

State of Minnesota



Office of the State Auditor

Julie Blaha
State Auditor

**Mille Lacs County
Milaca, Minnesota**

Year Ended December 31, 2021

Description of the Office of the State Auditor

The mission of the Office of the State Auditor is to oversee local government finances for Minnesota taxpayers by helping to ensure financial integrity and accountability in local governmental financial activities.

Through financial, compliance, and special audits, the State Auditor oversees and ensures that local government funds are used for the purposes intended by law and that local governments hold themselves to the highest standards of financial accountability.

The State Auditor performs approximately 100 financial and compliance audits per year and has oversight responsibilities for over 3,300 local units of government throughout the state. The office currently maintains five divisions:

Audit Practice – conducts financial and legal compliance audits of local governments;

Government Information – collects and analyzes financial information for cities, towns, counties, and special districts;

Legal/Special Investigations – provides legal analysis and counsel to the Office and responds to outside inquiries about Minnesota local government law; as well as investigates allegations of misfeasance, malfeasance, and nonfeasance in local government;

Pension – monitors investment, financial, and actuarial reporting for Minnesota’s local public pension funds; and

Tax Increment Financing – promotes compliance and accountability in local governments’ use of tax increment financing through financial and compliance audits.

The State Auditor serves on the State Executive Council, State Board of Investment, Land Exchange Board, Public Employees Retirement Association Board, Minnesota Housing Finance Agency, and the Rural Finance Authority Board.

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Mille Lacs County Milaca, Minnesota

Year Ended December 31, 2021



Office of the State Auditor

**Audit Practice Division
Office of the State Auditor
State of Minnesota**

**MILLE LACS COUNTY
MILACA, MINNESOTA**

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MILACA, MINNESOTA**

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MILACA, MINNESOTA**

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INTRODUCTORY SECTION

**MILLE LACS COUNTY
MILACA, MINNESOTA**

**ORGANIZATION
2021**

Office	Name	Term	
		From	To
Commissioners			
1st District	Genny Reynolds ¹	January 2021	January 2025
2nd District	Tim Wilhelm	January 2019	January 2023
3rd District	Phil Peterson	January 2021	January 2025
4th District	Roger Tellinghuisen	January 2019	January 2023
5th District	David Oslin	January 2021	January 2025
Elected			
Attorney	Joe Walsh	January 2019	January 2023
Sheriff	Don Lorge	January 2019	January 2023
Appointed			
County Administrator	Pat Oman ²	October 2015	Indefinite
Interim County Coordinator	Lisa Herges	May 2021	August 2021
County Coordinator	Dillon Hayes	August 2021	Indefinite
County Assessor	Darryl Moeller ³	March 2020	November 2021
Interim County Assessor	Lisa Olson	November 2021	Indefinite
County Auditor-Treasurer	Eric Bartusch ⁴	December 2019	Indefinite
Interim County Auditor-Treasurer	Lisa Herges	June 2021	July 2021
County Auditor-Treasurer	Dillon Hayes	July 2021	Indefinite
County Engineer	Neal Knopik ⁵	July 2021	July 2025
Community and Veterans Services Director	Beth Crook	January 2014	Indefinite
Interim Director of County Probation	Cara Fosteson ⁶	December 2020	July 2021
Land Services Director	Michele McPherson ⁷	March 2009	Indefinite
Land Services Director	Chris Berg ⁸	May 2021	Indefinite
Interim Land Services Director	Dillon Hayes	October 2021	Indefinite
Medical Examiner	Dr. Quinn Strobl	January 2021	December 2021

¹Board Chair

²Resigned in January 2021

³Resigned in November 2021

⁴Resigned in June 2021

⁵Resigned in September 2021

⁶Probation delivery model changed in July 2021

⁷Resigned in March 2021

⁸Resigned in October 2021

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, 2021, 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, 2021, 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 these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 7, 2023, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control over financial

reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

/s/Julie Blaha

JULIE BLAHA
STATE AUDITOR

March 7, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

**MILLE LACS COUNTY
MILACA, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2021
(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, 2021. 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 \$69,140,302, of which \$66,693,142 is the net investment in capital assets, and \$13,962,099 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, 2021, was \$20,811,183; the net cost was funded by general revenues and other items totaling \$23,741,049.
- At the close of 2021, Mille Lacs County's governmental funds reported combined ending fund balances of \$18,331,450, an increase of \$4,750,060 from the previous year-end balance. At the end of the year, Mille Lacs County's assigned and unassigned fund balance totaled \$9,203,351, which is available for spending at the County Board's discretion.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Management’s Discussion and Analysis (Required Supplementary Information)

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

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

Mille Lacs County presents two government-wide financial statements: the Statement of Net Position and the Statement of Activities. These two government-wide financial statements provide information about the activities of the County as a whole and present a longer-term view of Mille Lacs County’s finances. The County’s fund financial statements follow these two government-wide financial statements. For governmental activities, these statements tell how Mille Lacs County financed its services in the short term as well as what remains for future spending. Fund financial statements also report the County’s operations in more detail than the government-wide statements by providing information about the County’s most significant/major funds. The remaining statements provide financial information about activities for which the County acts solely as a trustee or agent for the benefit of those outside of the government.

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

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

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

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

Fund Financial Statements

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

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

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

Reporting the County’s Fiduciary Responsibilities

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

THE COUNTY AS A WHOLE

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

**Table 1
Net Position**

	<u>2021</u>	<u>2020</u>
Assets		
Current and other assets	\$ 29,225,653	\$ 22,690,146
Capital assets	<u>83,696,252</u>	<u>83,384,788</u>
Total Assets	<u>\$ 112,921,905</u>	<u>\$ 106,074,934</u>
Deferred Outflows of Resources		
Deferred pension outflows	\$ 9,144,198	\$ 3,023,062
Deferred OPEB outflows	<u>345,944</u>	<u>222,878</u>
Total Deferred Outflows of Resources	<u>\$ 9,490,142</u>	<u>\$ 3,245,940</u>
Liabilities		
Long-term liabilities outstanding	\$ 36,164,351	\$ 36,992,866
Other liabilities	<u>5,409,253</u>	<u>3,030,892</u>
Total Liabilities	<u>\$ 41,573,604</u>	<u>\$ 40,023,758</u>
Deferred Inflows of Resources		
Deferred pension inflows	\$ 11,646,627	\$ 3,024,862
Deferred OPEB inflows	<u>51,514</u>	<u>61,818</u>
Total Deferred Inflows of Resources	<u>\$ 11,698,141</u>	<u>\$ 3,086,680</u>
Net Position		
Net investment in capital assets	\$ 66,693,142	\$ 67,523,456
Restricted	13,962,099	10,385,469
Unrestricted	<u>(11,514,939)</u>	<u>(11,698,489)</u>
Total Net Position	<u>\$ 69,140,302</u>	<u>\$ 66,210,436</u>

A large portion of Mille Lacs County's net position, \$66,693,142 (96.5 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 \$13,962,099 (20.2 percent). The unrestricted net position is (\$11,514,939), or (16.7 percent), for 2021.

Table 2
Changes in Net Position

	<u>2021</u>	<u>2020</u>
Program revenues		
Fees, charges, fines, and other	\$ 4,115,965	\$ 3,473,637
Operating grants and contributions	13,378,311	18,412,906
Capital grants and contributions	323,386	-
General revenues		
Property taxes	17,942,533	17,331,832
Other	5,798,516	5,637,955
	<u>\$ 41,558,711</u>	<u>\$ 44,856,330</u>
Expenses		
General government	\$ 8,697,829	\$ 13,301,377
Public safety	9,403,049	9,962,163
Highways and streets	5,678,323	7,953,043
Sanitation	249,717	276,899
Human services	10,644,686	11,307,178
Health	940,994	938,797
Culture and recreation	390,201	456,628
Conservation of natural resources	1,392,922	1,402,703
Economic development	609,263	106,224
Interest	621,861	605,440
	<u>\$ 38,628,845</u>	<u>\$ 46,310,452</u>
Change in Net Position	\$ 2,929,866	\$ (1,454,122)
Net Position – January 1	<u>66,210,436</u>	<u>67,664,558</u>
Net Position – December 31	<u>\$ 69,140,302</u>	<u>\$ 66,210,436</u>

Governmental Activities

Revenues for Mille Lacs County's governmental activities for the year ended December 31, 2021, were \$41,558,711. The County's cost for all governmental activities for the year ended December 31, 2021, was \$38,628,845. The net position for the County's governmental activities increased by \$2,929,866 in 2021.

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 \$17,942,533, because \$4,115,965 of the costs were paid by those who directly benefited from the programs, and \$13,701,697 was paid by other governments and organizations that subsidized certain programs with grants and contributions. Mille Lacs County paid for the remaining “public benefit” portion of governmental activities with \$2,598,266 in grants and contributions not restricted to specific programs and \$3,200,250 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 2021

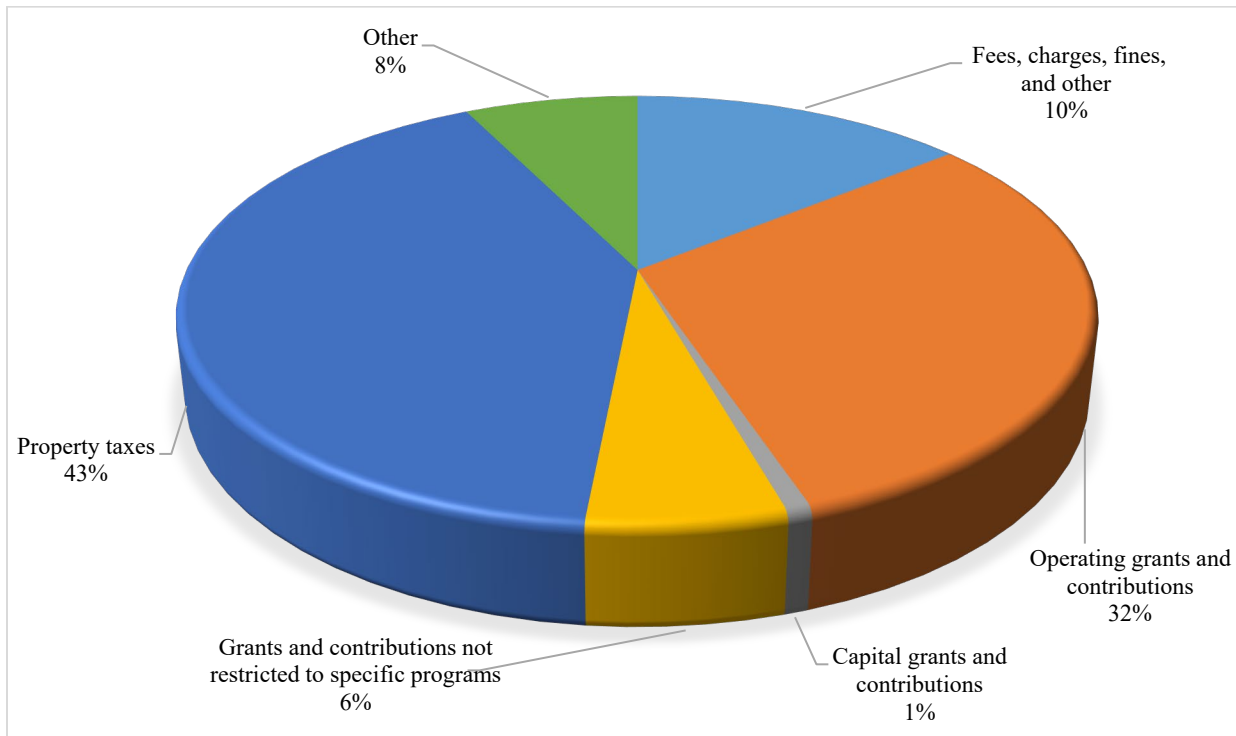
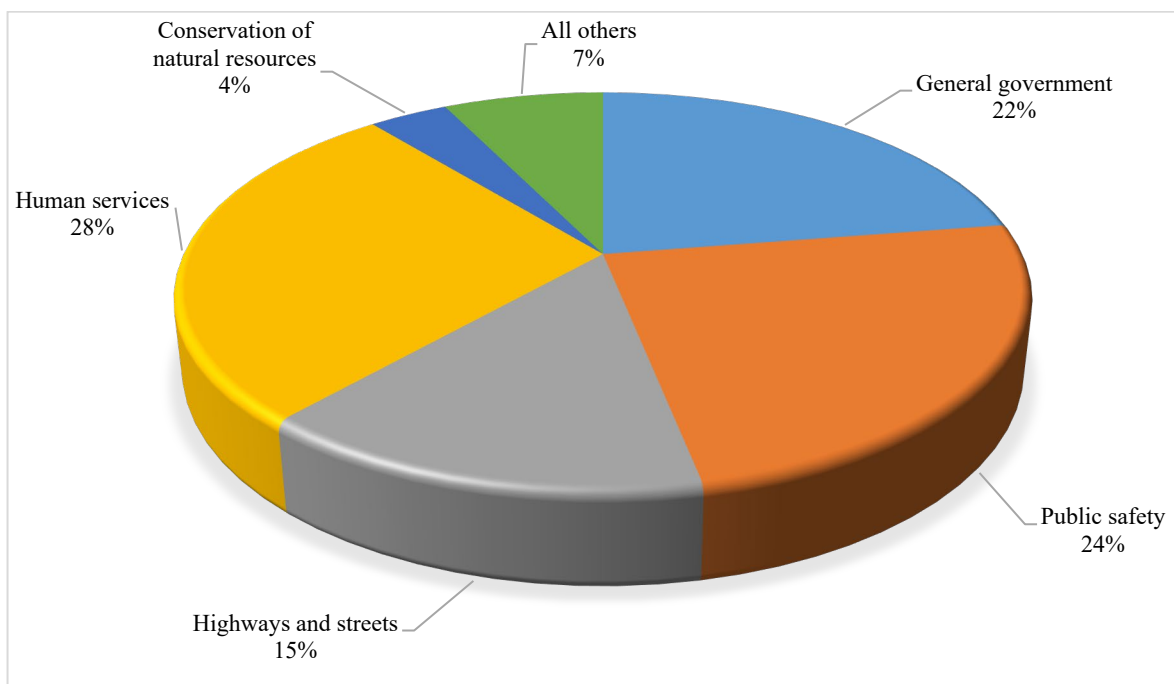


Table 3 presents the cost of each of Mille Lacs County’s four largest program functions as well as each function’s net cost (total cost, less revenues generated by the activities). The net cost shows the financial burden placed on Mille Lacs County’s taxpayers by each of these functions.

**Table 3
Governmental Activities**

	2021	
	Total Cost of Services	Net Cost of Services
Program expenses		
General government	\$ 8,697,829	\$ (7,505,725)
Public safety	9,403,049	(7,858,368)
Highways and streets	5,678,323	(318,094)
Human services	10,644,686	(3,696,735)
All others	4,204,958	(1,432,261)
Total Program Expenses	\$ 38,628,845	\$ (20,811,183)

County Expenses for Fiscal Year 2021



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 \$18,331,450, an increase of \$4,750,060 in comparison with the prior year. Of the combined ending fund balances, \$9,203,351 represents unrestricted (committed, assigned, and unassigned) fund balance, which is available for spending at the County's discretion. The remainder of fund balance, \$9,128,099, 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 2021, the General Fund's fund balance was \$2,078,203, of which \$308,649 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 1.5 percent of total General Fund expenditures. During 2021, the ending fund balance decreased by \$97,858.

The Road and Bridge Special Revenue Fund had total fund balance of \$1,199,394 at the end of 2021. The fund balance increased \$1,934,227 during 2021.

The Community and Veteran Services Special Revenue Fund had total fund balance of \$7,112,870 at the end of 2021. The fund balance increased by \$632,960.

The Debt Service Fund had total fund balance of \$6,811,274 at the end of 2021. The fund balance increased \$4,195,845 during 2021.

The Capital Projects Fund had total fund balance of \$1,015,942 at the end of 2021. The fund balance decreased \$1,604,978 during 2021.

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 2021, the General Fund's actual revenues exceeded expected revenues by \$660,528, and actual expenditures were more than budgeted expenditures by \$119,370.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2021, Mille Lacs County had \$83,696,252 invested in a broad range of capital assets, net of depreciation. This investment in capital assets includes land, land improvements, buildings, highways and streets, equipment, and software (see Table 4).

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

	2021	2020
Land	\$ 3,028,726	\$ 3,028,726
Construction in progress	2,186,052	15,431,662
Land improvements	184,339	208,659
Buildings	14,320,953	15,055,130
Machinery and equipment	2,511,407	3,046,509
Infrastructure	61,463,568	46,604,286
Software	1,207	9,816
Total	\$ 83,696,252	\$ 83,384,788

Debt Administration

At December 31, 2021, Mille Lacs County had \$22,076,000 in bonds and notes outstanding, compared with \$19,315,000 as of December 31, 2020, an increase of 14.3 percent, as shown in Table 5.

Table 5
Outstanding Debt at Year-End

Bonds and Notes Payable	Governmental Activities		Percent (%) Change
	2021	2020	
2010B Taxable Capital Improvement Bonds – Recovery Zone Economic Development Bonds	\$ 670,000	\$ 795,000	(15.7)
2014 G.O. Capital Improvement Plan Refunding Bonds	3,945,000	4,380,000	(9.9)
2018A G.O. Capital Improvement Plan Bonds	8,625,000	8,975,000	(3.9)
2019A G.O. Capital Improvement Plan Bonds	2,820,000	2,970,000	(5.1)
2021A G.O. Capital Improvement Plan Bonds	3,535,000	-	100.0
2019B G.O. Drainage Bonds	1,150,000	1,195,000	(3.8)
2021B G.O. Drainage Bonds	516,000	-	100.0
2019A G.O. Capital Equipment Notes	815,000	1,000,000	(18.5)
Total	\$ 22,076,000	\$ 19,315,000	14.3

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The County's elected and appointed officials considered many factors when setting the fiscal year 2022 budget and tax rates.

- Major revenue sources for the County are state-paid aids, credits, and grants. The County is anticipating no significant changes to these programs in 2022.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

**MILLE LACS COUNTY
MILACA, MINNESOTA**

EXHIBIT 1

**STATEMENT OF NET POSITION
GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2021**

Assets

Cash and pooled investments	\$	21,493,695
Petty cash and change funds		850
Departmental cash		40,536
Taxes receivable		
Delinquent		538,730
Special assessments receivable		
Delinquent		8,188
Accounts receivable – net		371,211
Loans receivable – net		528,620
Accrued interest receivable		1,640
Due from other governments		5,733,435
Inventories		367,796
Capital assets		
Non-depreciable		5,214,778
Depreciable – net of accumulated depreciation		78,481,474
Net pension asset		140,952
		140,952
Total Assets	\$	112,921,905

Deferred Outflows of Resources

Deferred pension outflows	\$	9,144,198
Deferred other postemployment benefits outflows		345,944
		345,944
Total Deferred Outflows of Resources	\$	9,490,142

Liabilities

Accounts payable	\$	671,969
Salaries payable		321,318
Claims payable		13,617
Contracts payable		1,184,962
Due to other governments		422,664
Accrued interest payable		250,026
Unearned revenue		2,544,697
Long-term liabilities		
Due within one year		1,736,941
Due in more than one year		23,328,689
Other postemployment benefits liability		2,865,114
Net pension liability		8,233,607
		8,233,607
Total Liabilities	\$	41,573,604

MILLE LACS COUNTY
MILACA, MINNESOTA

EXHIBIT 1
(Continued)

STATEMENT OF NET POSITION
GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2021

Deferred Inflows of Resources

Deferred pension inflows	\$ 11,646,627
Deferred other postemployment benefits inflows	<u>51,514</u>
Total Deferred Inflows of Resources	<u>\$ 11,698,141</u>

Net Position

Net investment in capital assets	\$ 66,693,142
Restricted for	
General government	330,358
Public safety	713,279
Highway and streets	5,212,398
Conservation of natural resources	716,997
Economic development	19,016
Sanitation	158,777
Debt service	6,811,274
Unrestricted	<u>(11,514,939)</u>
Total Net Position	<u>\$ 69,140,302</u>

**MILLE LACS COUNTY
MILACA, MINNESOTA**

EXHIBIT 2

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>	
	<u>Expenses</u>	<u>Fees, Charges, Fines, and Other</u>	<u>Operating Grants and Contributions</u>		<u>Capital Grants and Contributions</u>
<u>Functions/Programs</u>					
Governmental activities					
General government	\$ 8,697,829	\$ 930,621	\$ 261,483	\$ -	\$ (7,505,725)
Public safety	9,403,049	649,344	895,337	-	(7,858,368)
Highways and streets	5,678,323	176,287	5,010,556	173,386	(318,094)
Sanitation	249,717	336,974	76,133	-	163,390
Human services	10,644,686	1,231,381	5,716,570	-	(3,696,735)
Health	940,994	113,825	833,324	-	6,155
Culture and recreation	390,201	-	436,975	150,000	196,774
Conservation of natural resources	1,392,922	126,770	134,553	-	(1,131,599)
Economic development	609,263	550,763	-	-	(58,500)
Interest expense on long-term debt	621,861	-	13,380	-	(608,481)
Total Governmental Activities	<u>\$ 38,628,845</u>	<u>\$ 4,115,965</u>	<u>\$ 13,378,311</u>	<u>\$ 323,386</u>	<u>\$ (20,811,183)</u>
General Revenues					
Property taxes					\$ 17,942,533
Gravel tax					39,483
Mortgage registry and deed tax					46,175
Wheelage tax					305,346
Local option sales tax					1,826,256
Payments in lieu of tax					672,541
Grants and contributions not restricted to specific programs					2,598,266
Unrestricted investment earnings					6,221
Miscellaneous					304,228
Total general revenues					<u>\$ 23,741,049</u>
Change in net position					\$ 2,929,866
Net Position – January 1					<u>66,210,436</u>
Net Position – December 31					<u>\$ 69,140,302</u>

FUND FINANCIAL STATEMENTS

GOVERNMENTAL FUNDS

**MILLE LACS COUNTY
MILACA, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2021**

	General	Road and Bridge
<u>Assets</u>		
Cash and pooled investments	\$ 5,290,462	\$ 1,744,841
Petty cash and change funds	800	-
Departmental cash	40,536	-
Taxes receivable		
Delinquent	366,184	11,541
Special assessments receivable		
Delinquent	6,376	-
Accounts receivable – net	197,964	6,898
Loans receivable – net	528,620	-
Accrued interest receivable	1,640	-
Due from other funds	90	16,194
Due from other governments	455,374	3,822,325
Inventories	-	367,796
Advances to other funds	10,602	-
	\$ 6,898,648	\$ 5,969,595
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>		
Liabilities		
Accounts payable	\$ 432,626	\$ 154,876
Salaries payable	190,192	21,568
Contracts payable	-	794,451
Due to other funds	16,194	-
Due to other governments	392,763	-
Unearned revenue	2,544,697	-
Advances from other funds	-	-
	\$ 3,576,472	\$ 970,895
Deferred Inflows of Resources		
Unavailable revenue	\$ 1,243,973	\$ 3,799,306

EXHIBIT 3

<u>Community and Veteran Services</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Ditch</u>	<u>Total</u>
\$ 6,127,603	\$ 6,691,040	\$ 1,020,570	\$ 515,437	\$ 21,389,953
50	-	-	-	850
-	-	-	-	40,536
137,482	23,240	283	-	538,730
-	-	-	1,812	8,188
166,349	-	-	-	371,211
-	-	-	-	528,620
-	-	-	-	1,640
-	-	-	-	16,284
1,303,502	152,234	-	-	5,733,435
-	-	-	-	367,796
-	-	-	-	10,602
<u>\$ 7,734,986</u>	<u>\$ 6,866,514</u>	<u>\$ 1,020,853</u>	<u>\$ 517,249</u>	<u>\$ 29,007,845</u>
\$ 47,282	\$ 32,000	\$ 4,628	\$ 557	\$ 671,969
109,558	-	-	-	321,318
-	-	-	390,511	1,184,962
90	-	-	-	16,284
29,901	-	-	-	422,664
-	-	-	-	2,544,697
-	-	-	10,602	10,602
<u>\$ 186,831</u>	<u>\$ 32,000</u>	<u>\$ 4,628</u>	<u>\$ 401,670</u>	<u>\$ 5,172,496</u>
<u>\$ 435,285</u>	<u>\$ 23,240</u>	<u>\$ 283</u>	<u>\$ 1,812</u>	<u>\$ 5,503,899</u>

**MILLE LACS COUNTY
MILACA, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2021**

	General	Road and Bridge
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u> (Continued)		
Fund Balances		
Nonspendable		
Inventories	\$ -	\$ 367,796
Advances to other funds	10,602	-
Restricted for		
Debt service	-	-
Law library	183,580	-
Recorder's technology and equipment	100,894	-
Clean water legacy and Natural Resources Block Grant (NRBG)		
Subsurface Sewage Treatment Systems (SSTS)	200,000	-
Administering the carrying of weapons	208,024	-
Law enforcement	145,090	-
Enhanced 911 system	213,232	-
Gravel pit restoration	143,086	-
DARE program	60,190	-
Prisoner account	86,743	-
Prosecutorial purposes	45,884	-
Aquatic invasive species	194,436	-
Ditch maintenance and repairs	-	-
SCORE	158,777	-
Economic development	19,016	-
Assigned to		
Public safety	308,649	-
Highways and streets	-	831,598
Community and veteran services programs	-	-
Capital projects	-	-
Unassigned	-	-
	\$ 2,078,203	\$ 1,199,394
Total Fund Balances		
	\$ 2,078,203	\$ 1,199,394
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 6,898,648	\$ 5,969,595

EXHIBIT 3
(Continued)

<u>Community and Veteran Services</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Ditch</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ 367,796
-	-	-	-	10,602
-	6,811,274	-	-	6,811,274
-	-	-	-	183,580
-	-	-	-	100,894
-	-	-	-	200,000
-	-	-	-	208,024
-	-	-	-	145,090
-	-	-	-	213,232
-	-	-	-	143,086
-	-	-	-	60,190
-	-	-	-	86,743
-	-	-	-	45,884
-	-	-	-	194,436
-	-	-	179,475	179,475
-	-	-	-	158,777
-	-	-	-	19,016
-	-	-	-	308,649
-	-	-	-	831,598
7,112,870	-	-	-	7,112,870
-	-	1,015,942	-	1,015,942
-	-	-	(65,708)	(65,708)
<u>\$ 7,112,870</u>	<u>\$ 6,811,274</u>	<u>\$ 1,015,942</u>	<u>\$ 113,767</u>	<u>\$ 18,331,450</u>
<u>\$ 7,734,986</u>	<u>\$ 6,866,514</u>	<u>\$ 1,020,853</u>	<u>\$ 517,249</u>	<u>\$ 29,007,845</u>

**MILLE LACS COUNTY
MILACA, MINNESOTA**

EXHIBIT 4

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION—GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2021**

Fund balances – total governmental funds (Exhibit 3) \$ 18,331,450

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

Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. 83,696,252

Deferred outflows of resources resulting from pension obligations are not available resources and, therefore, are not reported in governmental funds. 9,144,198

Deferred outflows of resources resulting from the other postemployment benefits liability are not available resources and, therefore, are not reported in the governmental funds. 345,944

Revenues in the statement of activities that do not provide current financial resources are not reported in the governmental funds. 5,503,899

Net pension assets are not available to pay for current period expenditures and, therefore, are not reported in the governmental funds. 140,952

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

General obligation bonds	\$	(19,595,000)	
Special assessment bonds		(1,666,000)	
Unamortized premium on bonds		(559,982)	
Capital equipment notes		(815,000)	
Unamortized premium on notes		(59,355)	
Loans payable		(200,000)	
Compensated absences		(2,170,293)	
Net pension liability		(8,233,607)	
Other postemployment benefits liability		(2,865,114)	(36,164,351)

Deferred inflows resulting from pension obligations are not due and payable in the current period and, therefore, are not reported in the governmental funds. (11,646,627)

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. (51,514)

Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the governmental funds. (250,026)

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. 90,125

Net Position of Governmental Activities (Exhibit 1) \$ 69,140,302

**MILLE LACS COUNTY
MILACA, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021**

	General	Road and Bridge
Revenues		
Taxes	\$ 12,465,693	\$ 1,025,170
Special assessments	129,533	-
Licenses and permits	458,090	17,460
Intergovernmental	4,610,999	6,790,642
Charges for services	896,727	129,725
Fines and forfeits	157,167	-
Gifts and contributions	69,071	-
Investment earnings	12,660	-
Miscellaneous	389,217	30,098
	\$ 19,189,157	\$ 7,993,095
Expenditures		
Current		
General government	\$ 7,720,299	\$ -
Public safety	10,389,201	-
Highways and streets	-	6,991,306
Sanitation	249,717	-
Human services	-	-
Health	-	-
Culture and recreation	100,688	-
Conservation of natural resources	589,125	-
Economic development	604,472	-
Intergovernmental		
Highways and streets	-	274,060
Culture and recreation	289,513	-
Capital outlay		
Highways and streets	-	-
Debt service		
Principal	-	-
Interest	-	-
Administrative (fiscal) charges	-	-
Bond issuance costs	-	-
	\$ 19,943,015	\$ 7,265,366
Excess of Revenues Over (Under) Expenditures	\$ (753,858)	\$ 727,729

EXHIBIT 5

<u>Community and Veteran Services</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Ditch</u>	<u>Total</u>
\$ 4,354,158	\$ 2,328,103	\$ 51	\$ -	\$ 20,173,175
-	199,619	-	44,316	373,468
-	-	-	-	475,550
6,831,854	13,380	-	-	18,246,875
786,220	-	-	-	1,812,672
-	-	-	-	157,167
900	-	-	-	69,971
-	-	-	-	12,660
500,396	-	-	-	919,711
\$ 12,473,528	\$ 2,541,102	\$ 51	\$ 44,316	\$ 42,241,249
\$ 141,125	\$ -	\$ -	\$ -	\$ 7,861,424
-	-	-	-	10,389,201
-	-	-	-	6,991,306
-	-	-	-	249,717
10,822,141	-	-	-	10,822,141
877,302	-	-	-	877,302
-	-	-	-	100,688
-	-	-	771,899	1,361,024
-	-	-	-	604,472
-	-	-	-	274,060
-	-	-	-	289,513
-	-	84,511	-	84,511
-	1,290,000	-	-	1,290,000
-	604,389	-	-	604,389
-	28,421	-	-	28,421
-	40,000	-	16,000	56,000
\$ 11,840,568	\$ 1,962,810	\$ 84,511	\$ 787,899	\$ 41,884,169
\$ 632,960	\$ 578,292	\$ (84,460)	\$ (743,583)	\$ 357,080

**MILLE LACS COUNTY
MILACA, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>General</u>	<u>Road and Bridge</u>
Other Financing Sources (Uses)		
Transfers in	\$ 456,000	\$ 1,064,518
Transfers out	-	-
Loans issued	200,000	-
Bonds issued	-	-
	<u> </u>	<u> </u>
Total Other Financing Sources (Uses)	<u>\$ 656,000</u>	<u>\$ 1,064,518</u>
Net Change in Fund Balance	\$ (97,858)	\$ 1,792,247
Fund Balance – January 1	2,176,061	(734,833)
Increase (decrease) in inventories	<u>-</u>	<u>141,980</u>
Fund Balance – December 31	<u><u>\$ 2,078,203</u></u>	<u><u>\$ 1,199,394</u></u>

EXHIBIT 5
(Continued)

<u>Community and Veteran Services</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Ditch</u>	<u>Total</u>
\$ -	\$ 82,553	\$ -	\$ -	\$ 1,603,071
-	-	(1,520,518)	(82,553)	(1,603,071)
-	-	-	-	200,000
-	3,535,000	-	516,000	4,051,000
<u>\$ -</u>	<u>\$ 3,617,553</u>	<u>\$ (1,520,518)</u>	<u>\$ 433,447</u>	<u>\$ 4,251,000</u>
\$ 632,960	\$ 4,195,845	\$ (1,604,978)	\$ (310,136)	\$ 4,608,080
6,479,910	2,615,429	2,620,920	423,903	13,581,390
-	-	-	-	141,980
<u>\$ 7,112,870</u>	<u>\$ 6,811,274</u>	<u>\$ 1,015,942</u>	<u>\$ 113,767</u>	<u>\$ 18,331,450</u>

**MILLE LACS COUNTY
MILACA, MINNESOTA**

EXHIBIT 6

**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, 2021**

Net change in fund balance – total governmental funds (Exhibit 5) \$ 4,608,080

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

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

Unavailable revenue – December 31	\$ 5,503,899	
Unavailable revenue – January 1	<u>(6,255,494)</u>	(751,595)

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

Expenditures for general capital assets and infrastructure and other related capital asset adjustments	\$ 3,684,554	
Current year depreciation	<u>(3,373,090)</u>	311,464

Issuing long-term debt provides current financial resources to governmental funds, while the repayment of debt consumes current financial resources. Neither transaction, however, has any effect on net position.

Proceeds of new debt		
Bonds issued	\$ (4,051,000)	
Loans issued	<u>(200,000)</u>	(4,251,000)

Principal repayments		
General obligation bonds	\$ 1,060,000	
Special assessment bonds	45,000	
Capital equipment notes	<u>185,000</u>	1,290,000

**MILLE LACS COUNTY
MILACA, MINNESOTA**

**EXHIBIT 6
(Continued)**

**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, 2021**

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

Change in accrued interest payable	\$	10,732	
Change in compensated absences		12,629	
Change in other postemployment benefits liability		(390,988)	
Change in net pension asset		140,952	
Change in net pension liability		4,111,657	
Change in deferred pension outflows		6,121,136	
Change in deferred pension inflows		(8,621,765)	
Change in deferred other postemployment benefits outflows		123,066	
Change in deferred other postemployment benefits inflows		10,304	
Change in inventories		141,980	
Current year amortization of premium on bonds issued		56,217	1,715,920

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

6,997

Change in Net Position of Governmental Activities (Exhibit 2)

\$ 2,929,866

SELF-INSURANCE INTERNAL SERVICE FUND

MILLE LACS COUNTY
MILACA, MINNESOTA

EXHIBIT 7

STATEMENT OF FUND NET POSITION
SELF-INSURANCE INTERNAL SERVICE FUND
DECEMBER 31, 2021

	<u>Governmental Activities</u>
<u>Assets</u>	
Cash and pooled investments	\$ 103,742
<u>Liabilities</u>	
Claims payable	<u>13,617</u>
<u>Net Position</u>	
Unrestricted	<u><u>\$ 90,125</u></u>

MILLE LACS COUNTY
MILACA, MINNESOTA

EXHIBIT 8

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
SELF-INSURANCE INTERNAL SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>Governmental Activities</u>
Operating Revenues	
Insurance fees	\$ 169,875
Operating Expenses	
Insurance	<u>162,878</u>
Operating Income (Loss)	\$ 6,997
Net Position – January 1	<u>83,128</u>
Net Position – December 31	<u><u>\$ 90,125</u></u>

MILLE LACS COUNTY
MILACA, MINNESOTA

EXHIBIT 9

STATEMENT OF CASH FLOWS
SELF-INSURANCE INTERNAL SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2021
Increase (Decrease) in Cash and Cash Equivalents

	<u>Governmental Activities</u>
Cash Flows From Operating Activities	
Insurance fees	\$ 169,875
Insurance	<u>(162,625)</u>
Net Cash Provided by (Used in) Operating Activities	\$ 7,250
Cash and Cash Equivalents at January 1	<u>96,492</u>
Cash and Cash Equivalents at December 31	<u><u>\$ 103,742</u></u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities	
Operating income (loss)	\$ 6,997
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities	
Increase (decrease) in claims payable	<u>253</u>
Net Cash Provided by (Used in) Operating Activities	<u><u>\$ 7,250</u></u>

FIDUCIARY FUNDS

**MILLE LACS COUNTY
MILACA, MINNESOTA**

EXHIBIT 10

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2021**

	Private-Purpose Trust Funds	Custodial Funds
<u>Assets</u>		
Cash and pooled investments	\$ 62,463	\$ 906,604
Interest receivable	5	-
Due from other governments	-	6,899
Accounts receivable for other governments - net	-	100,818
Taxes receivable for other governments	-	490,361
	\$ 62,468	\$ 1,504,682
<u>Liabilities</u>		
Due to other governments	-	674,245
<u>Net Position</u>		
Restricted for individuals, organizations, and other governments	\$ 62,468	\$ 830,437

**MILLE LACS COUNTY
MILACA, MINNESOTA**

EXHIBIT 11

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Private-Purpose Trust Funds	Custodial Funds
<u>Additions</u>		
Contributions from individuals	\$ 240,669	\$ 350,852
Contributions from entities	-	80,965
Interest earnings	60	-
Property tax collections for other governments	-	16,931,832
Tax-forfeited land sales	-	247,402
Federal/State revenue	-	435,335
Other taxes and fees collected for other governments	-	1,847,162
Mortgage foreclosure sales	-	958,190
	\$ 240,729	\$ 20,851,738
<u>Deductions</u>		
Beneficiary payments to individuals	\$ 232,568	\$ 290,640
Payments of property tax to other governments	-	16,945,617
Administrative expense	1,587	-
Payments to state	-	1,665,382
Payments to other individuals/entities	-	2,633,422
	\$ 234,155	\$ 21,535,061
Change in Net Position	\$ 6,574	\$ (683,323)
Net Position – January 1	55,894	1,513,760
Net Position – December 31	\$ 62,468	\$ 830,437

**MILLE LACS COUNTY
MILACA, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2021**

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, 2021. 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.

A. 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.

**MILLE LACS COUNTY
MILACA, MINNESOTA**

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity (Continued)

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 2021.

Joint Ventures

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

B. Basic Financial Statements

1. 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.

**MILLE LACS COUNTY
MILACA, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

1. Government-Wide Statements (Continued)

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.

2. 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. All remaining governmental funds are aggregated and reported as nonmajor funds. 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.

**MILLE LACS COUNTY
MILACA, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

The County reports the following major governmental funds:

The General Fund is the County's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.

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

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

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

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

Additionally, the County reports the following fund types:

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

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

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

**MILLE LACS COUNTY
MILACA, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting

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

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

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

1. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Auditor-Treasurer to increase earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2021. All investments are measured at the net asset value per share. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments of governmental and fiduciary funds are credited to the General Fund. Other funds received investment earnings based on other statutes, grant agreements, contracts, and bond covenants. Pooled investment earnings for 2021 were \$12,660.

**MILLE LACS COUNTY
MILACA, MINNESOTA**

1. Summary of Significant Accounting Policies

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

1. Deposits and Investments (Continued)

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

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

2. Receivables and Payables

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

Advances between funds, as reported in the fund financial statements, are offset by nonspendable fund balance in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources. This treatment is available for the General Fund only.

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 2015 through 2021.

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

**MILLE LACS COUNTY
MILACA, MINNESOTA**

1. Summary of Significant Accounting Policies

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

2. Receivables and Payables (Continued)

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

Accounts receivable include an allowance for doubtful accounts. Total accounts receivable for the year ended December 31, 2021, were \$3,226,271 for governmental activities and \$8,322,144 for fiduciary funds. The allowance for doubtful accounts was \$2,855,060 for governmental activities and \$8,221,326 for fiduciary funds, resulting in a net effect of \$371,211 and \$100,818, respectively.

3. Inventories and Prepaid Items

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

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The County had no prepaid items for the year ended December 31, 2021.

4. Capital Assets

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

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

**MILLE LACS COUNTY
MILACA, MINNESOTA**

1. Summary of Significant Accounting Policies

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

4. Capital Assets (Continued)

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

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

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.

6. Compensated Absences

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

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

**MILLE LACS COUNTY
MILACA, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity
(Continued)

7. 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.

8. 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 then. 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 so will not be recognized as an inflow of resources (revenue) until that time. The County has three types of deferred inflows. The governmental funds report unavailable revenue from delinquent property taxes and special assessments receivable, loans receivable, and grants receivable. Unavailable revenue arises only under the modified accrual basis of accounting and, accordingly, is reported only in the governmental funds balance sheet. Unavailable revenue is

**MILLE LACS COUNTY
MILACA, MINNESOTA**

1. Summary of Significant Accounting Policies

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

8. Deferred Outflows/Inflows of Resources (Continued)

deferred and recognized as an inflow of resources in the period that the amounts become available. The County also reports deferred inflows of resources associated with pension and OPEB benefits. These inflows arise only under the full accrual basis of accounting and, accordingly, are reported only in the statement of net position.

9. 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.

10. 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 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.

**MILLE LACS COUNTY
MILACA, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity
(Continued)

11. 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.

**MILLE LACS COUNTY
MILACA, MINNESOTA**

1. Summary of Significant Accounting Policies

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

11. Classification of Fund Balances (Continued)

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

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

12. 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.

**MILLE LACS COUNTY
MILACA, MINNESOTA**

2. Stewardship, Compliance, and Accountability

A. Deficit Fund Equity

The Ditch Special Revenue Fund had a positive fund balance of \$113,767 as of December 31, 2021, although two individual ditch systems had negative fund balances. These deficits will be eliminated with future special assessment levies against the benefited properties. The following is a summary of the individual ditch systems:

9 ditches with positive fund balances	\$ 179,475
2 ditches with deficit fund balances	<u>(65,708)</u>
Total Fund Balance	<u>\$ 113,767</u>

B. Tax Abatements

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

The pay-as-you-go note provides for payment to the developer of a percentage of all tax increment received in the prior six months. The payment reimburses the developer for certain public improvements. During 2021, there were four pay-as-you-go notes within the County. The TIF funds collected during 2021 totaled \$119,287. The County's portion of the captured tax capacity and related property taxes was approximately 43 percent, or \$51,293.

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

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

**MILLE LACS COUNTY
MILACA, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

Government-wide statement of net position	
Governmental activities	
Cash and pooled investments	\$ 21,493,695
Petty cash and change funds	850
Departmental cash	40,536
Statement of fiduciary net position	
Cash and pooled investments	
Private-purpose trust funds	62,463
Custodial funds	<u>906,604</u>
Total Cash and Investments	<u>\$ 22,504,148</u>

a. Deposits

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

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

In accordance with Minnesota statutes, the County maintains deposits at depository banks authorized by the Board. The carrying amount of the County’s deposits with financial institutions was \$5,238,367 as of December 31, 2021; the bank balance was \$6,091,584.

**MILLE LACS COUNTY
MILACA, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

a. Deposits (Continued)

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, 2021, none of the County's deposits were exposed to custodial credit risk.

b. Investments

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

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

**MILLE LACS COUNTY
MILACA, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

- (6) with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

Interest Rate Risk

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

Credit Risk

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

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities in the possession of an outside party. It is the County's policy to minimize investment custodial credit risk by permitting brokers that obtain investments for the County to hold them only to the extent there is Securities Investor Protection Corporation (SIPC) insurance and excess SIPC coverage available. At December 31, 2021, none of the County's investments were subject to custodial credit risk.

**MILLE LACS COUNTY
MILACA, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

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, 2021, and information relating to potential investment risks:

Investment Type	Credit Risk		Concentration Risk Over 5 Percent of Portfolio	Interest Rate Risk Maturity Date	Carrying (Fair) Value
	Credit Rating	Rating Agency			
Investment pools/mutual funds					
MAGIC Fund	N/R	N/A	100.0%	N/A	\$ 17,224,395
Deposits					5,238,367
Petty cash and change funds					850
Departmental cash					40,536
Total Cash and Investments					<u>\$ 22,504,148</u>

N/A – Not Applicable

N/R – Not Rated

c. Fair Value Measurements

The MAGIC Fund is a local government investment pool which is quoted at a net asset value (NAV). The County invests in this pool for the purpose of the joint investment of the County's money with those of other counties to enhance the investment earnings accruing to each member. The MAGIC Fund currently consists of the MAGIC Portfolio and the MAGIC Term Series.

**MILLE LACS COUNTY
MILACA, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

c. Fair Value Measurements (Continued)

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.

Shares of the MAGIC Term Series are purchased to mature upon pre-determined maturity dates selected by the County at the time of purchase. Should the County need to redeem shares in the MAGIC Term Series prematurely, it must provide notice at least seven days prior to the premature redemption date. The value of a premature redemption is equal to the original price for such share, plus dividends thereon, at the projected yield, less such share's allocation of any losses incurred by the series, less a premature redemption penalty, if any.

	<u>Investments Measured at NAV</u>
	As of
	<u>December 31, 2021</u>
Investments	
MAGIC Portfolio	<u>\$ 17,224,395</u>

**MILLE LACS COUNTY
MILACA, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets (Continued)

2. Receivables

Receivables as of December 31, 2021, for the County’s governmental activities are as follows:

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental Activities		
Taxes, delinquent	\$ 538,730	\$ -
Special assessments, delinquent	8,188	-
Accounts receivable – net	371,211	50,211
Loans receivable – net	528,620	131,594
Accrued interest	1,640	-
Due from other governments	5,733,435	-
Total Governmental Activities	\$ 7,181,824	\$ 181,805

Property Taxes and Special Assessments

Property taxes and special assessments which remain unpaid at December 31 are delinquent. No allowance for uncollectible receivables has been provided because such amounts are not expected to be material.

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.

**MILLE LACS COUNTY
MILACA, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

2. Receivables

Loans Receivable (Continued)

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

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

A summary of loans receivable outstanding at December 31, 2021, are as follows:

	<u>Original Loan Amount</u>	<u>Balance Repaid at December 31, 2021</u>	<u>Outstanding Balance at December 31, 2021</u>	<u>Term (Years)</u>	<u>Interest Rate (%)</u>
General Fund					
Economic development relief loans	\$ 3,355,777	\$ 216,667	\$ 3,139,110	20	-
Small cities development program loans					
Residential	156,529	87,825	68,704	7	-
Commercial	<u>15,128</u>	<u>3,778</u>	<u>11,350</u>	10	1.0
Total Loans Receivable	<u>\$ 3,257,434</u>	<u>\$ 308,270</u>	\$ 3,219,164		
Less: allowance for uncollectible loans					
Economic development relief loans			(2,621,840)		
Small cities development program loans			<u>(68,704)</u>		
Total Net Loans Receivable			<u>\$ 528,620</u>		
Due within one year					
Economic development relief loans			\$ 395,384		
Small cities development program loans			<u>1,642</u>		
Total			<u>\$ 397,026</u>		

**MILLE LACS COUNTY
MILACA, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets (Continued)

3. Capital Assets

Capital asset activity for the year ended December 31, 2021, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 3,028,726	\$ -	\$ -	\$ 3,028,726
Construction in progress	15,431,662	3,522,980	16,768,590	2,186,052
Total capital assets not depreciated	\$ 18,460,388	\$ 3,522,980	\$ 16,768,590	\$ 5,214,778
Capital assets depreciated				
Land improvements	\$ 968,190	\$ -	\$ -	\$ 968,190
Buildings	26,141,767	-	-	26,141,767
Machinery and equipment	10,802,677	161,574	-	10,964,251
Infrastructure	74,948,306	16,768,590	-	91,716,896
Software	271,558	-	-	271,558
Total capital assets depreciated	\$ 113,132,498	\$ 16,930,164	\$ -	\$ 130,062,662
Less: accumulated depreciation for				
Land improvements	\$ 759,531	\$ 24,320	\$ -	\$ 783,851
Buildings	11,086,637	734,177	-	11,820,814
Machinery and equipment	7,756,168	696,676	-	8,452,844
Infrastructure	28,344,020	1,909,308	-	30,253,328
Software	261,742	8,609	-	270,351
Total accumulated depreciation	\$ 48,208,098	\$ 3,373,090	\$ -	\$ 51,581,188
Total capital assets depreciated, net	\$ 64,924,400	\$ 13,557,074	\$ -	\$ 78,481,474
Governmental Activities Capital Assets, Net	\$ 83,384,788	\$ 17,080,054	\$ 16,768,590	\$ 83,696,252

**MILLE LACS COUNTY
MILACA, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

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

Governmental Activities		
General government	\$	867,987
Public safety		260,833
Highways and streets, including depreciation of infrastructure assets		2,228,326
Human services		9,669
Conservation of natural resources		<u>6,275</u>
Total Depreciation Expense – Governmental Activities	\$	<u><u>3,373,090</u></u>

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2021, was as follows:

1. Due To/From Other Funds

	Receivable	Payable
Major governmental funds		
General Fund	\$ 90	\$ 16,194
Road and Bridge Special Revenue Fund	16,194	-
Community and Veteran Services Special Revenue Fund	<u>-</u>	<u>90</u>
Total Due To/From Other Funds	<u><u>\$ 16,284</u></u>	<u><u>\$ 16,284</u></u>

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

**MILLE LACS COUNTY
MILACA, MINNESOTA**

3. Detailed Notes on All Funds

B. Interfund Receivables, Payables, and Transfers (Continued)

2. Advances From/To Other Funds

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

3. Transfers

Interfund transfers at December 31, 2021, were as follows:

	<u>Transfers In</u>	<u>Description</u>
Transfers to General Fund from Capital Projects Fund	\$ 456,000	Capital projects transfer
Transfers to Road and Bridge Fund from Capital Projects Fund	1,064,518	Capital projects transfer
Transfer to Debt Service Fund from Ditch Fund	<u>82,553</u>	Excess bond proceeds
Total Interfund Transfers	<u>\$ 1,603,071</u>	

C. Liabilities and Deferred Inflows of Resources

1. Construction and Other Commitments

The County has active construction projects as of December 31, 2021. The remaining commitment for highway projects are state-funded and, therefore, not obligations of the County at December 31, 2021.

2. Deferred Inflows of Resources – Unavailable Revenue

Unavailable revenue consists of taxes, special assessments, investment earnings, 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, 2021, are summarized by fund:

**MILLE LACS COUNTY
MILACA, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources

2. Deferred Inflows of Resources – Unavailable Revenue (Continued)

	<u>Taxes</u>	<u>Special Assessments</u>	<u>Grants and Highway Allotments</u>	<u>Other</u>	<u>Total</u>
Major governmental funds					
General	\$ 366,184	\$ 6,376	\$ 168,886	\$ 702,527	\$ 1,243,973
Special Revenue					
Road and Bridge	11,541	-	3,787,765	-	3,799,306
Community and Veteran Services	137,482	-	245,372	52,431	435,285
Debt Service	23,240	-	-	-	23,240
Capital Projects	283	-	-	-	283
Nonmajor governmental funds					
Ditch	-	1,812	-	-	1,812
Total	\$ 538,730	\$ 8,188	\$ 4,202,023	\$ 754,958	\$ 5,503,899

3. Long-Term Debt

<u>Type of Indebtedness</u>	<u>Final Maturity</u>	<u>Installment Amounts</u>	<u>Interest Rate (%)</u>	<u>Original Issue Amount</u>	<u>Outstanding Balance December 31, 2021</u>
General obligation bonds					
2010B Taxable Capital Improvement Bonds – Recovery Zone Economic Development Bonds	02/01/2026	\$125,000 - \$140,000	3.30 - 4.45	\$ 920,000	\$ 670,000
2014 G.O. Capital Improvement Plan Refunding Bonds	02/01/2029	\$395,000 - \$540,000	2.50 - 3.00	6,015,000	3,945,000
2018A G.O. Capital Improvement Plan Bonds	02/01/2039	\$340,000 - \$630,000	3.00 - 3.50	9,315,000	8,625,000
2019A G.O. Capital Improvement Plan Bonds	02/01/2035	\$150,000 - \$245,000	3.00 - 4.00	2,970,000	2,820,000
2021A G.O. Capital Improvement Plan Bonds	02/01/2029	\$479,000 - \$522,000	1.15	3,535,000	3,535,000
Total general obligation bonds				\$ 22,755,000	\$ 19,595,000

**MILLE LACS COUNTY
MILACA, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources

3. Long-Term Debt (Continued)

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2021
Special assessment bonds with government commitment					
2019B G.O. Drainage Bonds	02/01/2042	\$45,000 - \$65,000	3.00	\$ 1,195,000	\$ 1,150,000
2021B G.O. Drainage Bonds	02/01/2042	\$20,000 - \$31,000	1.98	516,000	516,000
Total special assessment bonds with government commitment				\$ 1,711,000	\$ 1,666,000
2019A G.O. Capital Equipment Notes	02/01/2025	\$185,000 - \$215,000	4.00	\$ 1,000,000	\$ 815,000
Total Bonds and Notes Payable				\$ 25,466,000	\$ 22,076,000
Loans payable					
State of Minnesota Clean Water Partnership Loan Program SRF0340	*	*	0.00	\$ 200,000	\$ 200,000

*These loans do not have a final maturity or final installation amounts until the program ends.

4. Debt Service Requirements

Debt service requirements at December 31, 2021, were as follows:

Year Ending December 31	General Obligation Bonds		Taxable General Obligation Bonds	
	Principal	Interest	Principal	Interest
2022	\$ 970,000	\$ 502,777	\$ 130,000	\$ 25,372
2023	1,479,000	480,523	130,000	20,238
2024	1,527,000	445,124	135,000	14,836
2025	1,556,000	408,180	135,000	9,132
2026	1,604,000	369,553	140,000	3,115
2027 - 2031	6,389,000	1,268,093	-	-
2032 - 2036	3,575,000	611,340	-	-
2037 - 2041	1,825,000	97,388	-	-
Total	\$ 18,925,000	\$ 4,182,978	\$ 670,000	\$ 72,693

**MILLE LACS COUNTY
MILACA, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources

4. Debt Service Requirements (Continued)

Year Ending December 31	Special Assessment Bonds		Notes	
	Principal	Interest	Principal	Interest
2022	\$ 45,000	\$ 40,239	\$ 190,000	\$ 28,800
2023	65,000	42,494	200,000	21,000
2024	67,000	40,728	210,000	12,800
2025	72,000	38,867	215,000	4,300
2026	73,000	36,922	-	-
2027 - 2031	385,000	154,735	-	-
2032 - 2036	432,000	99,046	-	-
2037 - 2041	431,000	41,970	-	-
2042 - 2043	96,000	1,282	-	-
Total	<u>\$ 1,666,000</u>	<u>\$ 496,283</u>	<u>\$ 815,000</u>	<u>\$ 66,900</u>

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

Taking into consideration the aforementioned RZEDB interest credit, as of December 31, 2021, the County's net annual debt service requirements to amortize all taxable general obligation bonds outstanding, including interest of \$41,847 on the governmental activities debt, is as follows:

**MILLE LACS COUNTY
MILACA, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources

4. Debt Service Requirements (Continued)

Year Ending December 31	Principal	Interest	Federal Subsidy	Net Interest	Total Payment
2022	\$ 130,000	\$ 25,372	\$ (10,766)	\$ 14,606	\$ 144,606
2023	130,000	20,238	(8,588)	11,650	141,650
2024	135,000	14,836	(6,295)	8,541	143,541
2025	135,000	9,132	(3,875)	5,257	140,257
2026	140,000	3,115	(1,322)	1,793	141,793
Total	<u>\$ 670,000</u>	<u>\$ 72,693</u>	<u>\$ (30,846)</u>	<u>\$ 41,847</u>	<u>\$ 711,847</u>

On November 4 ,2021, the County issued \$3,535,000 General Obligation Capital Improvement Refunding Bonds, Series 2021A; with an average interest rate of 1.15 percent to refund \$3,495,000 of outstanding General Obligation Capital Improvement Plan Refunding Bonds, Series 2014, with an average interest rate of 2.89 percent. The County will continue to make principal and interest payments on the refunded bonds through the call date of February 1, 2022. The County refunded the bonds to reduce its total debt service payments by \$200,193 and to obtain an economic gain (difference between the present values of the debt service payment on the old and new debt) of \$191,384.

5. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2021, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General obligation bonds	\$ 16,325,000	\$ 3,535,000	\$ 935,000	\$ 18,925,000	\$ 970,000
Taxable general obligation bonds	795,000	-	125,000	670,000	130,000
Special assessments bonds with government commitment	1,195,000	516,000	45,000	1,666,000	45,000
Capital equipment notes	1,000,000	-	185,000	815,000	190,000
Add: premium on bonds and notes	675,554	-	56,217	619,337	-
Compensated absences	2,182,922	1,346,491	1,359,120	2,170,293	401,941
Loans payable	-	200,000	-	200,000	-
Long-Term Liabilities	<u>\$ 22,173,476</u>	<u>\$ 5,597,491</u>	<u>\$ 2,705,337</u>	<u>\$ 25,065,630</u>	<u>\$ 1,736,941</u>

**MILLE LACS COUNTY
MILACA, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

D. Other Postemployment Benefits (OPEB)

1. Plan Description

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

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

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

As of the January 1, 2020, actuarial valuation, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	3
Active plan participants	<u>240</u>
Total	<u>243</u>

2. Total OPEB Liability

The County's total OPEB liability of \$2,865,114 was measured as of January 1, 2021, and was determined by an actuarial valuation as of January 1, 2020. 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, 2021, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

**MILLE LACS COUNTY
MILACA, MINNESOTA**

3. Detailed Notes on All Funds

D. Other Postemployment Benefits (OPEB)

2. Total OPEB Liability (Continued)

Actuarial cost method	Entry Age, level percentage of pay
Inflation	2.50 percent
Salary increases	Service grade table
Health care cost trend	6.25 percent as of January 1, 2021, grading to 5.00 percent over 5 years and then 4.00 percent over the next 48 years

The current year discount rate is 2.00 percent. For the current valuation, the discount rate is equal to the 20-Year AA-rated municipal bond yield.

Mortality rates used are recent tables developed and recommended by the Society of Actuaries, (SOA) Pub-2010 Public Retirement Plans Headcount-Weighted Mortality tables (General, Safety) with MP-2019 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.

3. Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance at December 31, 2020	\$ 2,474,126
Changes for the year	
Service cost	\$ 224,813
Interest	77,291
Assumption changes	156,801
Benefit payments	<u>(67,917)</u>
Net change	\$ 390,988
Balance at December 31, 2021	<u>\$ 2,865,114</u>

**MILLE LACS COUNTY
MILACA, MINNESOTA**

3. Detailed Notes on All Funds

D. Other Postemployment Benefits (OPEB) (Continued)

4. 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:

	Discount Rate	Total OPEB Liability
1% Decrease	1.00%	\$ 3,083,998
Current	2.00	2,865,114
1% Increase	3.00	2,658,435

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:

	Health Care Trend Rate	Total OPEB Liability
1% Decrease	5.25% Decreasing to 3.00%	\$ 2,555,125
Current	6.25% Decreasing to 4.00%	2,865,114
1% Increase	7.25% Decreasing to 5.00%	3,233,827

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

For the year ended December 31, 2021, the County recognized OPEB expense of \$367,911. The County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

**MILLE LACS COUNTY
MILACA, MINNESOTA**

3. Detailed Notes on All Funds

D. Other Postemployment Benefits (OPEB)

5. OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB
(Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 19,786	\$ -
Changes in actuarial assumptions	215,865	51,514
Contributions paid to OPEB plan subsequent to the measurement date	110,293	-
Total	\$ 345,944	\$ 51,514

The \$110,293 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, 2022. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended December 31	OPEB Expense Amount
2022	\$ 25,707
2023	25,707
2024	25,707
2025	25,707
2026	25,713
Thereafter	55,596

6. Changes in Actuarial Assumptions

The following change in actuarial assumptions occurred in 2021:

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

**MILLE LACS COUNTY
MILACA, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

E. Pension Plans

Defined Benefit Pension Plans

1. Plan Description

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

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

Police officers, firefighters, and peace officers who qualify for membership by statute are covered by the Police and Fire Plan (accounted for in the Police and Fire Fund). For members first hired after June 30, 2010, but before July 1, 2014, benefits vest on a prorated basis starting with 50 percent after five years and increasing ten percent for each year of service until fully vested after ten years. Benefits for members first hired after June 30, 2014, vest on a prorated basis from 50 percent after ten years and increasing five percent for each year of service until fully vested after 20 years.

**MILLE LACS COUNTY
MILACA, MINNESOTA**

3. Detailed Notes on All Funds

E. Pension Plans

Defined Benefit Pension Plans

1. Plan Description (Continued)

Local government employees of a county-administered facility who are responsible for the direct security, custody, and control of the county 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.

2. Benefits Provided

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

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

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

**MILLE LACS COUNTY
MILACA, MINNESOTA**

3. Detailed Notes on All Funds

E. Pension Plans

Defined Benefit Pension Plans

2. Benefits Provided (Continued)

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

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

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.

**MILLE LACS COUNTY
MILACA, MINNESOTA**

3. Detailed Notes on All Funds

E. Pension Plans

Defined Benefit Pension Plans

2. Benefits Provided (Continued)

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

3. 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 2020.

In 2021, the County was required to contribute the following percentages of annual covered salary:

	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

The County’s contributions for the year ended December 31, 2021, to the pension plans were:

General Employees Plan	\$	787,643
Police and Fire Plan		484,188
Correctional Plan		161,303

**MILLE LACS COUNTY
MILACA, MINNESOTA**

3. Detailed Notes on All Funds

E. Pension Plans

Defined Benefit Pension Plans

3. Contributions (Continued)

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

4. Pension Costs

General Employees Plan

At December 31, 2021, the County reported a liability of \$6,486,811 for its proportionate share of the General Employees Plan's net pension liability. The net pension liability was measured as of June 30, 2021, 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, 2020, through June 30, 2021, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2021, the County's proportion was 0.1519 percent. It was 0.1484 percent measured as of June 30, 2020. The County recognized pension expense of \$257,615 for its proportionate share of the General Employees Plan's pension expense.

The County also recognized \$15,979 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's expense related to its contribution to the General Employees Plan, which qualifies as a special funding situation. Legislation requires the State of Minnesota to contribute \$16 million to the General Employees Plan annually until September 15, 2031.

The County's proportionate share of the net pension liability	\$ 6,486,811
State of Minnesota's proportionate share of the net pension liability associated with the County	<u>198,045</u>
Total	<u>\$ 6,684,856</u>

**MILLE LACS COUNTY
MILACA, MINNESOTA**

3. Detailed Notes on All Funds

E. Pension Plans

Defined Benefit Pension Plans

4. Pension Costs

General Employees Plan (Continued)

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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 38,777	\$ 197,985
Changes in actuarial assumptions	3,960,712	140,006
Difference between projected and actual investment earnings	-	5,624,992
Changes in proportion	222,508	-
Contributions paid to PERA subsequent to the measurement date	412,266	-
Total	\$ 4,634,263	\$ 5,962,983

The \$412,266 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, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2022	\$ (164,865)
2023	(40,701)
2024	(3,138)
2025	(1,532,282)

**MILLE LACS COUNTY
MILACA, MINNESOTA**

3. Detailed Notes on All Funds

E. Pension Plans

Defined Benefit Pension Plans

4. Pension Costs (Continued)

Police and Fire Plan

At December 31, 2021, the County reported a liability of \$1,746,796 for its proportionate share of the Police and Fire Plan's net pension liability. The net pension liability was measured as of June 30, 2021, 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, 2020, through June 30, 2021, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2021, the County's proportion was 0.2263 percent. It was 0.2493 percent measured as of June 30, 2020. The County recognized pension expense of \$20,538 for its proportionate share of the Police and Fire Plan's pension expense.

The State of Minnesota also contributed \$18 million to the Police and Fire Plan in the plan fiscal year ended June 30, 2021. The contribution consisted of \$9 million in direct state aid that meets the definition of a special funding situation and \$9 million in supplemental state aid that does not meet the definition of a special funding situation.

Legislation requires the State of Minnesota to pay direct state aid of \$9 million on October 1, 2020, and to pay \$9 million by October 1 of each subsequent year until full funding is reached, or July 1, 2048, whichever is earlier. The County recognized an additional \$14,297 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's pension expense related to the special funding situation.

The County's proportionate share of the net pension liability	\$ 1,746,796
State of Minnesota's proportionate share of the net pension liability associated with the County	<u>78,507</u>
Total	<u>\$ 1,825,303</u>

**MILLE LACS COUNTY
MILACA, MINNESOTA**

3. Detailed Notes on All Funds

E. Pension Plans

Defined Benefit Pension Plans

4. Pension Costs

Police and Fire Plan (Continued)

Legislation also requires the State of Minnesota to contribute \$9 million to the Police and Fire Plan each year, starting in fiscal year 2014, until the plan is 90 percent funded, or until the State Patrol Plan is 90 percent funded, whichever occurs later. The County also recognized \$20,367 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota’s on-behalf contribution to the Police and Fire Plan.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 340,795	\$ -
Changes in actuarial assumptions	2,567,333	949,498
Difference between projected and actual investment earnings	-	3,312,447
Changes in proportion	363,797	190,027
Contributions paid to PERA subsequent to the measurement date	267,254	-
Total	\$ 3,539,179	\$ 4,451,972

The \$267,254 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, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

**MILLE LACS COUNTY
MILACA, MINNESOTA**

3. Detailed Notes on All Funds

E. Pension Plans

Defined Benefit Pension Plans

4. Pension Costs

Police and Fire Plan (Continued)

Year Ended December 31	Pension Expense Amount
2022	\$ (885,630)
2023	(199,891)
2024	(236,944)
2025	(381,616)
2026	524,034

Correctional Plan

At December 31, 2021, the County reported an asset of \$140,952 for its proportionate share of the Correctional Plan's net pension asset. The net pension asset was measured as of June 30, 2021, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date. The County's proportion of the net pension asset was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2020, through June 30, 2021, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2021, the County's proportion was 0.8580 percent. It was 0.8738 percent measured as of June 30, 2020. The County recognized pension expense of (\$546,356) for its proportionate share of the Correctional Plan's pension expense.

**MILLE LACS COUNTY
MILACA, MINNESOTA**

3. Detailed Notes on All Funds

E. Pension Plans

Defined Benefit Pension Plans

4. Pension Costs

Correctional Plan (Continued)

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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 81,193
Changes in actuarial assumptions	882,324	13,195
Difference between projected and actual investment earnings	-	1,130,936
Changes in proportion	3,268	6,348
Contributions paid to PERA subsequent to the measurement date	85,164	-
Total	\$ 970,756	\$ 1,231,672

The \$85,164 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, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2022	\$ (50,543)
2023	(7,955)
2024	20,015
2025	(307,597)

**MILLE LACS COUNTY
MILACA, MINNESOTA**

3. Detailed Notes on All Funds

E. Pension Plans

Defined Benefit Pension Plans

4. Pension Costs (Continued)

Total Pension Expense

The total pension expense for all plans recognized by the County for the year ended December 31, 2021, was (\$268,203).

5. Actuarial Assumptions

The total pension liability in the June 30, 2021, actuarial valuation was determined using the individual entry-age normal actuarial cost method and the following additional actuarial assumptions:

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

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants were based on the Pub-2010 General Employee Mortality table for the General Employees Plan and the Pub-2010 Public Safety Employee Mortality tables for the Police and Fire and the Correctional Plans, with slight adjustments. Cost of living benefit increases for retirees are assumed to be 1.25 percent for the General Employees Plan and 2.00 percent for the Correctional Plan. 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, 2021, valuation 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 24, 2021, was utilized.

**MILLE LACS COUNTY
MILACA, MINNESOTA**

3. Detailed Notes on All Funds

E. Pension Plans

Defined Benefit Pension Plans

5. Actuarial Assumptions (Continued)

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

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

6. Discount Rate

The discount rate used to measure the total pension liability was 6.50 percent in 2021, which is a decrease of one percent from 2020. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, the fiduciary net positions 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.

**MILLE LACS COUNTY
MILACA, MINNESOTA**

3. Detailed Notes on All Funds

E. Pension Plans

Defined Benefit Pension Plans (Continued)

7. Changes in Actuarial Assumptions and Plan Provisions

The following changes in actuarial assumptions occurred in 2021:

General Employees Plan

- 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.

Police and Fire Plan

- 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).

**MILLE LACS COUNTY
MILACA, MINNESOTA**

3. Detailed Notes on All Funds

E. Pension Plans

Defined Benefit Pension Plans

7. Changes in Actuarial Assumptions and Plan Provisions

Police and Fire Plan (Continued)

- 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.

Correctional Plan

- 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.

**MILLE LACS COUNTY
MILACA, MINNESOTA**

3. Detailed Notes on All Funds

E. Pension Plans

Defined Benefit Pension Plans

7. Changes in Actuarial Assumptions and Plan Provisions

Correctional Plan (Continued)

- 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.

**MILLE LACS COUNTY
MILACA, MINNESOTA**

3. Detailed Notes on All Funds

E. Pension Plans

Defined Benefit Pension Plans (Continued)

8. 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:

	Proportionate Share of the					
	General Employees Plan		Police and Fire Plan		Correctional Plan	
	Discount Rate	Net Pension Liability	Discount Rate	Net Pension Liability (Asset)	Discount Rate	Net Pension Liability (Asset)
1% Decrease	5.50%	\$ 13,229,782	5.50%	\$ 5,545,782	5.50%	\$ 1,466,931
Current	6.50	6,486,811	6.50	1,746,796	6.50	(140,952)
1% Increase	7.50	953,781	7.50	(1,367,431)	7.50	(1,416,978)

9. 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.

4. Summary of Significant Contingencies and Other Items

A. 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

**MILLE LACS COUNTY
MILACA, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

A. Risk Management (Continued)

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 2021 and 2022. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

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

On January 1, 2010, the County contracted with Delta Dental of Minnesota to administer the County's dental benefit plan for its employees as provided by the plan accepted from Delta Dental. The County sets annual premiums for the plan based on the recommendation of the plan administration and accumulates premiums collected from all participating funds in the Self-Insurance Internal Service Fund.

At the beginning of each month, the County is billed by Delta Dental of Minnesota for the previous month's claims processed and the per-employee administrative fee. The payment is made to Delta Dental from the premiums accumulated in the Self-Insurance Internal Service Fund.

Changes in the balance of claims payable during 2021 and 2020 are as follows:

	2021	2020
Claims payable – January 1	\$ 13,364	\$ 25,596
Current year claims	162,878	152,042
Claim payments	(162,625)	(164,274)
Claims payable – December 31	\$ 13,617	\$ 13,364

**MILLE LACS COUNTY
MILACA, MINNESOTA**

4. Summary of Significant Contingencies and Other Items (Continued)

B. 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.

C. 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.

**MILLE LACS COUNTY
MILACA, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

C. Joint Ventures

East Central Solid Waste Commission (Continued)

Following is a summary of the financial information as of and for the year ended December 31, 2021:

Total assets and deferred outflows of resources	\$ 22,637,260
Total liabilities and deferred inflows of resources	<u>(9,249,049)</u>
Total Net Position	<u>\$ 13,388,211</u>
Operating and nonoperating revenues	\$ 8,156,749
Operating and nonoperating expenses	<u>(7,891,954)</u>
Change in Net Position	<u>\$ 264,795</u>

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

East Central Regional Library

The East Central Regional Library was established by a joint powers agreement among Aitkin, Chisago, Isanti, Kanabec, Mille Lacs, and Pine Counties to provide an efficient and improved regional public library service. The Library Board comprises 18 members: one County Board member and two appointees from each member county. Mille Lacs County's contribution for 2021 was \$289,513.

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

Snake River Watershed Management Board

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

**MILLE LACS COUNTY
MILACA, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Snake River Watershed Management Board (Continued)

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

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

Mille Lacs County provided \$4,379 in funding to the SRWMB during 2021. Upon dissolution, the personal property shall be returned to the member county contributing the same.

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

Central Minnesota Emergency Medical Services Region

The Central Minnesota Emergency Medical Services Region was established in 2001 under Minn. Stat. § 471.59, to improve access, delivery, and effectiveness of the emergency medical services system; promote systematic and cost-effective delivery of services; and identify and address system needs within the member counties. The member counties are Benton, Cass, Crow Wing, Kanabec, Mille Lacs, Morrison, Pine, Stearns, Todd, Wadena, and Wright. The Region established a Board comprising one Commissioner from each member county. The Region's Board has financial responsibility, and Stearns County is the fiscal agent. Mille Lacs County did not make any financial contributions to the Region during 2021.

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

**MILLE LACS COUNTY
MILACA, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

C. Joint Ventures (Continued)

Central Minnesota Emergency Services Board

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

The purpose of the Central Minnesota Emergency Services Board is to provide for regional administration of enhancements to the Statewide Public Safety Radio and Communication System (ARMER) owned and operated by the State of Minnesota.

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

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

The Central Minnesota Emergency Services Board has no long-term debt. Financing is provided by the appropriations from member parties and by state and federal grants. During 2021, Mille Lacs County contributed \$11,009 to the Central Minnesota Emergency Services Board.

Complete financial information can be obtained from the Central Minnesota Emergency Services Board, City of St. Cloud, Office of the Mayor, City Hall, 400 Second Street South, St. Cloud, Minnesota 56303.

**MILLE LACS COUNTY
MILACA, MINNESOTA**

4. Summary of Significant Contingencies and Other Items (Continued)

D. Subsequent Event

On March 11, 2021, the American Rescue Plan Act of 2021 (ARPA) was signed into law. The relief package provides \$65.1 billion in direct, flexible aid for counties in America. The U.S. Department of the Treasury will oversee and administer payments of the State and Local Coronavirus Recovery Funds to the state and local governments, for which every county is eligible to receive a direct allocation from the Treasury. Counties will receive funds in two tranches, with \$2,551,999 provided in 2021 and the second tranche of \$2,551,999 received on June 30, 2022.

During 2022, final settlement agreements were reached with pharmaceutical companies and distributors as part of the National Prescription Opiate Litigation. For Mille Lacs County, the amount to be received as a result of this litigation is \$2,065,052, to be received over 18 years. The Minnesota Opioids State-Subdivision Memorandum of Agreement was signed January 24, 2022.

REQUIRED SUPPLEMENTARY INFORMATION

**MILLE LACS COUNTY
MILACA, MINNESOTA**

EXHIBIT A-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 12,431,863	\$ 12,431,863	\$ 12,465,693	\$ 33,830
Special assessments	130,000	130,000	129,533	(467)
Licenses and permits	305,152	305,152	458,090	152,938
Intergovernmental	3,809,231	3,809,231	4,610,999	801,768
Charges for services	1,023,183	1,023,183	896,727	(126,456)
Fines and forfeits	76,000	76,000	157,167	81,167
Gifts and contributions	1,050	1,050	69,071	68,021
Investment earnings	190,000	190,000	12,660	(177,340)
Miscellaneous	562,150	562,150	389,217	(172,933)
Total Revenues	\$ 18,528,629	\$ 18,528,629	\$ 19,189,157	\$ 660,528
Expenditures				
Current				
General government				
Commissioners	\$ 215,662	\$ 215,662	\$ 242,122	\$ (26,460)
Court administrator	89,000	89,000	99,882	(10,882)
Law library	15,700	15,700	24,914	(9,214)
County administrator	1,473,815	1,473,815	1,362,124	111,691
Auditor-treasurer	433,041	433,041	400,127	32,914
Auditing	50,000	50,000	74,157	(24,157)
General administration	488,811	488,811	501,271	(12,460)
Information services	160,180	160,180	148,938	11,242
Data processing	81,700	81,700	69,207	12,493
Elections	66,800	66,800	24,133	42,667
County attorney	1,561,843	1,561,843	1,563,640	(1,797)
Victim emergency grant	162,089	162,089	166,663	(4,574)
Assessor	514,680	514,680	505,683	8,997
Recorder	-	-	1,769	(1,769)
Land records and information	53,000	53,000	16,832	36,168
Zoning and environmental services	401,221	401,221	429,011	(27,790)
Building maintenance	397,600	397,600	348,162	49,438
Other general government	1,118,250	1,118,250	1,741,664	(623,414)
Total general government	\$ 7,283,392	\$ 7,283,392	\$ 7,720,299	\$ (436,907)

**MILLE LACS COUNTY
MILACA, MINNESOTA**

**EXHIBIT A-1
(Continued)**

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Current (Continued)				
Public safety				
Sheriff	\$ 4,151,980	\$ 4,151,980	\$ 4,139,225	\$ 12,755
Court security	481,061	481,061	443,616	37,445
Boat and water safety	135,367	135,367	133,900	1,467
Snowmobile safety enforcement	18,400	18,400	13,618	4,782
ATV grant	4,300	4,300	1,517	2,783
DARE program	2,500	2,500	1,134	1,366
Chaplaincy	600	600	-	600
DWI forfeiture	1,200	1,200	35,749	(34,549)
Drug forfeiture	1,500	1,500	3,250	(1,750)
Communications	14,000	14,000	15,430	(1,430)
Records system	54,000	54,000	58,025	(4,025)
Permit to carry	63,438	63,438	59,028	4,410
Animal control	16,000	16,000	12,459	3,541
Coroner	63,530	63,530	63,908	(378)
County jail	3,629,598	3,629,598	3,285,074	344,524
Prisoner account	285,000	285,000	117,825	167,175
Probation	1,057,009	1,057,009	891,861	165,148
Case load reduction account	149,699	149,699	83,121	66,578
911 services and civil defense	92,144	92,144	88,260	3,884
E-911	53,250	53,250	59,362	(6,112)
Public safety answering point	902,811	902,811	882,839	19,972
Total public safety	\$ 11,177,387	\$ 11,177,387	\$ 10,389,201	\$ 788,186
Sanitation				
Solid waste	\$ 223,412	\$ 223,412	\$ 249,717	\$ (26,305)
Culture and recreation				
Historical society	\$ 9,000	\$ 9,000	\$ 9,000	\$ -
Snowmobile trails	-	-	91,688	(91,688)
Total culture and recreation	\$ 9,000	\$ 9,000	\$ 100,688	\$ (91,688)

**MILLE LACS COUNTY
MILACA, MINNESOTA**

**EXHIBIT A-1
(Continued)**

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Current (Continued)				
Conservation of natural resources				
County agricultural society	\$ 17,000	\$ 17,000	\$ 17,000	\$ -
County extension service	99,264	99,264	98,656	608
Soil and water conservation	124,239	124,239	107,750	16,489
Aquatic invasive species aid	93,709	93,709	69,814	23,895
Environmental resources	271,122	271,122	277,644	(6,522)
Other conservation	4,379	4,379	18,261	(13,882)
Total conservation of natural resources	\$ 609,713	\$ 609,713	\$ 589,125	\$ 20,588
Economic development				
Community development	\$ 231,228	\$ 231,228	\$ 97,808	\$ 133,420
Economic development	-	-	506,664	(506,664)
Total economic development	\$ 231,228	\$ 231,228	\$ 604,472	\$ (373,244)
Intergovernmental				
Culture and recreation				
Library	\$ 289,513	\$ 289,513	\$ 289,513	\$ -
Total Expenditures	\$ 19,823,645	\$ 19,823,645	\$ 19,943,015	\$ (119,370)
Excess of Revenues Over (Under) Expenditures	\$ (1,295,016)	\$ (1,295,016)	\$ (753,858)	\$ 541,158
Other Financing Sources (Uses)				
Transfers in	\$ 1,162,680	\$ 1,162,680	\$ 456,000	\$ (706,680)
Loans issued	-	-	200,000	\$ 200,000
Proceeds from sale of capital assets	3,000	3,000	-	(3,000)
Total Other Financing Sources (Uses)	\$ 1,165,680	\$ 1,165,680	\$ 656,000	\$ (509,680)
Net Change in Fund Balance	\$ (129,336)	\$ (129,336)	\$ (97,858)	\$ 31,478
Fund Balance – January 1	2,176,061	2,176,061	2,176,061	-
Fund Balance – December 31	\$ 2,046,725	\$ 2,046,725	\$ 2,078,203	\$ 31,478

**MILLE LACS COUNTY
MILACA, MINNESOTA**

EXHIBIT A-2

**BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 1,026,397	\$ 1,026,397	\$ 1,025,170	\$ (1,227)
Licenses and permits	18,000	18,000	17,460	(540)
Intergovernmental	5,132,932	5,132,932	6,790,642	1,657,710
Charges for services	72,000	72,000	129,725	57,725
Miscellaneous	30,000	30,000	30,098	98
Total Revenues	\$ 6,279,329	\$ 6,279,329	\$ 7,993,095	\$ 1,713,766
Expenditures				
Current				
Highways and streets				
Administration	\$ 376,015	\$ 376,015	\$ 449,480	\$ (73,465)
Construction	3,999,129	3,999,129	4,000,619	(1,490)
Maintenance	1,719,329	1,719,329	1,593,664	125,665
Equipment maintenance and shop	549,854	549,854	947,533	(397,679)
Public works surveyor	5,000	5,000	10	4,990
Total highways and streets	\$ 6,649,327	\$ 6,649,327	\$ 6,991,306	\$ (341,979)
Intergovernmental				
Highways and streets	286,000	286,000	274,060	11,940
Total Expenditures	\$ 6,935,327	\$ 6,935,327	\$ 7,265,366	\$ (330,039)
Excess of Revenues Over (Under) Expenditures	\$ (655,998)	\$ (655,998)	\$ 727,729	\$ 1,383,727
Other Financing Sources (Uses)				
Transfers in	1,464,518	1,464,518	1,064,518	(400,000)
Net Change in Fund Balance	\$ 808,520	\$ 808,520	\$ 1,792,247	\$ 983,727
Fund Balance – January 1	(734,833)	(734,833)	(734,833)	-
Increase (decrease) in inventories	-	-	141,980	141,980
Fund Balance – December 31	\$ 73,687	\$ 73,687	\$ 1,199,394	\$ 1,125,707

**MILLE LACS COUNTY
MILACA, MINNESOTA**

EXHIBIT A-3

**BUDGETARY COMPARISON SCHEDULE
COMMUNITY AND VETERAN SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 4,391,258	\$ 4,391,258	\$ 4,354,158	\$ (37,100)
Intergovernmental	6,746,822	6,746,822	6,831,854	85,032
Charges for services	707,317	707,317	786,220	78,903
Gifts and contributions	-	-	900	900
Miscellaneous	608,210	608,210	500,396	(107,814)
Total Revenues	\$ 12,453,607	\$ 12,453,607	\$ 12,473,528	\$ 19,921
Expenditures				
Current				
General government				
Veteran services	\$ 200,655	\$ 200,655	\$ 141,125	\$ 59,530
Human services				
Income maintenance	\$ 2,512,817	\$ 2,512,817	\$ 2,397,899	\$ 114,918
Social services	9,304,006	9,304,006	8,424,242	879,764
Total human services	\$ 11,816,823	\$ 11,816,823	\$ 10,822,141	\$ 994,682
Health				
Public health	\$ 1,015,742	\$ 1,015,742	\$ 877,302	\$ 138,440
Total Expenditures	\$ 13,033,220	\$ 13,033,220	\$ 11,840,568	\$ 1,192,652
Excess of Revenues Over (Under) Expenditures	\$ (579,613)	\$ (579,613)	\$ 632,960	\$ 1,212,573
Other Financing Sources (Uses)				
Transfers in	579,613	579,613	-	(579,613)
Net Change in Fund Balance	\$ -	\$ -	\$ 632,960	\$ 632,960
Fund Balance – January 1	6,479,910	6,479,910	6,479,910	-
Fund Balance – December 31	\$ 6,479,910	\$ 6,479,910	\$ 7,112,870	\$ 632,960

**MILLE LACS COUNTY
MILACA, MINNESOTA**

EXHIBIT A-4

**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
OTHER POSTEMPLOYMENT BENEFITS
DECEMBER 31, 2021**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability				
Service cost	\$ 224,813	\$ 190,162	\$ 135,579	\$ 138,023
Interest	77,291	87,921	69,845	65,301
Differences between expected and actual experience	-	26,382	-	-
Plan changes	-	-	107,812	-
Changes of assumption or other inputs	156,801	104,889	(82,426)	-
Benefit payments	<u>(67,917)</u>	<u>(116,474)</u>	<u>(60,518)</u>	<u>(65,821)</u>
Net change in total OPEB liability	\$ 390,988	\$ 292,880	\$ 170,292	\$ 137,503
Total OPEB Liability – Beginning	<u>2,474,126</u>	<u>2,181,246</u>	<u>2,010,954</u>	<u>1,873,451</u>
Total OPEB Liability – Ending	<u><u>\$ 2,865,114</u></u>	<u><u>\$ 2,474,126</u></u>	<u><u>\$ 2,181,246</u></u>	<u><u>\$ 2,010,954</u></u>
Covered-employee payroll	\$ 14,348,768	\$ 13,930,843	\$ 14,880,367	\$ 14,446,958
Total OPEB liability (asset) as a percentage of covered-employee payroll	19.97%	17.76%	14.66%	13.92%

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

**MILLE LACS COUNTY
MILACA, MINNESOTA**

EXHIBIT A-5

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA GENERAL EMPLOYEES RETIREMENT PLAN
DECEMBER 31, 2021**

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

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

N/A – Not Applicable

**MILLE LACS COUNTY
MILACA, MINNESOTA**

EXHIBIT A-6

**SCHEDULE OF CONTRIBUTIONS
PERA GENERAL EMPLOYEES RETIREMENT PLAN
DECEMBER 31, 2021**

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

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

**MILLE LACS COUNTY
MILACA, MINNESOTA**

EXHIBIT A-7

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA PUBLIC EMPLOYEES POLICE AND FIRE PLAN
DECEMBER 31, 2021**

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

This schedule is intended to show information for ten years. Additional years will be displayed as they become available.
The measurement date for each year is June 30.
N/A – Not Applicable

**MILLE LACS COUNTY
MILACA, MINNESOTA**

EXHIBIT A-8

**SCHEDULE OF CONTRIBUTIONS
PERA PUBLIC EMPLOYEES POLICE AND FIRE PLAN
DECEMBER 31, 2021**

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

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

**MILLE LACS COUNTY
MILACA, MINNESOTA**

EXHIBIT A-9

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA PUBLIC EMPLOYEES LOCAL GOVERNMENT CORRECTIONAL SERVICE RETIREMENT PLAN
DECEMBER 31, 2021**

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

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

**MILLE LACS COUNTY
MILACA, MINNESOTA**

EXHIBIT A-10

**SCHEDULE OF CONTRIBUTIONS
PERA PUBLIC EMPLOYEES LOCAL GOVERNMENT CORRECTIONAL SERVICE RETIREMENT PLAN
DECEMBER 31, 2021**

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

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

**MILLE LACS COUNTY
MILACA, MINNESOTA**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2021

1. Budgetary Information

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

On or before mid-June of each year, all departments and agencies submit requests for appropriations to the Administrative Services Offices 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.

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, 2021:

	<u>Expenditures</u>	<u>Final Budget</u>	<u>Excess</u>
General Fund			
Current			
General government	\$ 7,720,299	\$ 7,283,392	\$ 436,907
Sanitation	249,717	223,412	26,305
Culture and recreation	100,688	9,000	91,688
Economic development	604,472	231,228	373,244
Road and Bridge Special Revenue Fund			
Current			
Highways and streets	6,991,306	6,649,327	341,979

**MILLE LACS COUNTY
MILACA, MINNESOTA**

3. Other Postemployment Benefits Funded Status

See Note 3.D in the notes to the financial statements for additional information regarding the County's other postemployment benefits.

4. Employer Contributions to Other Postemployment Benefits

Assets have not been accumulated in a trust that meets the criteria in paragraph four of GASB Statement 75 to pay related benefits.

5. 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:

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**

5. Other Postemployment Benefits – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions (Continued)

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.

6. 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

2021

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

**MILLE LACS COUNTY
MILACA, MINNESOTA**

6. Defined Benefit Pension Plans – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

General Employees Retirement Plan

2021 (Continued)

- The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

2020

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

**MILLE LACS COUNTY
MILACA, MINNESOTA**

6. Defined Benefit Pension Plans – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

General Employees Retirement Plan

2020 (Continued)

- 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.

**MILLE LACS COUNTY
MILACA, MINNESOTA**

6. Defined Benefit Pension Plans – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

General Employees Retirement Plan

2018 (Continued)

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

2017

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

**MILLE LACS COUNTY
MILACA, MINNESOTA**

6. Defined Benefit Pension Plans – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

General Employees Retirement Plan

2017 (Continued)

- 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

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.

**MILLE LACS COUNTY
MILACA, MINNESOTA**

6. Defined Benefit Pension Plans – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

Public Employees Police and Fire Plan

2021 (Continued)

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

2020

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

2019

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

**MILLE LACS COUNTY
MILACA, MINNESOTA**

6. Defined Benefit Pension Plans – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

Public Employees Police and Fire Plan (Continued)

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.

**MILLE LACS COUNTY
MILACA, MINNESOTA**

6. Defined Benefit Pension Plans – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

Public Employees Police and Fire Plan

2017 (Continued)

- The CSA load was 30 percent for vested and non-vested, deferred members. The CSA load has been changed to 33 percent for vested members and 2.00 percent for non-vested members.
- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality table assumed for healthy retirees.
- The assumed termination rates were decreased to 3.00 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- The assumed percentage of married female members was decreased from 65 percent to 60 percent.
- The assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.
- The assumed percentage of female members electing joint and survivor annuities was increased.
- The assumed post-retirement benefit increase rate was changed from 1.00 percent for all years to 1.00 percent per year through 2064 and 2.50 percent thereafter.
- The single discount rate was changed from 5.60 percent per annum to 7.50 percent per annum.

**MILLE LACS COUNTY
MILACA, MINNESOTA**

6. Defined Benefit Pension Plans – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

Public Employees Police and Fire Plan (Continued)

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

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.

**MILLE LACS COUNTY
MILACA, MINNESOTA**

6. Defined Benefit Pension Plans – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

Public Employees Local Government Correctional Service Retirement Plan

2021 (Continued)

- Assumed rates of retirement were changed as recommended in the July 10, 2020, experience study. The changes result in slightly more unreduced retirements and fewer assumed early retirements.
- Assumed rates of withdrawal were changed as recommended in the July 10, 2020, experience study. The new rates predict more terminations, both in the three-year select period (based on service) and the ultimate rates (based on age).
- Assumed rates of disability were lowered.
- Assumed percent married for active members was lowered from 85 percent to 75 percent.
- Minor changes to form of payment assumptions were applied.

2020

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

2019

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

2018

- The single discount rate was changed from 5.96 percent per annum to 7.50 percent per annum.
- The mortality projection scale was changed from Scale MP-2016 to Scale MP-2017.

**MILLE LACS COUNTY
MILACA, MINNESOTA**

6. Defined Benefit Pension Plans – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

Public Employees Local Government Correctional Service Retirement Plan

2018 (Continued)

- 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).

**MILLE LACS COUNTY
MILACA, MINNESOTA**

6. Defined Benefit Pension Plans – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

Public Employees Local Government Correctional Service Retirement Plan

2017 (Continued)

- The CSA load was 30 percent for vested and non-vested, deferred members. The CSA load has been changed to 35 percent for vested members and 1.00 percent for non-vested members.
- The single discount rate was changed from 5.31 percent per annum to 5.96 percent per annum.

2016

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

SUPPLEMENTARY INFORMATION

**MILLE LACS COUNTY
MILACA, MINNESOTA**

FIDUCIARY FUNDS

PRIVATE-PURPOSE TRUST FUNDS

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

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

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

CUSTODIAL FUNDS

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

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

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

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

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

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

**MILLE LACS COUNTY
MILACA, MINNESOTA**

EXHIBIT B-1

**COMBINING STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS – PRIVATE-PURPOSE TRUST FUNDS
DECEMBER 31, 2021**

	Social Welfare	Cemetery	Total
<u>Assets</u>			
Cash and pooled investments	\$ 45,045	\$ 17,418	\$ 62,463
Interest receivable	-	5	5
	\$ 45,045	\$ 17,423	\$ 62,468
<u>Net Position</u>			
Restricted for individuals, organizations, and other governments	\$ 45,045	\$ 17,423	\$ 62,468

**MILLE LACS COUNTY
MILACA, MINNESOTA**

EXHIBIT B-2

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS – PRIVATE-PURPOSE TRUST FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>Social Welfare</u>	<u>Cemetery</u>	<u>Total</u>
<u>Additions</u>			
Contributions from individuals	\$ 240,669	\$ -	\$ 240,669
Interest earnings	13	47	60
Total Additions	\$ 240,682	\$ 47	\$ 240,729
<u>Deductions</u>			
Beneficiary payments to individuals	\$ 232,457	\$ 111	\$ 232,568
Administrative expense	-	1,587	1,587
Total Deductions	\$ 232,457	\$ 1,698	\$ 234,155
Change in Net Position	\$ 8,225	\$ (1,651)	\$ 6,574
Net Position – January 1	36,820	19,074	55,894
Net Position – December 31	\$ 45,045	\$ 17,423	\$ 62,468

**MILLE LACS COUNTY
MILACA, MINNESOTA**

EXHIBIT B-3

**COMBINING STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS – CUSTODIAL FUNDS
DECEMBER 31, 2021**

	<u>Taxes and Penalties</u>	<u>Jail Inmate</u>	<u>Family Ties</u>	<u>Sheriff Civil Process</u>	<u>State Taxes and Fees</u>	<u>Total Custodial Funds</u>
<u>Assets</u>						
Cash and pooled investments	\$ 406,492	\$ 153,236	\$ 99,720	\$ 737	\$ 246,419	\$ 906,604
Due from other governments	6,899	-	-	-	-	6,899
Accounts receivable for other governments – net	-	-	-	-	100,818	100,818
Taxes receivable for other governments	490,361	-	-	-	-	490,361
Total Assets	\$ 903,752	\$ 153,236	\$ 99,720	\$ 737	\$ 347,237	\$ 1,504,682
<u>Liabilities</u>						
Due to other governments	427,139	-	-	687	246,419	674,245
<u>Net Position</u>						
Restricted for individuals, organizations, and other governments	<u>\$ 476,613</u>	<u>\$ 153,236</u>	<u>\$ 99,720</u>	<u>\$ 50</u>	<u>\$ 100,818</u>	<u>\$ 830,437</u>

**MILLE LACS COUNTY
MILACA, MINNESOTA**

EXHIBIT B-4

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS – CUSTODIAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>Taxes and Penalties</u>	<u>Jail Inmate</u>	<u>Family Ties</u>	<u>Sheriff Civil Process</u>	<u>State Taxes and Fees</u>	<u>Total Custodial Funds</u>
Additions						
Contributions from individuals	\$ -	\$ 350,852	\$ -	\$ -	\$ -	\$ 350,852
Contributions from entities	-	-	80,915	50	-	80,965
Property tax collections for other governments	16,931,832	-	-	-	-	16,931,832
Tax-forfeited land sales	247,402	-	-	-	-	247,402
Federal/State revenue	312,996	-	122,339	-	-	435,335
Other taxes and fees collected for other governments	-	-	-	7,464	1,839,698	1,847,162
Mortgage foreclosure sales	-	-	-	958,190	-	958,190
Total Additions	\$ 17,492,230	\$ 350,852	\$ 203,254	\$ 965,704	\$ 1,839,698	\$ 20,851,738
Deductions						
Beneficiary payments to individuals	\$ -	\$ 290,640	\$ -	\$ -	\$ -	\$ 290,640
Payments of property tax to other governments	16,945,617	-	-	-	-	16,945,617
Payments to the state	-	-	-	6,580	1,658,802	1,665,382
Payments to other individuals/entities	1,301,956	-	209,845	959,074	162,547	2,633,422
Total Deductions	\$ 18,247,573	\$ 290,640	\$ 209,845	\$ 965,654	\$ 1,821,349	\$ 21,535,061
Change in Net Position	\$ (755,343)	\$ 60,212	\$ (6,591)	\$ 50	\$ 18,349	\$ (683,323)
Net Position – January 1	1,231,956	93,024	106,311	-	82,469	1,513,760
Net Position – December 31	\$ 476,613	\$ 153,236	\$ 99,720	\$ 50	\$ 100,818	\$ 830,437

OTHER SCHEDULES

**MILLE LACS COUNTY
MILACA, MINNESOTA**

**BALANCE SHEET – BY DITCH
DITCH SPECIAL REVENUE FUND
DECEMBER 31, 2021**

	<u>Assets</u>		
	<u>Cash and Pooled Investments</u>	<u>Special Assessments Receivable Delinquent</u>	<u>Total</u>
County Ditch			
1	\$ 9,897	\$ 3	\$ 9,900
2	426,359	279	426,638
3	41,034	1,090	42,124
4	67,937	27	67,964
5	6,254	6	6,260
6	2,167	-	2,167
7	849	11	860
11	14,029	156	14,185
14	8,590	240	8,830
Judicial Ditch			
1	(64,410)	-	(64,410)
3	2,731	-	2,731
Total	<u><u>\$ 515,437</u></u>	<u><u>\$ 1,812</u></u>	<u><u>\$ 517,249</u></u>

EXHIBIT C-1

Liabilities and Deferred Inflows of Resources					
Accounts/ Contracts Payable	Advances From Other Funds	Unavailable Revenue	Total	Fund Balance	Total Liabilities and Fund Balance
\$ 65	\$ -	\$ 3	\$ 68	\$ 9,832	\$ 9,900
390,741	785	279	391,805	34,833	426,638
74	-	1,090	1,164	40,960	42,124
45	-	27	72	67,892	67,964
26	-	6	32	6,228	6,260
4	-	-	4	2,163	2,167
28	-	11	39	821	860
14	-	156	170	14,015	14,185
71	9,817	240	10,128	(1,298)	8,830
-	-	-	-	(64,410)	(64,410)
-	-	-	-	2,731	2,731
\$ 391,068	\$ 10,602	\$ 1,812	\$ 403,482	\$ 113,767	\$ 517,249

**MILLE LACS COUNTY
MILACA, MINNESOTA**

EXHIBIT C-2

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2021**

Appropriations and Shared Revenue

State

Highway users tax	\$	6,616,095
County program aid		1,875,432
Riparian buffer aid		40,000
PERA rate reimbursement		65,038
Police aid		327,102
Indian casino aid		27,845
Enhanced 911		151,288
SCORE		76,133
Aquatic invasive species aid		94,553
Market value credit		249,740
Out-of-home placement aid		380,727
		380,727

Total appropriations and shared revenue **\$ 9,903,953**

Reimbursement for Services

State

Minnesota Department of Human Services	\$	1,688,395
		1,688,395

Payments

Local

Payments in lieu of taxes	\$	672,541
Other		204,600
		204,600

Total payments **\$ 877,141**

Grants

State

Minnesota Department/Board of		
Public Safety	\$	9,497
Commerce		35,995
Health		183,578
Natural Resources		444,338
Human Services		1,373,168
Veterans Affairs		10,000
Corrections		198,140
Transportation		1,161
Peace Officer Standards and Training Board		38,124
		38,124

Total state **\$ 2,294,001**

MILLE LACS COUNTY
MILACA, MINNESOTA

EXHIBIT C-2
(Continued)

SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2021

Grants (Continued)

Federal

Department of	
Agriculture	\$ 315,616
Justice	129,793
Transportation	193,371
Treasury	7,303
Education	1,269
Health and Human Services	2,821,217
Homeland Security	1,436
	<hr/>
Total federal	\$ 3,470,005
	<hr/>
Total state and federal grants	\$ 5,764,006
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Build America Bonds interest subsidy	\$ 13,380
	<hr/>
Total Intergovernmental Revenue	\$ 18,246,875
	<hr/> <hr/>

**MILLE LACS COUNTY
MILACA, MINNESOTA**

EXHIBIT C-3

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2021**

Federal Grantor Pass-Through Agency Program or Cluster Title	Assistance Listing Number	Pass-Through Grant Numbers	Expenditures
U.S. Department of Agriculture			
Passed Through Minnesota Department of Health Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	202N004W1003	\$ 95,571
Passed Through Minnesota Department of Human Services SNAP Cluster State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	212MN101S2514	<u>220,045</u>
Total U.S. Department of Agriculture			<u>\$ 315,616</u>
U.S. Department of Justice			
Passed Through Minnesota Department of Public Safety COVID-19 – Coronavirus Emergency Supplemental Funding Program	16.034	F-CESF-2021-MILLACSO-12377	\$ 63,007
Crime Victim Assistance	16.575	F-CVS-2020-MILLACAO	<u>81,861</u>
Total U.S. Department of Justice			<u>\$ 144,868</u>
U.S. Department of Transportation			
Passed Through Minnesota Department of Transportation Highway Planning and Construction Cluster COVID-19 – Highway Planning and Construction	20.205	00048	\$ 173,386
Passed Through Minnesota Department of Natural Resources Highway Planning and Construction Cluster Recreational Trails Program	20.219	Not provided	150,000
Passed Through the City of Saint Cloud, Minnesota E-911 Grant Program	20.615	A-DECN-NGGIS-2019-CMESB-1	<u>19,985</u>
Total U.S. Department of Transportation			<u>\$ 343,371</u>
U.S. Department of the Treasury			
Direct COVID-19 – Coronavirus State and Local Fiscal Recovery Funds	21.027		<u>\$ 7,303</u>
U.S. Department of Education			
Passed Through Minnesota Department of Health Special Education – Grants for Infants and Families	84.181	BO4MC32551	<u>\$ 1,269</u>

**MILLE LACS COUNTY
MILACA, MINNESOTA**

**EXHIBIT C-3
(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2021**

Federal Grantor Pass-Through Agency Program or Cluster Title	Assistance Listing Number	Pass-Through Grant Numbers	Expenditures
U.S. Department of Health and Human Services			
Passed Through Minnesota Department of Health			
Public Health Emergency Preparedness	93.069	NU90TP922026	\$ 33,805
Early Hearing Detection and Intervention	93.251	H61MC00035	425
Immunization Cooperative Agreements	93.268	NH23IP922628	74,814
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	NU50CK000508	57,243
Temporary Assistance for Needy Families	93.558	2101MNTANF	28,497
(Total Temporary Assistance for Needy Families 93.558 \$301,014)			
Maternal and Child Health Services Block Grant to the States	93.994	BO4MC32551	11,039
Passed Through Minnesota Department of Human Services			
Promoting Safe and Stable Families	93.556	2101MNF PSS	4,875
Temporary Assistance for Needy Families	93.558	2101MNTANF	272,517
(Total Temporary Assistance for Needy Families 93.558 \$301,014)			
Child Support Enforcement	93.563	2101MNCSES	43,836
Child Support Enforcement	93.563	2001MNCEST	531,796
(Total Child Support Enforcement 93.563 \$575,632)			
Refugee and Entrant Assistance – State Administered Programs CCDF Cluster	93.566	2101MNR CMA	482
Child Care and Development Block Grant	93.575	2101MNC CDF	12,490
Community-Based Child Abuse Prevention Grants	93.590	1901MNBCAP	21,163
Stephanie Tubbs Jones Child Welfare Services Program	93.645	2001MNCWSS	2,471
COVID-19 – Stephanie Tubbs Jones Child Welfare Services Program	93.645	2001MNCWC3	3,710
(Total Stephanie Tubbs Jones Child Welfare Services Program 93.645 \$6,181)			
Foster Care – Title IV-E	93.658	2101MNFOST	591,574
Social Services Block Grant	93.667	2101MNSOSR	190,485
Child Abuse and Neglect State Grants	93.669	2101MNNCAN	2,713
John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674	2101MNCILP	9,000
COVID-19 – John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674	2101MNCILP	40,673
(Total John H. Chafee Foster Care Program for Successful Transition to Adulthood 93.674 \$49,673)			
Children's Health Insurance Program	93.767	2105MN5021	1,116
Medicaid Cluster			
Medical Assistance Program	93.778	2105MN5ADM	893,251
Medical Assistance Program	93.778	2105MN5MAP	21,865
(Total Medical Assistance Program 93.778 \$915,116)			
Total U.S. Department of Health and Human Services			\$ 2,849,840

**MILLE LACS COUNTY
MILACA, MINNESOTA**

**EXHIBIT C-3
(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2021**

Federal Grantor Pass-Through Agency Program or Cluster Title	Assistance Listing Number	Pass-Through Grant Numbers	Expenditures
U.S. Department of Homeland Security			
Passed Through Minnesota Department of Natural Resources Boating Safety Financial Assistance	97.012	Not provided	\$ 1,436
Total Federal Awards			\$ 3,663,703

The County did not pass any federal awards through to subrecipients during the year ended December 31, 2021.

Totals by Cluster	
Total expenditures for SNAP Cluster	\$ 220,045
Total expenditures for Highway Planning and Construction Cluster	323,386
Total expenditures for CCDF Cluster	12,490
Total expenditures for Medicaid Cluster	915,116

**MILLE LACS COUNTY
MILACA, MINNESOTA**

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2021

1. Summary of Significant Accounting Policies

A. 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.

B. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Mille Lacs County under programs of the federal government for the year ended December 31, 2021. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Mille Lacs County, it is not intended to and does not present the financial position, changes in net position, or cash flows of Mille Lacs County.

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

2. De Minimis Cost Rate

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

**MILLE LACS COUNTY
MILACA, MINNESOTA**

3. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	\$	3,470,005
Grants received more than 60 days after year-end, considered unavailable revenue in 2021		
COVID-19 – Coronavirus Emergency Supplemental Funding Program		15,075
Recreational Trails Program		150,000
Temporary Assistance for Needy Families		78,261
Community-Based Child Abuse Prevention Grants		6,419
John H. Chafee Foster Care Program for Successful Transition to Adulthood		2,250
COVID-19 – John H. Chafee Foster Care Program for Successful Transition to Adulthood		16,651
Children’s Health Insurance Program		726
Unavailable revenue in 2020, recognized as revenue in 2021		
Promoting Safe and Stable Families		(8,001)
Stephanie Tubbs Jones Child Welfare Services Program		(2,815)
Temporary Assistance for Needy Families		(64,868)
		<hr/>
Expenditures per Schedule of Expenditures of Federal Awards	\$	<u>3,663,703</u>

MANAGEMENT AND COMPLIANCE SECTION



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Independent Auditor's Report

Board of County Commissioners
Mille Lacs County
Milaca, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mille Lacs County, Minnesota, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated March 7, 2023.

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 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 2021-003 and 2021-005 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 2021-001, 2021-002, 2021-004, and 2021-006 to 2021-008 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 contracting – bid laws and miscellaneous provisions sections of the *Minnesota Legal Compliance Audit Guide for Counties*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters, as described in the Schedule of Findings and Questioned Costs as items 2021-009 and 2021-010. Also, in connection with our audit, nothing came to our attention that caused us to believe that Mille Lacs County failed to comply with the provisions of the depositories of public funds and public investments, conflicts of interest, 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 responses to the internal control and legal compliance findings identified in our audit and described in the accompanying Corrective Action Plan. The County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of This Report

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

/s/Julie Blaha

JULIE BLAHA
STATE AUDITOR

March 7, 2023



**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, 2021. 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, 2021.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

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

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

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

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

/s/Julie Blaha

JULIE BLAHA
STATE AUDITOR

March 7, 2023

**MILLE LACS COUNTY
MILACA, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

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 GAAP: **Unmodified**

Internal control over financial reporting:

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

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

Federal Awards

Internal control over major programs:

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

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

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

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

The threshold for distinguishing between Types A and B programs was \$750,000.

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

**MILLE LACS COUNTY
MILACA, MINNESOTA**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2021

**II. FINDINGS RELATED TO FINANCIAL STATEMENTS AUDITED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

2021-001 Segregation of Duties

Prior Year Finding Number: 2020-001

Repeat Finding Since: 1996

Type of Finding: Internal Control Over Financial Reporting

Severity of Deficiency: Significant Deficiency

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

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

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 County's ability to detect misstatements in amounts that would be material in relation to the financial statements in a timely period by employees in the normal course of performing their assigned functions.

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

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

View of Responsible Official: Acknowledge

**MILLE LACS COUNTY
MILACA, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2021**

2021-002 Taxes and Penalties Fund Reconciliation

Prior Year Finding Number: 2020-002

Repeat Finding Since: 2020

Type of Finding: Internal Control Over Financial Reporting

Severity of Deficiency: Significant Deficiency

Criteria: Reconciliations are control activities designed to provide reasonable assurance that errors will be detected in a timely manner. Reconciliations should be performed to ascertain that the balances are identifiable and also to identify any differences between the records and balances, including investigating the reason for any noted differences and resolving them in a timely manner.

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

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

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

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

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

View of Responsible Official: Acknowledge

**MILLE LACS COUNTY
MILACA, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2021**

2021-003 Audit Adjustments

Prior Year Finding Number: 2020-003

Repeat Finding Since: 2020

Type of Finding: Internal Control Over Financial Reporting

Severity of Deficiency: Material Weakness

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

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

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

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

- The General Fund accounts receivable, due from other governments, and departmental cash increased by \$4,184, \$278,301, and \$40,536, respectively; and deferred inflows from resources – unavailable revenue and revenues increased by \$282,485 and \$40,536, respectively, for 2021 revenue received in the subsequent year.
- The General Fund loans receivable (net) and deferred inflows of resources – unavailable revenue increased by \$528,620 for the outstanding balances on the small cities development and economic relief loan programs at year-end.
- The Road and Bridge Special Revenue Fund contracts payable and construction expenditures increased by \$279,551 to properly record contracts payable for work certified in 2021 and paid for in 2022.

**MILLE LACS COUNTY
MILACA, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2021**

- The Debt Service Fund due from other governments and revenues increased by \$150,361 to properly record a receivable for 2021 local option sales tax not received at year-end.
- Cash and investments, other financing sources – bonds issued, and bond issuance costs increased in the Ditch Special Revenue Fund and decreased in the Debt Service Fund to properly record \$516,000 of bond proceeds and \$16,000 of issuance costs for the 2021B ditch repair bonds issued and incorrectly recorded in the Debt Service Fund.

Cause: This activity was overlooked by staff when financial statements were prepared.

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

View of Responsible Official: Acknowledge

2021-004 Bank Reconciliations

Prior Year Finding Number: 2020-004

Repeat Finding Since: 2020

Type of Finding: Internal Control Over Financial Reporting

Severity of Deficiency: Significant Deficiency

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

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

**MILLE LACS COUNTY
MILACA, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2021**

Context: Unreconciled amounts fluctuated throughout the year indicating continuing errors or irregularities in the County accounting records and/or bank reconciliations.

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

Cause: We were informed the County Auditor-Treasurer and Administrative Services Offices were short staffed and had multiple positions within their offices vacant. Furthermore, the County reorganized and moved many of the accounting functions, including completing bank reconciliations from the Auditor-Treasurer's Office to the Administrative Services Office.

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

View of Responsible Official: Acknowledge

2021-005 Capital Asset – Infrastructure and Depreciation

Prior Year Finding Number: 2020-005

Repeat Finding Since: 2020

Type of Finding: Internal Control Over Financial Reporting

Severity of Deficiency: Material Weakness

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 records of capital assets and properly recorded following generally accepted accounting principles.

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

**MILLE LACS COUNTY
MILACA, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2021**

Context: An analysis of construction in progress was performed by the auditor to determine the December 31, 2021, capital asset infrastructure amounts and related depreciation expense.

Effect: Additional audit analysis was required, resulting in an adjustment to the governmental activities financial statements for current year deletions from construction in progress capital assets and additions to infrastructure capital assets of \$16,768,590, and related depreciation expense of \$559,975.

Cause: The additions and deletions to infrastructure capital assets are tracked and maintained by the County Highway Department. Due to significant staff turnover in recent years, this information has not been entered into the centralized capital assets system.

Recommendation: We recommend the County review internal controls currently in place and design and implement procedures to improve internal controls over the recordkeeping of its capital assets and related depreciation to ensure its capital asset records are complete and accurately prepared.

View of Responsible Official: Acknowledge

2021-006 Access to Computer Systems/Network

Prior Year Finding Number: N/A

Repeat Finding Since: N/A

Type of Finding: Internal Control Over Financial Reporting

Severity of Deficiency: Significant Deficiency

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

Condition: Fifty-seven employees leaving County employment in 2021 were tested for timely removal of network access. Eight instances were identified where access had not been disabled or removed in a timely manner.

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

**MILLE LACS COUNTY
MILACA, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2021**

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

Cause: Lack of communication between the department heads, Human Resources, and IT, and lack of documented policies and procedures.

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

View of Responsible Official: Acknowledge

2021-007 Segregation of Duties – IFS General Ledger System Security Controls

Prior Year Finding Number: N/A

Repeat Finding Since: N/A

Type of Finding: Internal Control Over Financial Reporting

Severity of Deficiency: Significant Deficiency

Criteria: Internal controls in place over operations should be designed to provide reasonable assurance that material errors will be prevented or detected in a timely manner. These internal controls should be designed to provide for an adequate segregation of duties so that no one individual has the ability to process disbursements, set up new vendors, or post journal entries. In addition, these function should also be segregated from the individuals who are responsible for setting up access and assigning roles within the general ledger accounting system.

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

Context: The County has the ability to implement controls and/or limit access to the vendor setup function within IFS. Furthermore, the ability to modify access levels is incompatible with individuals assigned accounting responsibilities including entering, reviewing, and monitoring financial information on the general ledger system because it provides those individuals unlimited access to make changes to the accounting records that may or may not be authorized by management or other users.

**MILLE LACS COUNTY
MILACA, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2021**

Effect: Inadequate segregation of duties increases the risk that errors or irregularities will not be detected in a timely manner. The ability to grant or modify access to the general ledger should be segregated from the responsibilities of entering, reviewing, and monitoring general ledger financial information to ensure the integrity of the financial records.

Cause: Over time, access was given to accounting staff assigned to perform IFS functions. IFS access was not reviewed or changed after the County reorganized offices and accounting functions.

Recommendation: We recommend the County re-evaluate whether segregation of duties between disbursements, vendor setup, and journal entry functions is possible and assign access rights as applicable. If not, we recommend procedures be developed to have an employee independent of the process review edit/change reports and maintain evidence of the review. We also recommend personnel assigned to grant or modify access to the general ledger system be limited and segregated from personnel assigned to the general ledger accounting functions.

View of Responsible Official: Acknowledge

2021-008 Jail Inmate Checking Account

Prior Year Finding Number: N/A

Repeat Finding Since: N/A

Type of Finding: Internal Control Over Financial Reporting

Severity of Deficiency: Significant Deficiency

Criteria: Receipt and disbursement of funds should be centralized in the Administrative Services Office whenever possible to allow for better control over all County funds. If a departmental bank account is deemed necessary, collections should be deposited timely, bank reconciliations should be completed monthly, and 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. Minnesota Statutes, section 384.13 requires that all County checks be signed by the Board Chair and the Auditor-Treasurer. Any unclaimed or uncashed checks held by the County for more than three years should be reported and paid to the state Commissioner of Commerce as provided in Minn. Stat. § 345.43.

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

**MILLE LACS COUNTY
MILACA, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2021**

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

Context: The establishment and oversight of department internal control procedures is particularly important because smaller departments generally lack proper segregation of duties, which increases the risk of errors or fraud.

Effect: When effective internal controls over accounting procedures are not implemented, there is an increased risk of fraud or misappropriation of assets.

Cause: The Sheriff's Department does not have policies and procedures designed or implemented to provide adequate internal control.

Recommendation: We recommend management design and implement controls in the Sheriff's Department to include:

- completing bank reconciliations of the jail checking account monthly and reconciling it to the book balance used to account for inmate funds;
- having someone independent of the preparer review the bank reconciliations;
- remitting fees collected from inmates to the Administrative Services Office on a weekly or monthly basis;
- remitting checks outstanding for over three years to the Minnesota Department of Commerce in accordance with Minn. Stat. § 345.43 for unclaimed property; and

**MILLE LACS COUNTY
MILACA, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2021**

- performing reconciliations of receipts to County remittances by someone other than the individual preparing the remittance and delivering it.

View of Responsible Official: Acknowledge

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

None.

IV. OTHER FINDINGS AND RECOMMENDATIONS

2021-009 Contracting and Bidding Compliance

Prior Year Finding Number: N/A

Repeat Finding Since: N/A

Type of Finding: Minnesota Legal Compliance

Criteria: Minnesota Statutes, Section 331A.12, subdivision 2, states that at the meeting of the governing body of a political subdivision at which the governing body designates its official newspaper for the year, the governing body may designate in the same manner publication of transportation projects on the political subdivision's website. Publication on the website may be used in place of or in addition to any other required form of publication. Each year after designating publication on the website for transportation projects, the political subdivision must publish, in a qualified newspaper in the jurisdiction and on the website, notice that the political subdivision will publish any advertisements for bids on its website.

Minnesota Statutes, Section 331A.03, states that a county may disseminate solicitations of bids on its website as an alternative to advertising in a qualified legal newspaper provided that the county, among other requirements, "simultaneously publishes, either as part of the minutes of a regular meeting of the governing body or in a separate notice published in the official newspaper, a description of all solicitations or requests so disseminated, along with the means by which the dissemination occurred."

**MILLE LACS COUNTY
MILACA, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2021**

Minnesota Statutes, Section 471.425, subdivision 4a, requires that each contract of a municipality must require the prime contractor to pay any subcontractor within ten days of the prime contractor's receipt of payment from the municipality or pay interest of one and one-half percent per month, or any part of a month, to the subcontractor or any undisputed amount not paid on time to the subcontractor.

Minnesota Statutes, Section 270C.66, states that before making final settlement with any contractor under a contract requiring the employment of employees for wages by the contractor and by subcontractors, the County is required to obtain a certificate from the Commissioner of Revenue that the contractor or subcontractor has complied with the withholding requirements of section 290.92.

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

- The County Board did not annually approve the use of the alternative method for advertising of transportation-related construction and maintenance projects as required by statute.
- For each of the four contracts tested that required being advertised in an official newspaper, there was no affidavit of publication or evidence of advertisement of bids in a newspaper of general circulation. These four contracts were solicited for bids utilizing the County's website, which the Board did not annually designate or approve.
- One of the four contracts tested did not include notification from the County to the prime contractor to pay any subcontractors within ten days of receipt of payment from the County or pay interest at the rate of 1.50 percent per month. This prompt pay notice is typically included in the bid specifications or contract.
- One of the six contracts tested that included the employment of individuals for wages by the contractor and where final payment had been made, the final payment was issued prior to receiving an approved Minnesota Department of Revenue Form IC-134, which requires the reporting of employee withholdings, from the contractor.

Context: Individual County departments are responsible for overseeing the contracting and bidding process for their own projects, and ensuring compliance with contract and bidding statutes.

Effect: The County is not in compliance with Minnesota statutes regarding contracting and bidding.

**MILLE LACS COUNTY
MILACA, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2021**

Cause: Staff from the County's individual departments were not aware of all of the contract requirements or evidence of compliance was not maintained.

Recommendation: We recommend the County review the statutory requirements with all departments to ensure compliance with applicable contracting and bidding statutes for all future contracts. In addition, adequate documentation of compliance should be maintained.

View of Responsible Official: Acknowledge

2021-010 Publication of County Board Minutes

Prior Year Finding Number: N/A

Repeat Finding Since: N/A

Type of Finding: Minnesota Legal Compliance

Criteria: Minnesota Statutes § 375.12 requires that County Board minutes be published within 30 days of the meeting.

Condition: Based on review of the affidavits of publication related to the publishing of a summary of Board minutes for 2021, not all of the summaries were published in the County's official newspaper within the 30-day requirement.

Context: Of the 31 published summaries reviewed, ten were not published within the 30-day requirement.

Effect: Noncompliance with Minn. Stat. § 375.12.

Cause: The County indicated that staffing shortages and turnover in staff who had not been trained to track the Board minute publication dates led to them not being published within the 30 days required.

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

View of Responsible Official: Acknowledge



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**REPRESENTATION OF MILLE LACS COUNTY
MILACA, MINNESOTA**

**CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED DECEMBER 31, 2021**

Finding Number: 2021-001
Finding Title: Segregation of Duties

Name of Contact Person Responsible for Corrective Action:

Dillon Hayes, County Administrator

Corrective Action Planned:

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

Anticipated Completion Date:

2023

Finding Number: 2021-002
Finding Title: Taxes and Penalties Fund Reconciliation

Name of Contact Person Responsible for Corrective Action:

Dillon Hayes, County Administrator

Corrective Action Planned:

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

Anticipated Completion Date:

Spring, 2023

Finding Number: 2021-003
Finding Title: Audit Adjustments

Name of Contact Person Responsible for Corrective Action:

Dillon Hayes, County Administrator

Corrective Action Planned:

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

Anticipated Completion Date:

Spring, 2023

Finding Number: 2021-004
Finding Title: Bank Reconciliations

Name of Contact Person Responsible for Corrective Action:

Dillon Hayes, County Administrator

Corrective Action Planned:

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

Anticipated Completion Date:

Spring, 2023



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Finding Number: 2021-005

Finding Title: Capital Assets – Infrastructure and Depreciation

Name of Contact Person Responsible for Corrective Action:

Dillon Hayes, County Administrator

Corrective Action Planned:

County officials are aware of the issue, and, in conjunction with the revisions to duties and responsibilities of finance staff, will be working to develop and implement standardized operating procedures for this process. Additionally, migration to a new capital assets records system will include a thorough review of existing capital assets intended to identify and rectify these issues.

Anticipated Completion Date:

Spring, 2023

Finding Number: 2021-006

Finding Title: Access to Computer Systems/Network

Name of Contact Person Responsible for Corrective Action:

Dillon Hayes, County Administrator

Corrective Action Planned:

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

Anticipated Completion Date:

Spring, 2023

Finding Number: 2021-007

Finding Title: Segregation of Duties – IFS General Ledger System Security Controls

Name of Contact Person Responsible for Corrective Action:

Dillon Hayes, County Administrator

Corrective Action Planned:

County officials have restricted access as required to provide for proper segregation of duties.

Anticipated Completion Date:

Completed

Finding Number: 2021-008

Finding Title: Jail Inmate Checking Account

Name of Contact Person Responsible for Corrective Action:

Dillon Hayes, County Administrator

Corrective Action Planned:

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

Anticipated Completion Date:

Spring, 2023



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Finding Number: 2021-009

Finding Title: Contracting and Bidding Compliance

Name of Contact Person Responsible for Corrective Action:

Dillon Hayes, County Administrator

Corrective Action Planned:

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

Anticipated Completion Date:

Spring, 2023

Finding Number: 2021-010

Finding Title: Publication of County Board Minutes

Name of Contact Person Responsible for Corrective Action:

Dillon Hayes, County Administrator

Corrective Action Planned:

County officials are aware of this issue, and minute publication dates are now being tracked and documented to ensure compliance with the publication deadline.

Anticipated Completion Date:

Completed



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**REPRESENTATION OF MILLE LACS COUNTY
MILACA, MINNESOTA**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2021**

Finding Number: 2020-001
Repeat Finding Since: 1996
Finding Title: Segregation of Duties

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

Summary of Corrective Action Previously Reported: County officials and management are fully aware of this finding and the situation. Over the past few years we have written policies and procedures which make us aware of our areas of opportunity to improve and what can be done to make adjustments. The issue will be brought to the Management 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 approved upon. Furthermore, administration is in the process of restructuring the departments responsible for administration of these processes, a measure which is intended, in part, to address these issues.

Status: Not Corrected. The County's limited staff in many departments prevents complete segregation of duties. The County periodically reviews its internal control processes and implements compensating controls as needed to address the lack of segregation of duties. A reorganization was initiated in early 2022 which is intended to assist in addressing these issues moving forward as processes and procedures are reviewed and revised.

Was corrective action taken significantly different than the action previously reported?
Yes _____ No X

Finding Number: 2020-002
Repeat Finding Since: 2020
Finding Title: Taxes and Penalties Fund Reconciliation

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

- PILT receipts from the State of Minnesota for 2019 and 2020 in the amount of \$493,370 were recorded in the Taxes and Penalties Custodial Fund but have not been paid out to the appropriate County funds or other taxing districts as required.
- The Minnesota Department of Revenue was underpaid \$18,724 for the second half 2020 general property taxes collected on their behalf.
- At year-end, the Taxes and Penalties Custodial Fund had an unidentified cash balance of \$61,361.

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.

Status: Partially Corrected. Staffing changes and significant turnover in 2021 made this difficult to address in a timely fashion. However, new staff have initiated a review of the taxes and penalties fund. To-date, several of the “departments” therein have already been reconciled.

Was corrective action taken significantly different than the action previously reported?
Yes _____ No X

Finding Number: 2020-003
Repeat Finding Since: 2020
Finding Title: Audit Adjustment

Summary of Condition: A material audit adjustment was 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 develop and implement standardized operating procedures for this process.

Status: Not Corrected. A reorganization was initiated in early 2022 which is intended to assist in addressing these issues moving forward as processes and procedures are reviewed and revised.

Was corrective action taken significantly different than the action previously reported?
Yes _____ No X

Finding Number: 2020-004
Repeat Finding Since: 2020
Finding Title: Bank Reconciliations

Summary of Condition: During review of the County’s December 2020 bank reconciliation, the auditor was not able to reconcile the bank balance to the County’s general ledger. When the Auditor/Treasurer’s Department investigated this further, it was discovered that several bank transactions were not recorded in the County’s general ledger and electronic funds transfers were made without being recorded. Furthermore, the County did not complete bank reconciliations from April 2020 through December 2020, until 2021. These reconciliations included continued unidentified reconciling items for each month.

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

Status: Not Corrected. Staffing changes and significant turnover in 2021 made this difficult to address in a timely fashion. However, new staff have initiated a review of the bank reconciliation process, and have ensured that reconciliations are being completed in a timely fashion. Additionally, the County has secured the services of an outside vendor to assist with rectifying the unidentified items.

Was corrective action taken significantly different than the action previously reported?
Yes _____ No X

Finding Number: 2020-005
Repeat Finding Since: 2020
Finding Title: Capital Asset Records

Summary of Condition: The County currently maintains capital asset records in a centralized capital asset software system. Additions and deletions are entered into this system, and depreciation is calculated by the system based on pre-determined useful lives. During review of the County’s December 31, 2020, capital assets, the auditor noted infrastructure additions have not been recorded in the capital asset system since 2017. This also resulted in related depreciation not being calculated on those assets. Audit adjustments are made each year to the County’s governmental activities financial statements to record the infrastructure activity not accounted for in the capital asset system.

Summary of Corrective Action Previously Reported: County officials are aware of the issue and, in conjunction with the revisions to duties and responsibilities of finance staff, will be working to develop and implement standardized operating procedures for this process and establish a formal methodology and timeline for recording capital assets.

Status: Not Corrected. Staffing changes and significant turnover in 2021 made this difficult to address in a timely fashion. However, new staff have initiated a review of the capital asset records management process, and will be revising procedures to ensure that the necessary additions are made.

Was corrective action taken significantly different than the action previously reported?
Yes _____ No X

Finding Number: 2020-006
Repeat Finding Since: 2020
Finding Title: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Period of Performance
Program: COVID-19 – Coronavirus Relief Fund (ALN 21.019)

Summary of Condition: The County reported \$60,000 of payroll costs for Community and Veterans Services Fund staff. The County did not identify the employees, track the Coronavirus Relief Fund (CRF)-related duties performed, or identify the specific time spent for the reported payroll costs.

Summary of Corrective Action Previously Reported: County officials are aware of the issue, and will be implementing more robust review and approval processes to adhere to CRF requirements, and that of similar funding mechanisms moving forward.

Status: Fully Corrected. No COVID-19 – Coronavirus Relief Funds were expended in 2021.
Was corrective action taken significantly different than the action previously reported?
Yes _____ No X

Finding Number: 2020-007

Repeat Finding Since: 2020

Finding Title: Subrecipient Monitoring

Program: COVID-19 – Coronavirus Relief Fund (ALN 21.019)

Summary of Condition: The County did not document risk assessment procedures performed over its subrecipients. Award information, including the CFDA number, was not provided to subrecipients and required monitoring procedures were not performed. Additionally, the County does not have documented policies and procedures for subrecipient monitoring.

Summary of Corrective Action Previously Reported: County officials are aware of the issue, and will be implementing more robust review and approval processes to adhere to CRF requirements, and that of similar funding mechanisms moving forward.

Status: Fully Corrected. No COVID-19 – Coronavirus Relief Funds were expended in 2021.
Was corrective action taken significantly different than the action previously reported?
Yes _____ No X

Finding Number: 2020-008

Repeat Finding Since: 2020

Finding Title: Collateral Assignments

Summary of Condition: One of the County’s depositories did not provide a written assignment for the collateral pledged to secure County deposits. Also, documentation of approval by the depository’s board of directors or loan committee was not provided.

Summary of Corrective Action Previously Reported: Documentation for each financial institution will be reviewed to ensure that necessary materials are provided and retained.

Status: Fully Corrected. Corrective action was taken.
Was corrective action taken significantly different than the action previously reported?
Yes _____ No X

Finding Number: 2020-009
Repeat Finding Since: 2020
Finding Title: Insufficient Collateral

Summary of Condition: The fair market value of collateral pledged to secure the County's uninsured deposits was not sufficient to meet the 110 percent requirement for May, October, and December of 2020.

Summary of Corrective Action Previously Reported: County officials are aware of the issue, and, in conjunction with the revisions to duties and responsibilities of finance staff, will be working to develop and implement standardized operating procedures for this process. Additionally, existing staff have been made aware of collateralization at the financial institution(s), and are monitoring fund balances to make sure that they are maintained within acceptable limits.

Status: Fully Corrected. Corrective action was taken.
Was corrective action taken significantly different than the action previously reported?
Yes _____ No X

Finding Number: 2020-010
Repeat Finding Since: 2020
Finding Title: Road and Bridge Fund Cash Balance Deficit

Summary of Condition: At December 31, 2020, the Road and Bridge Special Revenue Fund had a deficit cash balance of \$92,047.

Summary of Corrective Action Previously Reported: County officials are aware of the issue, and will be more diligently monitoring fund balances. Additionally, finance staff will be coordinating with Public Works to ensure that reimbursement requests for County State Aid Funding are submitted and received on a timely basis.

Status: Fully Corrected. Corrective action was taken.
Was corrective action taken significantly different than the action previously reported?
Yes _____ No X

Finding Number: 2020-011
Repeat Finding Since: 2020
Finding Title: Distribution of Forfeited Tax Proceeds

Summary of Condition: Mille Lacs County has not apportioned the net proceeds from the prior and current year sales of forfeited land. Furthermore, a reconciliation of the forfeited land sale activity has not been performed to ensure all collections are apportioned correctly and in accordance with statute. Lastly, the three percent surcharge collected on each land sale on behalf of the State of Minnesota has not been remitted to the State for 2019 or 2020.

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. Proceeds were distributed in December 2021.

Status: Fully Corrected. Corrective action was taken.
Was corrective action taken significantly different than the action previously reported?
Yes _____ No X

Finding Number: 2020-012
Repeat Finding Since: 2020
Finding Title: Electronic Fund Transfer Policy

Summary of Condition: The County Board has not established written policies and procedures regarding the use of electronic funds transfers.

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 a revised policy.

Status: Fully Corrected. Corrective action was taken.
Was corrective action taken significantly different than the action previously reported?
Yes _____ No X



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Finding Number: 2020-013

Repeat Finding Since: 2020

Finding Title: Road and Bridge Fund Deficit Fund Balance

Summary of Condition: As of December 31, 2020, the assets and deferred outflows of resources in the County's Road and Bridge Special Revenue Fund did not exceed liabilities and deferred inflows of resources, resulting in a deficit fund balance.

Summary of Corrective Action Previously Reported: County officials are aware of the issue, and will be more diligently monitoring fund balances. Additionally, finance staff will be coordinating with Public Works to ensure that reimbursement requests for County State Aid Funding are submitted and received on a timely basis.

Status: Fully Corrected. Corrective action was taken.

Was corrective action taken significantly different than the action previously reported?

Yes _____ No X