024-001, 2024-002, 2024-005, and 2024-006 to be significant deficiencies.

## Report on Compliance and Other Matters

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

## Minnesota Legal Compliance

In connection with our audit, we noted that Mille Lacs County failed to comply with the provisions of the depositories of public funds and public investments and miscellaneous provisions sections of the *Minnesota Legal Compliance Audit Guide for Counties*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters, as described in the Schedule of Findings and Questioned Costs as items 2024-008 and 2024-009. Also, in connection with our audit, nothing came to our attention that caused us to believe that Mille Lacs County failed to comply with the provisions of the contracting – bid laws, conflicts of interest, public indebtedness, and claims and disbursements sections of the *Minnesota Legal Compliance Audit Guide for Counties*, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the County’s noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

## Mille Lacs County’s Response to Findings

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

## Purpose of This Report

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

/s/Julie Blaha

Julie Blaha  
State Auditor

November 3, 2025

/s/Chad Struss

Chad Struss, CPA  
Deputy State Auditor



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

### Independent Auditor's Report

Board of County Commissioners  
Mille Lacs County  
Milaca, Minnesota

### Report on Compliance for Each Major Federal Program

#### Opinion on Each Major Federal Program

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

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

#### Basis for Opinion on Each Major Federal Program

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

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

#### Responsibilities of Management for Compliance

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

## Auditor's Responsibilities for the Audit of Compliance

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

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

- exercise professional judgment and maintain professional skepticism throughout the audit;
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the County's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances; and
- obtain an understanding of the County's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances, and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over compliance. Accordingly, no such opinion is expressed.

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

## Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance, and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2024-007. Our opinion on each major federal program is not modified with respect to this matter.

*Government Auditing Standards* requires the auditor to perform limited procedures on Mille Lacs County's response to the noncompliance findings 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.

## 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify a deficiency in internal control over compliance that we consider to be a significant deficiency.

*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 2024-007 to be a significant deficiency.

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 findings 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

November 3, 2025

*/s/Chad Struss*

Chad Struss, CPA  
Deputy State Auditor

# Mille Lacs County Milaca, Minnesota

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

### Section I – Summary of Auditor’s Results

#### Financial Statements

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

Internal control over financial reporting:

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

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

#### Federal Awards

Internal control over the major federal programs:

- Material weaknesses identified? **No**
- Significant deficiencies identified? **Yes**

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

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

Identification of the major federal programs:

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

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

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

### Section II – Financial Statement Findings

**2024-001**      **Segregation of Duties**

**Prior Year Finding Number:** 2023-001

**Year of Finding Origination:** 1996

**Type of Finding:** Internal Control Over Financial Reporting

**Severity of Deficiency:** Significant Deficiency

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

## Mille Lacs County Milaca, Minnesota

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assets, proper segregation of the record-keeping, custody, and authorization functions should be in place. Where management decides segregation of duties may not be cost effective, compensating controls should be in place.

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

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

**Effect:** Inadequate segregation of duties could adversely affect the ability of the County's employees, in the normal course of performing their assigned functions, to detect misstatements in a timely period.

**Cause:** The County has indicated it does not have the economic resources needed to hire additional qualified accounting staff in order to segregate duties in every department.

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

**View of Responsible Official:** Concur

### **2024-002      Taxes and Penalties Custodial Fund Reconciliation**

**Prior Year Finding Number:** 2023-002

**Year of Finding Origination:** 2020

**Type of Finding:** Internal Control Over Financial Reporting

**Severity of Deficiency:** Significant Deficiency

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

**Condition:** The County performed a reconciliation of the year-end cash balance in the Taxes and Penalties Custodial Fund but could not identify differences between the final settlement and the year-end cash balance at the time of the auditor's review. As a result of the differences, not all distributions have been completed.

**Context:** After the final settlement, which typically occurs in January of the subsequent year, the County should have distributed all current and delinquent taxes received during the year to taxing districts.

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

**Cause:** The County indicated that, due to turnover in personnel, reconciliations were not performed for several years, which resulted in recording unusual transactions in the Taxes and Penalties Custodial Fund and potentially inaccurate settlements.

# Mille Lacs County

## Milaca, Minnesota

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**Recommendation:** We recommend the County continue to reconcile the Taxes and Penalties Custodial Fund and identify the transactions that make up the unreconciled balance and distribute appropriately.

**View of Responsible Official:** Concur

**2024-003**      **Material Audit Adjustments**

**Prior Year Finding Number:** 2023-003

**Year of Finding Origination:** 2020

**Type of Finding:** Internal Control Over Financial Reporting

**Severity of Deficiency:** Material Weakness

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

**Condition:** 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. These adjustments were found in the audit; however, independent external auditors cannot be considered part of the County's internal control.

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

- The General Fund cash and pooled investments and mortgage and deed tax revenue decreased by \$806,172 for ACH/EFT transactions not properly posted in the general ledger accounting system.
- The General Fund required adjustments to decrease cash and pooled investments by \$2,966,707, due to other governments by \$2,959,711, and general government expenditures by \$6,996 for payroll transactions that were not properly recorded in the general ledger accounting system.
- The General Fund due to other funds increased and property tax revenue decreased by \$863,930 to accurately record the property tax revenue distribution.
- The Road and Bridge Special Revenue Fund due from other funds and property tax revenue increased by \$214,455 to accurately record the property tax revenue distribution.
- The Community and Veteran Services Special Revenue Fund due from other governments and intergovernmental revenue increased by \$704,393 to record additional receivables based on subsequent receipts.
- The Community and Veteran Services Special Revenue Fund due from other funds and property tax revenue increased by \$485,841 to accurately record the property tax revenue distribution.



# Mille Lacs County

## Milaca, Minnesota

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- The Debt Service Fund required adjustments to increase due from other governments by \$335,103 and local option sales tax revenue by \$332,087 and decrease administrative fiscal charges expenditures by \$3,016 to record year-end receivables.
- The Debt Service Fund due from other funds and property tax revenue increased by \$73,399 to accurately record the property tax revenue distribution.
- The Capital Projects Fund due from other funds and property tax revenue increased by \$90,235 to accurately record the property tax revenue distribution.
- The State Taxes and Fees Custodial Fund cash and investments and due to other governments decreased by \$1,971,809 for ACH/EFT transactions not properly posted in the general ledger accounting system.

**Cause:** The County is not performing reviews and reconciliations of the bank or general ledger activity that would normally detect these types of errors. Furthermore, payroll transactions for PERA and other fringe benefits were not posted correctly due to a system setup error during the migration to the Munis payroll module in January 2024.

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

**View of Responsible Official:** Concur

**2024-004**      **Bank Reconciliations**

**Prior Year Finding Number:** 2023-004

**Year of Finding Origination:** 2020

**Type of Finding:** Internal Control Over Financial Reporting

**Severity of Deficiency:** Material Weakness

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

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

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

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

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

## Mille Lacs County Milaca, Minnesota

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- electronic funds transfer transactions from throughout the year totaling \$5,744,688 were not properly posted to cash, as included in the audit adjustments discussed in Finding Number 2024-003; and
- payroll transactions between the General Fund and payroll clearing fund totaling \$699,656 were not properly posted to cash.

**Cause:** We were informed the Administrative Services Office was short-staffed and had multiple positions vacant. The County reorganized and moved many of the accounting functions, including completing bank reconciliations, from the Auditor-Treasurer's Office to the Administrative Services Office. Furthermore, the County's migration to new accounting software in 2023 and a new payroll module in 2024 resulted in additional delays and challenges in accurately completing the reconciliations.

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

**View of Responsible Official:** Concur

**2024-005**      **Capital Asset Records**

**Prior Year Finding Number:** 2023-005

**Year of Finding Origination:** 2023

**Type of Finding:** Internal Control Over Financial Reporting

**Severity of Deficiency:** Significant Deficiency

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

**Condition:** In a sample of 25 assets tested, the capital asset system incorrectly calculated annual depreciation expense for 21 items. In addition, in a sample of 22 assets tested, one asset was sold during 2024 and not removed from the capital asset system.

**Context:** The County migrated to a new capital asset system during 2023.

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

**Cause:** Discrepancies in original cost and accumulated depreciation of assets occurred when the County migrated to the new capital asset system in 2023. Those issues were resolved; however, issues with the annual depreciation calculation remain. The County has submitted a ticket to the software company and is waiting for a response. Additionally, departments do not always notify the Administrator's Office of disposals of assets in a timely manner.

**Recommendation:** We recommend the County implement controls to regularly update and review the capital asset system to ensure capital asset depreciation is correctly calculated. Additionally, departments that dispose of

# Mille Lacs County Milaca, Minnesota

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assets should regularly notify the Administrator's Office of capital asset disposals, and the County should conduct a regular physical inventory of capital assets.

**View of Responsible Official:** Concur

**2024-006**      **Cash Handling – Receipting**

**Prior Year Finding Number:** N/A

**Year of Finding Origination:** 2024

**Type of Finding:** Internal Control Over Financial Reporting

**Severity of Deficiency:** Significant Deficiency

**Criteria:** Receipt of funds should be centralized in the Administrative Services Office whenever possible to allow for better control over County funds. In addition, any County fees collected in other offices should be remitted to the Administrative Services Office in a timely manner to ensure they are deposited and properly posted to the general ledger.

**Condition:** Fees collected by the Sheriff's Office from the sale of K9 merchandise during 2024 and 2025 totaling \$11,895 were held in the safe located in the Sheriff's Office and were not remitted to the Administrative Services Office until October 2025.

**Context:** County fees should be remitted to the Administrative Services Office within the period provided by County policy or on a monthly basis, as provided by Minn. Stat. § 387.20, subd. 5. As required by Minn. Stat. § 385.07, all County funds shall be deposited promptly and intact by the County Treasurer in the name of the County or invested as provided in state statute.

**Effect:** When effective internal controls over accounting procedures are not implemented, there is an increased risk of fraud or misappropriation of assets. In addition, the County was not in compliance with Minn. Stat. § 387.20, subd. 5, and Minn. Stat. § 385.07.

**Cause:** The County Sheriff indicated that the proceeds from the sale of the K9 merchandise were held in the safe and not turned over for depositing due to previous K9 donations not being accounted for appropriately in the general ledger system.

**Recommendation:** We recommend the County Sheriff's Office remit all collections to the Administrative Services Office on a weekly or monthly basis for depositing and recording in the County's general ledger system.

**View of Responsible Official:** Concur

## **Section III – Federal Award Findings and Questioned Costs**

**2024-007**      **Allowable Costs/Cost Principles – Cost Allocation Plan**

**Prior Year Finding Number:** N/A

**Year of Finding Origination:** 2024

**Type of Finding:** Internal Control Over Compliance and Compliance

**Severity of Deficiency:** Significant Deficiency and Other Matter

# Mille Lacs County

## Milaca, Minnesota

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**Federal Agency:** U.S. Department of Health and Human Services  
**Programs:** 93.563 Child Support Services, 93.778 Medicaid Cluster  
**Award Number and Year:** 2301MNCSES; 2024, 2405MN5ADM; 2024

**Pass-Through Agency:** Minnesota Department of Human Services

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

Title 2 U.S. *Code of Federal Regulations* § 2 CFR 200.403(a) and § 2 CFR 200.403(g) require costs to be necessary and reasonable and be adequately documented.

**Condition:** For two of the five departments tested, incorrect expenditure amounts were used in the cost allocation plan. In addition, for one of the five departments tested, the County did not have support for the basis of allocating the costs to benefiting departments.

**Questioned Costs:** \$2,968,953, which is calculated as \$1,299,253 of department costs tested within the cost allocation plan that were derived from incorrect information and \$1,669,700 in department costs without a documented basis for allocating costs. Not all questioned costs were allocated to the department reporting grant expenditures or to the grant tested as a major program. Additionally, the rate of reimbursement of allocated costs to the grant is not known to the auditor.

**Context:** The 2024 cost allocation plan is prepared using activity and expenditures from 2022. The cost allocation plan is prepared annually by a contractor and submitted to the Minnesota Department of Human Services (DHS) for reimbursement of county-wide indirect cost reimbursement.

For one department, the cost allocation plan included expenditure accounts with credit balances as debit balances and, for another department, the 2023 general ledger expenditures were used rather than 2022. Furthermore, the basis for one department was determined in direct conversation between the cost allocation plan preparer and the County, with no documented support retained.

**Effect:** Errors in reporting expenditures and the basis of the allocations used in the cost allocation plan calculation could result in incorrect county-wide indirect cost reimbursements from DHS.

**Cause:** The cost allocation plan preparer's work contained errors or lacked proper support, and the County did not identify the errors or lack of support.

**Recommendation:** We recommend the County provide accurate and supported information to the cost allocation plan preparer and appropriate staff review the cost allocation plan to ensure the data, basis, and calculation are accurate, complete, and supported.

**View of Responsible Official:** Concur

# Mille Lacs County Milaca, Minnesota

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## Section IV – Other Findings and Recommendations

### 2024-008 Unclaimed Funds

**Prior Year Finding Number:** 2023-007

**Year of Finding Origination:** 2022

**Type of Finding:** Minnesota Legal Compliance

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

**Condition:** As of December 31, 2024, the County has not submitted all unclaimed property as required to the Minnesota Department of Commerce.

**Context:** The Administrative Services Office is responsible for submitting unclaimed property to the Minnesota Department of Commerce. The County uses a custodial account to track unclaimed property; however, not all unclaimed property is included in the custodial account. No payments were made to the Minnesota Department of Commerce during 2024. Unclaimed property from the previous general ledger system is not included in the listing of unclaimed property.

**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 consistently follow its unclaimed property process, 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

### 2024-009 Insufficient Collateral

**Prior Year Finding Number:** 2023-008

**Year of Finding Origination:** 2023

**Type of Finding:** Minnesota Legal Compliance

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

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

**Condition:** The fair market value of collateral pledged to secure uninsured deposits was not sufficient to meet the 110 percent requirement for December 31, 2024.

## Mille Lacs County Milaca, Minnesota

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**Context:** At December 31, 2024, the County's accounts at First National Bank were exposed to custodial credit risk in the amount of \$1,469,856.

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

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

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

**View of Responsible Official:** Concur



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## Representation of Mille Lacs County Milaca, Minnesota

### Corrective Action Plan

For the Year Ended December 31, 2024

**Finding Number: 2024-001**

**Finding Title: Segregation of Duties**

Name of Contact Person Responsible for Corrective Action:

Dillon Hayes, County Administrator

Corrective Action Planned:

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

Anticipated Completion Date:

Continuous

**Finding Number: 2024-002**

**Finding Title: Taxes and Penalties Custodial Fund Reconciliation**

Name of Contact Person Responsible for Corrective Action:

Dillon Hayes, County Administrator

Corrective Action Planned:

County officials have been working on this issue over the past year and have reconciled many components of the Taxes and Penalties Fund. Processes and procedures have already been implemented to work towards addressing this issue, and additional process changes associated with tax settlement are planned for 2026 following reconciliation of 2025 collections.

Anticipated Completion Date:

Spring, 2026

**Finding Number: 2024-003**

**Finding Title: Material Audit Adjustments**

Name of Contact Person Responsible for Corrective Action:

Dillon Hayes, County Administrator

Corrective Action Planned:

Processes and procedures have already been revised and implemented to address these issues. These procedures will be reviewed on an ongoing basis to ensure that the appropriate actions are being taken to avoid and/or address and correct these issues.

Anticipated Completion Date:

Spring, 2026

**Finding Number: 2024-004**

**Finding Title: Bank Reconciliations**

Name of Contact Person Responsible for Corrective Action:

Dillon Hayes, County Administrator

Corrective Action Planned:

Processes and procedures have already been revised and implemented to work towards addressing these issues. These procedures will be reviewed on an ongoing basis to ensure that bank reconciliations are completed timely, and that appropriate reviews and approvals are implemented to identify differences and resolve them in a timely manner. Additionally, the county is again considering contracting an outside vendor to assist in fully rectifying this issue.

Anticipated Completion Date:

Spring, 2026

**Finding Number: 2024-005**

**Finding Title: Capital Asset Records**

Name of Contact Person Responsible for Corrective Action:

Dillon Hayes, County Administrator

Corrective Action Planned:

County officials are aware of the issue, and efforts continue to improve internal processes and procedures regarding notification of disposals. Additionally, the County is awaiting resolution of a ticket with its ERP software provider to address depreciation calculations.

Anticipated Completion Date:

December 2025





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**Finding Number: 2024-006**  
**Finding Title: Cash Handling – Receipting**

Name of Contact Person Responsible for Corrective Action:  
Kyle Burton, County Sheriff

Corrective Action Planned:  
The County Sheriff has remitted outstanding funds to the Administrative Services Office and has indicated that future receipts will be turned over for deposits.

Anticipated Completion Date:  
Completed October 2025

**Finding Number: 2024-007**  
**Finding Title: Allowable Costs/Cost Principles – Cost Allocation Plan**

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

Corrective Action Planned:  
The County has contracted with a new vendor to prepare its Cost Allocation Plan effective in 2025.

Anticipated Completion Date:  
Completed August 2025

**Finding Number: 2024-008**  
**Finding Title: Unclaimed Funds**

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

Corrective Action Planned:  
This is expected to be completed in coordination with the bank reconciliation process, which will facilitate reporting of unclaimed funds as required.

Anticipated Completion Date:  
Summer, 2026



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**Finding Number: 2024-009**

**Finding Title: Insufficient Collateral**

Name of Contact Person Responsible for Corrective Action:

Dillon Hayes, County Administrator

Corrective Action Planned:

Processes and procedures have been revised to include daily review of bank balances.

Anticipated Completion Date:

Completed September 2025

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

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

**Finding Number: 2023-001**  
**Year of Finding Origination: 1996**  
**Finding Title: Segregation of Duties**

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

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

**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.

**Finding Number: 2023-002**  
**Year of Finding Origination: 2020**  
**Finding Title: Taxes and Penalties Custodial 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:** Partially Corrected. County officials have been working on this issue over the past year and have reconciled many components of the Taxes and Penalties Fund. Processes and procedures have already been implemented to work towards addressing this issue, and additional process changes associated with tax settlement are planned for 2026 following reconciliation of 2025 collections.

**Finding Number: 2023-003**

**Year of Finding Origination: 2020**

**Finding Title: Prior Period Adjustment and Audit Adjustments**

**Summary of Condition:** Material audit adjustments, including a prior period adjustment, 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:** Partially Corrected. Processes and procedures have already been revised and implemented to address these issues. These procedures will be reviewed on an ongoing basis to ensure that the appropriate actions are being taken to avoid and/or address and correct these issues. Additionally, it is anticipated that a reorganization of the County's finance team will assist in making measurable progress moving forward.

**Finding Number: 2023-004**

**Year of Finding Origination: 2020**

**Finding Title: Bank Reconciliations**

**Summary of 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.

**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. Processes and procedures have already been revised and implemented to work towards addressing these issues. These procedures will be reviewed on an ongoing basis to ensure that bank reconciliations are completed timely, and that appropriate reviews and approvals are implemented to identify differences and resolve them in a timely manner. Additionally, the county is again considering contracting an outside vendor to assist in fully rectifying this issue. Furthermore, it is anticipated that a reorganization of the County's finance team will assist in making measurable progress moving forward.

**Finding Number: 2023-005**  
**Year of Finding Origination: 2023**  
**Finding Title: Capital Asset Records**

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

**Summary of Corrective Action Previously Reported:** County officials are aware of the issue, and these issues were addressed following implementation of the new capital asset system.

**Status:** Partially Corrected. These issues have been addressed in part following additional training and complete implementation of the County's new ERP system. Additionally, the asset reporting process and related materials were revised and reviewed with leadership to ensure that changes were reported accurately and timely. However, work continues to address issues associated with the ERP system, awaiting resolution of an open ticket, in addition to staff training.

**Finding Number: 2023-006**  
**Year of Finding Origination: 2023**  
**Finding Title: Journal Entry Approval**

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

**Summary of Corrective Action Previously Reported:** Implementation is complete; the issue was caused by the implementation of a new general ledger accounting system.

**Status:** Fully Corrected. Corrective action was taken.

**Finding Number: 2023-007**  
**Year of Finding Origination: 2022**  
**Finding Title: Unclaimed Funds**

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

**Summary of Corrective Action Previously Reported:** This is expected to be completed in coordination with the bank reconciliation process; additionally, procedures have been changed recently to expedite the review of outstanding checks.

**Status:** Not Corrected. This is expected to be completed in coordination with the bank reconciliation process, which will facilitate reporting of unclaimed funds as required.



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**Finding Number: 2023-008**

**Year of Finding Origination: 2023**

**Finding Title: Insufficient Collateral**

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

**Summary of Corrective Action Previously Reported:** County officials will review procedures and processes in order to ensure that funds are managed appropriately within the limits of existing collateralization at the applicable financial institution.

**Status:** Not Corrected. Processes and procedures have now been revised to include daily review of bank balances.