

# State of Minnesota



## Office of the State Auditor

Julie Blaha  
State Auditor

---

**Mille Lacs County  
Milaca, Minnesota**

Year Ended December 31, 2019

## **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.

Office of the State Auditor  
525 Park Street, Suite 500  
Saint Paul, Minnesota 55103  
(651) 296-2551  
state.auditor@osa.state.mn.us  
www.auditor.state.mn.us

This document can be made available in alternative formats upon request. Call 651-296-2551 [voice] or 1-800-627-3529 [relay service] for assistance; or visit the Office of the State Auditor’s web site: [www.auditor.state.mn.us](http://www.auditor.state.mn.us).

# Mille Lacs County Milaca, Minnesota

Year Ended December 31, 2019



Audit Practice Division  
Office of the State Auditor  
State of Minnesota

This page was left blank intentionally.

**MILLE LACS COUNTY  
MILACA, MINNESOTA**

**TABLE OF CONTENTS**

	<u>Exhibit</u>	<u>Page</u>
<b>Introductory Section</b>		
Organization		1
<b>Financial Section</b>		
Independent Auditor's Report		2
Management's Discussion and Analysis		5
Basic Financial Statements		
Government-Wide Financial Statements		
Statement of Net Position – Governmental Activities	1	15
Statement of Activities	2	17
Fund Financial Statements		
Governmental Funds		
Balance Sheet	3	18
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position—Governmental Activities	4	22
Statement of Revenues, Expenditures, and Changes in Fund Balance	5	23
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities—Governmental Activities	6	27
Self-Insurance Internal Service Fund		
Statement of Fund Net Position	7	28
Statement of Revenues, Expenses, and Changes in Fund Net Position	8	29
Statement of Cash Flows	9	30
Fiduciary Funds		
Statement of Fiduciary Net Position	10	31
Statement of Changes in Fiduciary Net Position – Private-Purpose Trust Fund	11	32
Notes to the Financial Statements		33

**MILLE LACS COUNTY  
MILACA, MINNESOTA**

TABLE OF CONTENTS

	Exhibit	Page
<b>Financial Section (Continued)</b>		
Required Supplementary Information		
Budgetary Comparison Schedules		
General Fund	A-1	81
Road and Bridge Special Revenue Fund	A-2	84
Community and Veteran Services Special Revenue Fund	A-3	85
Schedule of Changes in Total OPEB Liability and Related Ratios – Other Postemployment Benefits	A-4	86
PERA General Employees Retirement Plan		
Schedule of Proportionate Share of Net Pension Liability	A-5	87
Schedule of Contributions	A-6	88
PERA Public Employees Police and Fire Plan		
Schedule of Proportionate Share of Net Pension Liability	A-7	89
Schedule of Contributions	A-8	90
PERA Public Employees Local Government Correctional Service Retirement Plan		
Schedule of Proportionate Share of Net Pension Liability	A-9	91
Schedule of Contributions	A-10	92
Notes to the Required Supplementary Information		93
Supplementary Information		
Fiduciary Fund		
Statement of Changes in Assets and Liabilities – Agency Fund	B-1	103
Other Schedules		
Balance Sheet – by Ditch – Ditch Special Revenue Fund	C-1	105
Schedule of Intergovernmental Revenue	C-2	107
Schedule of Expenditures of Federal Awards	C-3	109
Notes to the Schedule of Expenditures of Federal Awards		112

**MILLE LACS COUNTY  
MILACA, MINNESOTA**

**TABLE OF CONTENTS  
(Continued)**

	<u>Exhibit</u>	<u>Page</u>
<b>Management and Compliance Section</b>		
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		114
Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance		117
Schedule of Findings and Questioned Costs		120
Corrective Action Plan		124
Summary Schedule of Prior Audit Findings		126

This page was left blank intentionally.





This page was left blank intentionally.

**MILLE LACS COUNTY  
MILACA, MINNESOTA**

**ORGANIZATION  
2019**

Office	Name	Term	
		From	To
<b>Commissioners</b>			
1st District	Genny Reynolds	January 2017	January 2021
2nd District	Tim Wilhelm	January 2019	January 2023
3rd District	Phil Peterson	January 2017	January 2021
4th District	Roger Tellinghuisen <sup>1</sup>	January 2019	January 2023
5th District	David Oslin	January 2017	January 2021
<b>Elected</b>			
Attorney	Joe Walsh	January 2019	January 2023
Auditor-Treasurer	Philip Thompson	January 2019	August 2019 <sup>2</sup>
Sheriff	Don Lorge	January 2019	January 2023
<b>Appointed</b>			
County Administrator	Pat Oman	October 2015	Indefinite
County Assessor	Al Heim	January 2017	December 2021
Interim County Auditor-Treasurer	Paul Prokosch	August 2019	November 2019
County Auditor-Treasurer	Eric Bartusch	December 2019	Indefinite
County Engineer	Bruce Cochran	May 2015	August 2019
Interim County Engineer	Holly Wilson	August 2019	December 2019
Community and Veteran Service Director	Beth Crook	January 2014	Indefinite
Director of County Probation	Ben Davis	August 2015	Indefinite
Land Services Director	Michele McPherson	March 2009	Indefinite
Medical Examiner	Dr. Quinn Strobl	January 2019	December 2019

<sup>1</sup>Board Chair

<sup>2</sup>Resigned

This page was left blank intentionally.



This page was left blank intentionally.



JULIE BLAHA  
STATE AUDITOR

# STATE OF MINNESOTA

## OFFICE OF THE STATE AUDITOR

SUITE 500  
525 PARK STREET  
SAINT PAUL, MN 55103-2139

(651) 296-2551 (Voice)  
(651) 296-4755 (Fax)  
state.auditor@state.mn.us (E-mail)  
1-800-627-3529 (Relay Service)

### INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners  
Mille Lacs County  
Milaca, Minnesota

#### Report on the Financial Statements

We have audited the accompanying 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, 2019, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, as listed in the table of contents.

#### *Management's Responsibility 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; this includes 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.

#### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County's preparation and fair presentation of the financial statements 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, the 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, 2019, 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.

### ***Emphasis of Matter – Subsequent Event***

As discussed in Note 4.E. to the financial statements, subsequent to year-end, the World Health Organization declared a coronavirus (COVID-19) outbreak a pandemic. A reduction of calendar year 2021 County State Aid from state-collected gasoline tax revenue is expected to occur. In addition, it is expected the County will experience an increase of grant revenues related to the Coronavirus Aid, Relief, and Economic Security (CARES) Act as a result of this pandemic. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Required Supplementary Information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not 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 Supplementary Information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Supplementary 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. Such 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 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 October 1, 2020, on our consideration of Mille Lacs County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Mille Lacs County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Mille Lacs County's internal control over financial reporting and compliance.

### **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (SEFA), as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements. The SEFA 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. Such 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 SEFA is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*/s/Julie Blaha*

JULIE BLAHA  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

October 1, 2020

This page was left blank intentionally.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

This page was left blank intentionally.

**MILLE LACS COUNTY  
MILACA, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2019  
(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, 2019. 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 \$67,664,558, of which \$66,727,276 is the net investment in capital assets, and \$8,366,286 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, 2019, was \$23,044,348; the net cost was funded by general revenues and other items totaling \$21,341,230.
- At the close of 2019, Mille Lacs County's governmental funds reported combined ending fund balances of \$18,779,317, a decrease of \$7,380,430 from the previous year-end balance. At the end of the year, Mille Lacs County's assigned and unassigned fund balance totaled \$14,063,688, 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 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 the Schedule of Changes in Total OPEB Liability and Related Ratios – Other Postemployment Benefits 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.

<b>Management’s Discussion and Analysis</b> (Required Supplementary Information)
---

<b>Government-Wide Financial Statements</b>	<b>Fund Financial Statements</b>
<b>Notes to the Financial Statements</b>	

<b>Required Supplementary Information</b> (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>2019</u>	<u>2018</u>
Assets		
Current and other assets	\$ 26,993,034	\$ 31,208,198
Capital assets	<u>82,076,523</u>	<u>73,528,075</u>
Total Assets	<u>\$ 109,069,557</u>	<u>\$ 104,736,273</u>
Deferred Outflows of Resources		
Deferred pension outflows	\$ 4,041,273	\$ 6,672,412
Deferred OPEB outflows	<u>116,474</u>	<u>60,518</u>
Total Deferred Outflows of Resources	<u>\$ 4,157,747</u>	<u>\$ 6,732,930</u>
Liabilities		
Long-term liabilities outstanding	\$ 34,882,402	\$ 30,240,045
Other liabilities	<u>4,029,603</u>	<u>2,835,074</u>
Total Liabilities	<u>\$ 38,912,005</u>	<u>\$ 33,075,119</u>
Deferred Inflows of Resources		
Deferred pension inflows	\$ 6,578,619	\$ 9,026,408
Deferred OPEB inflows	<u>72,122</u>	<u>-</u>
Total Deferred Inflows of Resources	<u>\$ 6,650,741</u>	<u>\$ 9,026,408</u>
Net Position		
Net investment in capital assets	\$ 66,727,276	\$ 66,175,453
Restricted	8,366,286	5,015,835
Unrestricted	<u>(7,429,004)</u>	<u>(1,823,612)</u>
Total Net Position	<u><u>\$ 67,664,558</u></u>	<u><u>\$ 69,367,676</u></u>



A large portion of Mille Lacs County's net position, \$66,727,276 (98.62 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 \$8,366,286 (12.36 percent). The unrestricted net position is (\$7,429,004), or (10.98 percent), for 2019.

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

	2019	2018
Program revenues		
Fees, charges, fines, and other	\$ 3,400,258	\$ 3,460,360
Operating grants and contributions	13,653,662	13,004,180
Capital grants and contributions	365,495	4,358,156
General revenues		
Property taxes	16,282,009	15,836,932
Other	5,059,221	4,856,685
	<b>\$ 38,760,645</b>	<b>\$ 41,516,313</b>
Expenses		
General government	\$ 9,740,462	\$ 7,691,392
Public safety	10,681,033	10,069,628
Highways and streets	5,737,277	7,082,976
Sanitation	136,568	150,185
Human services	10,819,215	10,588,348
Health	901,957	766,582
Culture and recreation	413,567	369,395
Conservation of natural resources	1,065,743	473,279
Economic development	226,581	132,407
Interest	741,360	313,416
	<b>\$ 40,463,763</b>	<b>\$ 37,637,608</b>
Change in Net Position	\$ (1,703,118)	\$ 3,878,705
Net Position – January 1	69,367,676	65,488,971
Net Position – December 31	<b>\$ 67,664,558</b>	<b>\$ 69,367,676</b>

### **Governmental Activities**

Revenues for Mille Lacs County's governmental activities for the year ended December 31, 2019, were \$38,760,645. The County's cost for all governmental activities for the year ended December 31, 2019, was \$40,463,763. The net position for the County's governmental activities decreased by \$1,703,118 in 2019.

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 \$16,282,009, because \$3,400,258 of the costs were paid by those who directly benefited from the programs, and \$14,019,157 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 \$2,490,991 in grants and contributions not restricted to specific programs and \$2,568,230 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 2019**

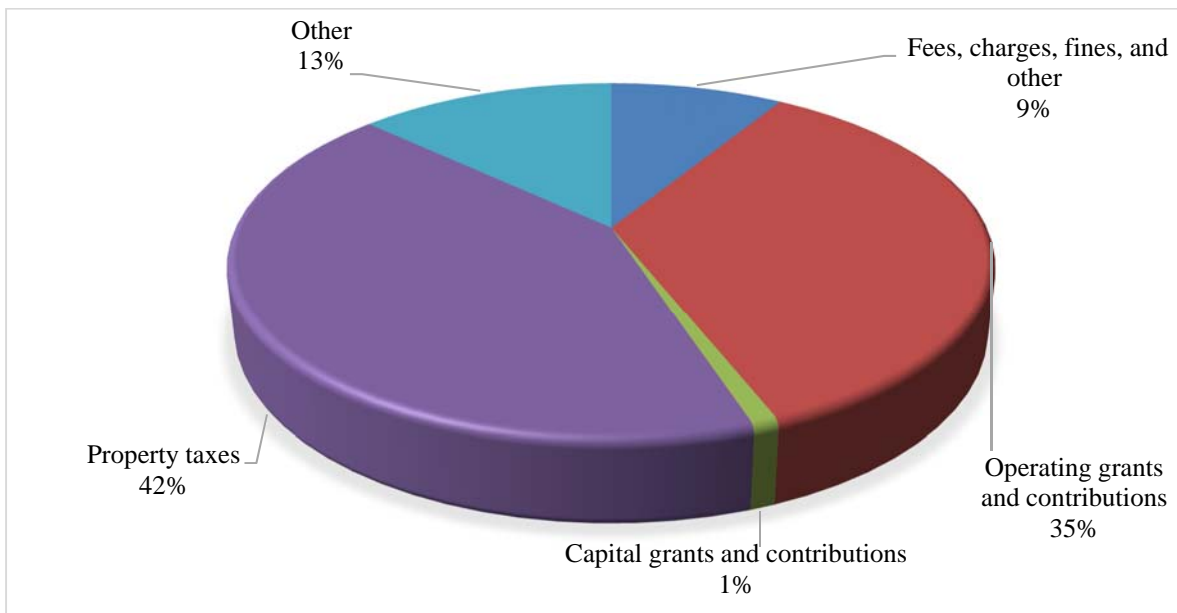
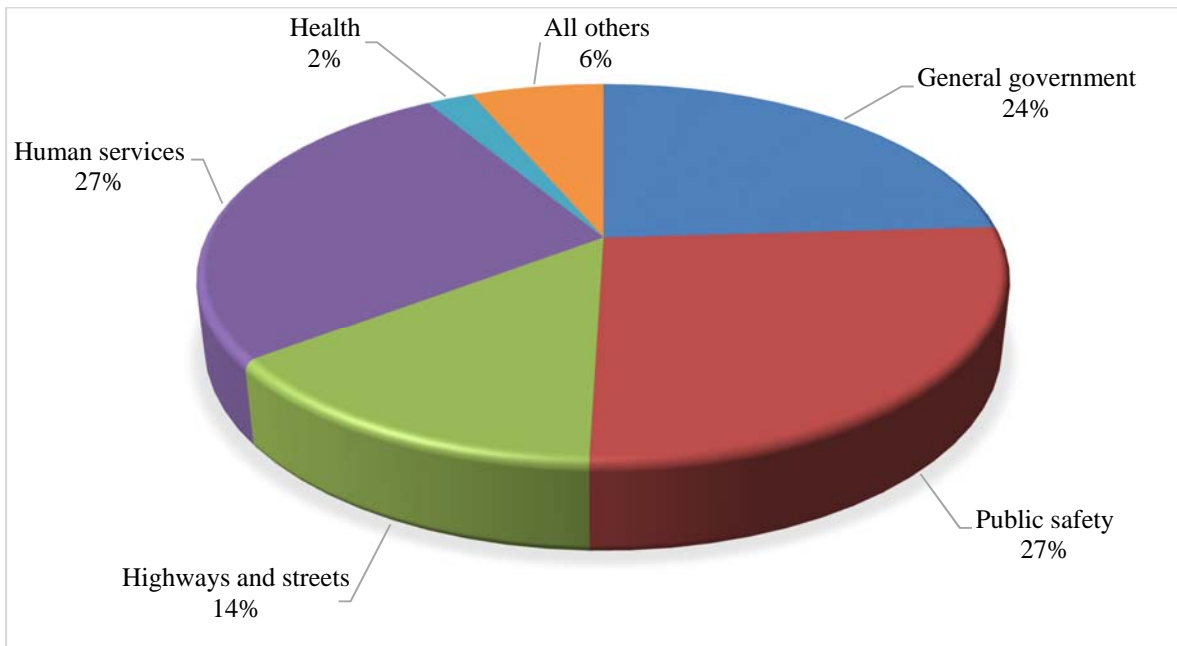


Table 3 presents the cost of each of Mille Lacs County’s four largest program functions as well as each function’s net cost (total cost, less revenues generated by the activities). The net cost shows the financial burden placed on Mille Lacs County’s taxpayers by each of these functions.

**Table 3  
Governmental Activities**

	2019	
	Total Cost of Services	Net Cost of Services
Program expenses		
General government	\$ 9,740,462	\$ (8,667,363)
Public safety	10,681,033	(8,765,439)
Highways and streets	5,737,277	153,773
Human services	10,819,215	(3,886,571)
All others	3,485,776	(1,878,748)
<b>Total Program Expenses</b>	<b>\$ 40,463,763</b>	<b>\$ (23,044,348)</b>

### County Expenses for Fiscal Year 2019



## 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 \$18,779,317, a decrease of \$7,380,430 in comparison with the prior year. Of the combined ending fund balances, \$14,465,835 represents unrestricted (committed, assigned, and unassigned) fund balance, which is available for spending at the County's discretion. The remainder of fund balance, \$4,313,482, 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 2019, the General Fund's fund balance was \$3,238,767, of which \$1,515,941 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 7.30 percent of total General Fund expenditures. During 2019, the ending fund balance decreased by \$3,125,019.

The Road and Bridge Special Revenue Fund had total fund balance of \$689,109 at the end of 2019. The fund balance decreased \$1,345,732 during 2019, which can be attributed to an increase in highway construction projects.

The Community and Veteran Services Special Revenue Fund had total fund balance of \$8,283,876 at the end of 2019. The fund balance increased \$978,619, in part, due to higher state revenue and more services rendered than the prior year.

The Debt Service Fund had total fund balance of \$1,582,710 at the end of 2019. The fund balance increased \$577,253 during 2019 due, in part, to an increase in the deposit of Local Option Sales Tax.

The Capital Projects Fund had total fund balance of \$4,291,219 at the end of 2019. The fund balance decreased \$5,132,189 during 2019 due to the transfer of funds to the Road and Bridge Special Revenue Fund for highways and streets construction projects.

### **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 2019, the General Fund's actual revenues exceeded expected revenues by \$603,586, and actual expenditures were more than budgeted expenditures by \$3,629,006. Two significant variances of \$2,346,335 and \$299,712 occurred in other general government and in the Sheriff's Office, respectively, where the actual expenditures were more than the amount budgeted. The variance in other general government expenditures was primarily due to legal fees.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

At the end of 2019, Mille Lacs County had \$82,076,523 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)**

	2019	2018
Land	\$ 3,028,726	\$ 2,844,881
Construction in progress	12,771,958	4,797,227
Land improvements	233,133	258,942
Buildings	15,789,938	16,553,142
Machinery and equipment	3,371,207	3,083,738
Infrastructure	46,863,012	45,945,582
Software	18,549	44,563
<b>Total</b>	<b>\$ 82,076,523</b>	<b>\$ 73,528,075</b>

### Debt Administration

At December 31, 2019, Mille Lacs County had \$20,205,000 in bonds and notes outstanding, compared with \$15,575,000 as of December 31, 2018, an increase of 29.73 percent, as shown in Table 5.

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

Bonds and Notes Payable	Governmental Activities		Percent (%) Change
	2019	2018	
2010A G.O. Capital Improvement Plan Bonds	\$ -	\$ 120,000	(100.0)
2010B Taxable Capital Improvement Bonds – Recovery Zone Economic Development Bonds	920,000	920,000	-
2014 G.O. Capital Improvement Plan Refunding Bonds	4,805,000	5,220,000	(8.0)
2018A G.O. Capital Improvement Plan Bonds	9,315,000	9,315,000	-
2019A G.O. Capital Improvement Plan Bonds	2,970,000	-	100.0
2019B G.O. Drainage Bonds	1,195,000	-	100.0
2019A G.O. Capital Equipment Notes	1,000,000	-	100.0
<b>Total</b>	<b>\$ 20,205,000</b>	<b>\$ 15,575,000</b>	<b>29.7</b>

Other long-term obligations include 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 2020 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 2020.

## **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 Pat Oman, Mille Lacs County Administrator, (320-983-8218), Mille Lacs County Courthouse, 635 – 2nd Street Southeast, Milaca, Minnesota 56353.

## **BASIC FINANCIAL STATEMENTS**

This page was left blank intentionally.



**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

This page was left blank intentionally.

**MILLE LACS COUNTY  
MILACA, MINNESOTA**

**EXHIBIT 1**

**STATEMENT OF NET POSITION  
GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2019**

**Assets**

Cash and pooled investments	\$	19,728,401
Petty cash and change funds		850
Departmental cash		106,787
Taxes receivable		
Delinquent		487,453
Special assessments receivable		
Delinquent		2,378
Accounts receivable		153,664
Accrued interest receivable		15,952
Due from other governments		6,240,061
Inventories		257,488
Capital assets		
Non-depreciable		15,800,684
Depreciable – net of accumulated depreciation		66,275,839
		66,275,839
<b>Total Assets</b>	<b>\$</b>	<b>109,069,557</b>

**Deferred Outflows of Resources**

Deferred pension outflows	\$	4,041,273
Deferred other postemployment benefits outflows		116,474
		116,474
<b>Total Deferred Outflows of Resources</b>	<b>\$</b>	<b>4,157,747</b>

**Liabilities**

Accounts payable	\$	880,058
Salaries payable		854,173
Claims payable		25,596
Contracts payable		684,824
Due to other governments		157,971
Accrued interest payable		289,476
Long-term liabilities		
Due within one year		1,137,505
Due in more than one year		21,830,331
Other postemployment benefits liability		2,181,246
Net pension liability		10,870,825
		10,870,825
<b>Total Liabilities</b>	<b>\$</b>	<b>38,912,005</b>

MILLE LACS COUNTY  
MILACA, MINNESOTA

*EXHIBIT 1*  
*(Continued)*

STATEMENT OF NET POSITION  
GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2019

**Deferred Inflows of Resources**

Deferred pension inflows	\$	6,578,619
Deferred other postemployment benefits inflows		<u>72,122</u>
<b>Total Deferred Inflows of Resources</b>	<b>\$</b>	<b><u>6,650,741</u></b>

**Net Position**

Net investment in capital assets	\$	66,727,276
Restricted for		
General government		261,859
Public safety		1,058,384
Highways and streets		4,387,269
Conservation of natural resources		1,005,560
Sanitation		70,504
Debt service		1,582,710
Unrestricted		<u>(7,429,004)</u>
<b>Total Net Position</b>	<b>\$</b>	<b><u>67,664,558</u></b>

**MILLE LACS COUNTY  
MILACA, MINNESOTA**

*EXHIBIT 2*

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Fees, Charges, Fines, and Other</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
<b><u>Functions/Programs</u></b>					
<b>Governmental activities</b>					
General government	\$ 9,740,462	\$ 760,310	\$ 312,789	\$ -	\$ (8,667,363)
Public safety	10,681,033	813,216	1,102,378	-	(8,765,439)
Highways and streets	5,737,277	272,422	5,276,841	341,787	153,773
Sanitation	136,568	28,958	73,862	-	(33,748)
Human services	10,819,215	1,237,961	5,694,683	-	(3,886,571)
Health	901,957	165,518	711,237	-	(25,202)
Culture and recreation	413,567	-	98,401	23,708	(291,458)
Conservation of natural resources	1,065,743	121,873	237,657	-	(706,213)
Economic development	226,581	-	130,367	-	(96,214)
Interest expense on long-term debt	741,360	-	15,447	-	(725,913)
<b>Total Governmental Activities</b>	<b>\$ 40,463,763</b>	<b>\$ 3,400,258</b>	<b>\$ 13,653,662</b>	<b>\$ 365,495</b>	<b>\$ (23,044,348)</b>
<b>General Revenues</b>					
Property taxes					\$ 16,282,009
Gravel tax					64,764
Mortgage registry and deed tax					10,470
Wheelage tax					273,823
Local option sales tax					1,161,148
Payments in lieu of tax					76,328
Grants and contributions not restricted to specific programs					2,490,991
Unrestricted investment earnings					502,340
Miscellaneous					409,465
Gain on sale of capital assets					69,892
<b>Total general revenues</b>					<b>\$ 21,341,230</b>
<b>Change in net position</b>					<b>\$ (1,703,118)</b>
<b>Net Position – January 1</b>					<b>69,367,676</b>
<b>Net Position – December 31</b>					<b>\$ 67,664,558</b>

This page was left blank intentionally.

**FUND FINANCIAL STATEMENTS**

This page was left blank intentionally.



**GOVERNMENTAL FUNDS**

**MILLE LACS COUNTY  
MILACA, MINNESOTA**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2019**

	<b>General</b>	<b>Road and Bridge</b>
<b><u>Assets</u></b>		
Cash and pooled investments	\$ 4,114,970	\$ 1,322,007
Petty cash and change funds	800	-
Departmental cash	106,787	-
Taxes receivable		
Delinquent	322,019	3,598
Special assessments receivable		
Delinquent	2,378	-
Accounts receivable	10,857	13,943
Accrued interest receivable	15,952	-
Due from other funds	45,865	-
Due from other governments	299,366	4,859,097
Inventories	-	257,488
Advances to other funds	76,977	-
	<b>\$ 4,995,971</b>	<b>\$ 6,456,133</b>
 <b><u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u></b>		
<b>Liabilities</b>		
Accounts payable	\$ 677,240	\$ 144,265
Salaries payable	525,238	65,370
Contracts payable	-	684,824
Due to other funds	-	29,364
Due to other governments	99,647	229
Advances from other funds	-	-
	<b>\$ 1,302,125</b>	<b>\$ 924,052</b>
 <b>Deferred Inflows of Resources</b>		
Unavailable revenue	<b>\$ 455,079</b>	<b>\$ 4,842,972</b>

**EXHIBIT 3**

<u>Community and Veteran Services</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Ditch</u>	<u>Total</u>
\$ 7,558,858	\$ 1,580,339	\$ 4,291,207	\$ 771,026	\$ 19,638,407
50	-	-	-	850
-	-	-	-	106,787
137,770	23,270	796	-	487,453
-	-	-	-	2,378
128,864	-	-	-	153,664
-	-	-	-	15,952
-	-	-	-	45,865
1,081,598	-	-	-	6,240,061
-	-	-	-	257,488
-	-	-	-	76,977
<u><b>\$ 8,907,140</b></u>	<u><b>\$ 1,603,609</b></u>	<u><b>\$ 4,292,003</b></u>	<u><b>\$ 771,026</b></u>	<u><b>\$ 27,025,882</b></u>
\$ 58,140	\$ -	\$ -	\$ 413	\$ 880,058
263,565	-	-	-	854,173
-	-	-	-	684,824
16,501	-	-	-	45,865
58,095	-	-	-	157,971
-	-	-	76,977	76,977
<u><b>\$ 396,301</b></u>	<u><b>\$ -</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 77,390</b></u>	<u><b>\$ 2,699,868</b></u>
<u><b>\$ 226,963</b></u>	<u><b>\$ 20,899</b></u>	<u><b>\$ 784</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 5,546,697</b></u>

**MILLE LACS COUNTY  
MILACA, MINNESOTA**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2019**

	<b>General</b>	<b>Road and Bridge</b>
<b><u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u></b> (Continued)		
<b>Fund Balances</b>		
Nonspendable		
Inventories	\$ -	\$ 257,488
Advances to other funds	76,977	-
Restricted for		
Debt service	-	-
Law library	142,165	-
Recorder's technology and equipment	92,510	-
Administering the carrying of weapons	186,970	-
Law enforcement	97,710	-
Enhanced 911 system	169,962	-
Gravel pit restoration	113,835	-
DARE program	57,882	-
Prisoner account	545,860	-
Prosecutorial purposes	27,184	-
Aquatic invasive species	141,267	-
Ditch maintenance and repairs	-	-
SCORE	70,504	-
Committed to		
Gravel pit restoration	-	402,147
Assigned to		
General government	145,568	-
Public safety	400,994	-
Highways and streets	-	29,474
Community and veteran services programs	-	-
Capital projects	-	-
Unassigned	969,379	-
	<b>\$ 3,238,767</b>	<b>\$ 689,109</b>
<b>Total Fund Balances</b>		
	<b>\$ 3,238,767</b>	<b>\$ 689,109</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 4,995,971</b>	<b>\$ 6,456,133</b>

**EXHIBIT 3**  
**(Continued)**

<u>Community and Veteran Services</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Ditch</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ 257,488
-	-	-	-	76,977
-	1,582,710	-	-	1,582,710
-	-	-	-	142,165
-	-	-	-	92,510
-	-	-	-	186,970
-	-	-	-	97,710
-	-	-	-	169,962
-	-	-	-	113,835
-	-	-	-	57,882
-	-	-	-	545,860
-	-	-	-	27,184
-	-	-	-	141,267
-	-	-	750,458	750,458
-	-	-	-	70,504
-	-	-	-	402,147
-	-	-	-	145,568
-	-	-	-	400,994
-	-	-	-	29,474
8,283,876	-	-	-	8,283,876
-	-	4,291,219	-	4,291,219
-	-	-	(56,822)	912,557
<u>\$ 8,283,876</u>	<u>\$ 1,582,710</u>	<u>\$ 4,291,219</u>	<u>\$ 693,636</u>	<u>\$ 18,779,317</u>
<u>\$ 8,907,140</u>	<u>\$ 1,603,609</u>	<u>\$ 4,292,003</u>	<u>\$ 771,026</u>	<u>\$ 27,025,882</u>

This page was left blank intentionally.

**MILLE LACS COUNTY  
MILACA, MINNESOTA**

**EXHIBIT 4**

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION—GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2019**

<b>Fund balances – total governmental funds (Exhibit 3)</b>		<b>\$ 18,779,317</b>
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.		82,076,523
Deferred outflows of resources resulting from pension obligations are not available resources and, therefore, are not reported in governmental funds.		4,041,273
Deferred outflows of resources resulting from the other postemployment benefits liability are not available resources and, therefore, are not reported in the governmental funds.		116,474
Revenues in the statement of activities that do not provide current financial resources are not reported in the governmental funds.		5,546,697
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	\$ (18,010,000)	
Special assessment bonds	(1,195,000)	
Unamortized premium on bonds	(642,738)	
Capital notes	(1,000,000)	
Unamortized premium on notes	(89,033)	
Compensated absences	(2,031,065)	
Net pension liability	(10,870,825)	
Other postemployment benefits liability	<u>(2,181,246)</u>	(36,019,907)
Deferred inflows resulting from pension obligations are not due and payable in the current period and, therefore, are not reported in the governmental funds.		(6,578,619)
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.		(72,122)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the governmental funds.		(289,476)
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.		<u>64,398</u>
<b>Net Position of Governmental Activities (Exhibit 1)</b>		<b><u>\$ 67,664,558</u></b>

**MILLE LACS COUNTY  
MILACA, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<b>General</b>	<b>Road and Bridge</b>
<b>Revenues</b>		
Taxes	\$ 10,942,293	\$ 791,462
Special assessments	16,779	-
Licenses and permits	308,121	18,875
Intergovernmental	4,154,740	2,952,403
Charges for services	1,091,920	28,549
Fines and forfeits	117,975	-
Gifts and contributions	7,976	-
Investment earnings	494,554	-
Miscellaneous	496,464	22,902
	<b>\$ 17,630,822</b>	<b>\$ 3,814,191</b>
<b>Expenditures</b>		
<b>Current</b>		
General government	\$ 8,976,723	\$ -
Public safety	10,582,257	-
Highways and streets	-	13,375,171
Sanitation	136,568	-
Human services	-	-
Health	-	-
Culture and recreation	114,137	-
Conservation of natural resources	428,458	-
Economic development	224,669	-
<b>Intergovernmental</b>		
Highways and streets	-	285,798
Culture and recreation	299,430	-
<b>Capital outlay</b>		
Highways and streets	-	-
<b>Debt service</b>		
Principal	-	-
Interest	-	-
Administrative (fiscal) charges	-	-
Bond issuance costs	-	-
	<b>\$ 20,762,242</b>	<b>\$ 13,660,969</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (3,131,420)</b>	<b>\$ (9,846,778)</b>



**EXHIBIT 5**

<u>Community and Veteran Services</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Ditch</u>	<u>Total</u>
\$ 4,474,690	\$ 1,530,323	\$ 1,498	\$ -	\$ 17,740,266
-	-	-	65,813	82,592
-	-	-	-	326,996
6,917,786	15,447	-	-	14,040,376
816,125	-	-	-	1,936,594
-	-	-	-	117,975
2,520	-	-	-	10,496
-	-	52,843	-	547,397
587,354	-	-	61	1,106,781
<b>\$ 12,798,475</b>	<b>\$ 1,545,770</b>	<b>\$ 54,341</b>	<b>\$ 65,874</b>	<b>\$ 35,909,473</b>
\$ 158,297	\$ -	\$ -	\$ -	\$ 9,135,020
-	-	-	-	10,582,257
-	-	-	-	13,375,171
-	-	-	-	136,568
10,774,619	-	-	-	10,774,619
886,940	-	-	-	886,940
-	-	-	-	114,137
-	-	-	621,309	1,049,767
-	-	-	-	224,669
-	-	-	-	285,798
-	-	-	-	299,430
-	-	800,993	-	800,993
-	535,000	-	-	535,000
-	429,967	-	-	429,967
-	3,550	-	-	3,550
-	-	118,949	-	118,949
<b>\$ 11,819,856</b>	<b>\$ 968,517</b>	<b>\$ 919,942</b>	<b>\$ 621,309</b>	<b>\$ 48,752,835</b>
<b>\$ 978,619</b>	<b>\$ 577,253</b>	<b>\$ (865,601)</b>	<b>\$ (555,435)</b>	<b>\$ (12,843,362)</b>

**MILLE LACS COUNTY  
MILACA, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>General</u>	<u>Road and Bridge</u>
<b>Other Financing Sources (Uses)</b>		
Transfers in	\$ -	\$ 8,645,494
Transfers out	-	-
Bonds issued	-	-
Premium on bonds issued	-	-
Capital notes issued	-	-
Proceeds from sale of capital assets	6,401	-
	<u>6,401</u>	<u>-</u>
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 6,401</b>	<b>\$ 8,645,494</b>
<b>Net Change in Fund Balance</b>	<b>\$ (3,125,019)</b>	<b>\$ (1,201,284)</b>
<b>Fund Balance – January 1</b>	<b>6,363,786</b>	<b>2,034,841</b>
<b>Increase (decrease) in inventories</b>	<b>-</b>	<b>(144,448)</b>
	<u>-</u>	<u>(144,448)</u>
<b>Fund Balance – December 31</b>	<b>\$ 3,238,767</b>	<b>\$ 689,109</b>
	<u>3,238,767</u>	<u>689,109</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>
\$ -	\$ -	\$ -	\$ 1,222,073	\$ 9,867,567
-	-	(9,867,567)	-	(9,867,567)
-	-	4,165,000	-	4,165,000
-	-	422,524	-	422,524
-	-	1,000,000	-	1,000,000
-	-	13,455	-	19,856
<u>\$ -</u>	<u>\$ -</u>	<u>\$ (4,266,588)</u>	<u>\$ 1,222,073</u>	<u>\$ 5,607,380</u>
\$ 978,619	\$ 577,253	\$ (5,132,189)	\$ 666,638	\$ (7,235,982)
7,305,257	1,005,457	9,423,408	26,998	26,159,747
-	-	-	-	(144,448)
<u>\$ 8,283,876</u>	<u>\$ 1,582,710</u>	<u>\$ 4,291,219</u>	<u>\$ 693,636</u>	<u>\$ 18,779,317</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, 2019**

**Net change in fund balance – total governmental funds (Exhibit 5) \$ (7,235,982)**

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	\$ 5,546,697	
Unavailable revenue – January 1	<u>(2,976,562)</u>	2,570,135

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	\$ 11,517,163	
Net book value of assets sold or disposed of	170,005	
Current year depreciation	<u>(3,138,720)</u>	8,548,448

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	\$ (4,165,000)	
Capital notes issued	(1,000,000)	
Premium on bonds and notes issued	<u>(422,524)</u>	(5,587,524)
Principal repayments		
General obligation bonds		535,000

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	\$ (210,752)	
Change in compensated absences	326,367	
Change in other postemployment benefits liability	(170,292)	
Change in net pension liability	(176,071)	
Change in deferred pension outflows	(2,631,139)	
Change in deferred pension inflows	2,447,789	
Change in deferred other postemployment benefits outflows	55,956	
Change in deferred other postemployment benefits inflows	(72,122)	
Change in inventories	(144,448)	
Current year amortization of premium on bonds issued	<u>21,858</u>	(552,854)

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

		<u>19,659</u>
<b>Change in Net Position of Governmental Activities (Exhibit 2)</b>		<b><u>\$ (1,703,118)</u></b>

**SELF-INSURANCE INTERNAL SERVICE FUND**

This page was left blank intentionally.

MILLE LACS COUNTY  
MILACA, MINNESOTA

EXHIBIT 7

STATEMENT OF FUND NET POSITION  
SELF-INSURANCE INTERNAL SERVICE FUND  
DECEMBER 31, 2019

	<u>Governmental Activities</u>
<b><u>Assets</u></b>	
Cash and pooled investments	\$ 89,994
<b><u>Liabilities</u></b>	
Claims payable	<u>25,596</u>
<b><u>Net Position</u></b>	
Unrestricted	<u><u>\$ 64,398</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, 2019

	<u>Governmental Activities</u>
<b>Operating Revenues</b>	
Insurance fees	\$ 161,176
<b>Operating Expenses</b>	
Insurance	<u>141,517</u>
<b>Operating Income (Loss)</b>	<b>\$ 19,659</b>
<b>Net Position – January 1</b>	<u><b>44,739</b></u>
<b>Net Position – December 31</b>	<u><u><b>\$ 64,398</b></u></u>



MILLE LACS COUNTY  
MILACA, MINNESOTA

EXHIBIT 9

STATEMENT OF CASH FLOWS  
SELF-INSURANCE INTERNAL SERVICE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2019  
Increase (Decrease) in Cash and Cash Equivalents

	<u>Governmental Activities</u>
<b>Cash Flows From Operating Activities</b>	
Insurance fees	\$ 161,176
Insurance	<u>(126,110)</u>
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>\$ 35,066</b>
<b>Cash and Cash Equivalents at January 1</b>	<b><u>54,928</u></b>
<b>Cash and Cash Equivalents at December 31</b>	<b><u><u>\$ 89,994</u></u></b>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities</b>	
<b>Operating income (loss)</b>	\$ 19,659
<b>Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities</b>	
Increase (decrease) in claims payable	<u>15,407</u>
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b><u><u>\$ 35,066</u></u></b>

This page was left blank intentionally.

## **FIDUCIARY FUNDS**

This page was left blank intentionally.

**MILLE LACS COUNTY  
MILACA, MINNESOTA**

*EXHIBIT 10*

**STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
DECEMBER 31, 2019**

	<b>Private-Purpose Trust</b>	<b>Agency</b>
<b><u>Assets</u></b>		
Cash and pooled investments	\$ 17,433	\$ 687,548
Accrued interest receivable	18	-
	<b>\$ 17,451</b>	<b>\$ 687,548</b>
<b>Total Assets</b>	<b>\$ 17,451</b>	<b>\$ 687,548</b>
<b><u>Liabilities</u></b>		
Due to other governments	-	<b>\$ 687,548</b>
	-	<b>\$ 687,548</b>
<b><u>Net Position</u></b>		
Restricted for other purposes	<b>\$ 17,451</b>	
	<b>\$ 17,451</b>	

MILLE LACS COUNTY  
MILACA, MINNESOTA

EXHIBIT 11

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
PRIVATE-PURPOSE TRUST FUND  
FOR THE YEAR ENDED DECEMBER 31, 2019

<u>Additions</u>	
Investment income	\$ 62
<u>Deductions</u>	
Payments in accordance with trust agreements	<u>51</u>
<b>Change in net position</b>	<b>\$ 11</b>
<b>Net Position – January 1</b>	<b><u>17,440</u></b>
<b>Net Position – December 31</b>	<b><u><u>\$ 17,451</u></u></b>

**MILLE LACS COUNTY  
MILACA, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019**

---

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, 2019. 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 2019.

Joint Ventures

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

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 Fund accounts for funds that the County Auditor-Treasurer is holding for the cemetery, missing heirs, and Court Administrator.

The Agency Fund is custodial in nature and does not present results of operations or have a measurement focus. This fund accounts for assets that the County holds for others in an agent 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, 2019. 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 2019 were \$494,554.

**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 2013 through 2019.

**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)

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, 2019.

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.

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

**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)

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. The County had no unearned revenue for the year ended December 31, 2019.

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.

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.

**MILLE LACS COUNTY  
MILACA, MINNESOTA**

---

---

1. Summary of Significant Accounting Policies

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

7. Long-Term Obligations (Continued)

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 position 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 position 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, and grants receivable. Unavailable revenue arises only under the modified accrual basis of accounting and, accordingly, is reported only in the governmental funds balance sheet. Unavailable revenue is deferred and recognized as an inflow of resources in the period that the amounts become available. The County also reports deferred inflows of resources associated with pension and OPEB benefits. These inflows arise only under the full accrual basis of accounting and, accordingly, are reported only in the statement of net position.

**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)

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 \$693,636 as of December 31, 2019, although two individual ditch systems had deficit 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:

8 ditches with positive fund balances	\$ 750,458
2 ditches with deficit fund balances	<u>(56,822)</u>
Total Fund Balance	<u>\$ 693,636</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 2019, there were six pay-as-you-go notes within the County. The TIF funds collected during 2019 totaled \$130,440. The County's portion of the captured tax capacity and related property taxes was approximately 43 percent, or \$56,089.

**MILLE LACS COUNTY  
MILACA, MINNESOTA**

---

---

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:

Government-wide statement of net position	
Governmental activities	
Cash and pooled investments	\$ 19,728,401
Petty cash and change funds	850
Departmental cash	106,787
Statement of fiduciary net position	
Cash and pooled investments	
Private-Purpose Trust Fund	17,433
Agency Fund	<u>687,548</u>
 Total Cash and Investments	 <u>\$ 20,541,019</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.

**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, 2019, the County's deposits were not 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, 2019, 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, 2019, and information relating to potential investment risks:

<u>Investment Type</u>	<u>Credit Risk</u>		<u>Concentration Risk Over</u>	<u>Interest Rate Risk</u>	<u>Carrying (Fair) Value</u>
	<u>Credit Rating</u>	<u>Rating Agency</u>	<u>5 Percent of Portfolio</u>	<u>Maturity Date</u>	
Investment pools/mutual funds					
MAGIC Fund	N/R	N/A	100.0%	N/A	\$ 11,101,505
Deposits					9,331,877
Petty cash and change funds					850
Departmental cash					106,787
Total Cash and Investments					<u>\$ 20,541,019</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 their 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.

	Investments Measured at NAV As of December 31, 2019
Investments MAGIC Portfolio	\$ 11,101,505

2. Receivables

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.

The County had no receivables scheduled for collection during the subsequent year.



**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, 2019, was as follows:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital assets not depreciated				
Land	\$ 2,844,881	\$ 183,845	\$ -	\$ 3,028,726
Construction in progress	4,797,227	10,241,494	2,266,763	12,771,958
	<u>\$ 7,642,108</u>	<u>\$ 10,425,339</u>	<u>\$ 2,266,763</u>	<u>\$ 15,800,684</u>
Total capital assets not depreciated				
Capital assets depreciated				
Land improvements	\$ 968,190	\$ -	\$ -	\$ 968,190
Buildings	26,234,347	-	92,580	26,141,767
Machinery and equipment	10,104,485	1,091,824	801,833	10,394,476
Infrastructure	71,216,662	2,266,763	-	73,483,425
Software	367,123	-	95,565	271,558
	<u>\$ 108,890,807</u>	<u>\$ 3,358,587</u>	<u>\$ 989,978</u>	<u>\$ 111,259,416</u>
Total capital assets depreciated				
Less: accumulated depreciation for				
Land improvements	\$ 709,248	\$ 25,809	\$ -	\$ 735,057
Buildings	9,681,205	734,808	64,184	10,351,829
Machinery and equipment	7,020,747	993,590	991,068	7,023,269
Infrastructure	25,271,080	1,375,780	26,447	26,620,413
Software	322,560	8,733	78,284	253,009
	<u>\$ 43,004,840</u>	<u>\$ 3,138,720</u>	<u>\$ 1,159,983</u>	<u>\$ 44,983,577</u>
Total accumulated depreciation				
Total capital assets depreciated, net	<u>\$ 65,885,967</u>	<u>\$ 219,867</u>	<u>\$ (170,005)</u>	<u>\$ 66,275,839</u>
Governmental Activities				
Capital Assets, Net	<u>\$ 73,528,075</u>	<u>\$ 10,645,206</u>	<u>\$ 2,096,758</u>	<u>\$ 82,076,523</u>

**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	\$	944,970
Public safety		323,911
Highways and streets, including depreciation of infrastructure assets		1,831,787
Human services		28,332
Conservation of natural resources		9,720
Total Depreciation Expense – Governmental Activities	\$	3,138,720

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2019, was as follows:

1. Due To/From Other Funds

	Receivable	Payable
Major governmental funds		
General Fund	\$ 45,865	\$ -
Road and Bridge Special Revenue Fund	-	29,364
Community and Veteran Services Special Revenue Fund	-	16,501
Total Due To/From Other Funds	\$ 45,865	\$ 45,865

The interfund balances above represent Road and Bridge Special Revenue Fund amounts due to the General Fund for operating expenditures, and Community and Veteran Services Special Revenue Fund amounts due to the General Fund for attorney and operating expenditures.

**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 \$76,977 to the Ditch Special Revenue Fund for cash flow purposes.

3. Transfers

Interfund transfers at December 31, 2019, were as follows:

Transfers from Capital Projects Fund to Road and Bridge Special Revenue Fund	\$ 8,645,494	Reimburse road projects
Ditch Special Revenue Fund	<u>1,222,073</u>	Drainage bond proceeds
Total Interfund Transfers	<u>\$ 9,867,567</u>	

C. Liabilities and Deferred Inflows of Resources

1. Construction and Other Commitments

The County has active construction projects as of December 31, 2019. The remaining commitment for highway projects are state-funded and, therefore, not obligations of the County at December 31, 2019.

2. Deferred Inflows of Resources – Unavailable Revenue

Unavailable revenue consists of taxes, special assessments, and state grants and 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, 2019, 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)

	Taxes	Special Assessments	Grants and Highway Allotments	Other	Total
Major governmental funds					
General	\$ 287,668	\$ 2,294	\$ 6,365	\$ 158,752	\$ 455,079
Special Revenue					
Road and Bridge	3,283	-	4,792,811	46,878	4,842,972
Community and Veteran Services	123,443	-	103,520	-	226,963
Debt Service	20,899	-	-	-	20,899
Capital Projects	784	-	-	-	784
	<u>784</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>784</u>
Total	<u>\$ 436,077</u>	<u>\$ 2,294</u>	<u>\$ 4,902,696</u>	<u>\$ 205,630</u>	<u>\$ 5,546,697</u>

3. Long-Term Debt

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2019
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	\$ 920,000
2014 G.O. Capital Improvement Plan Refunding Bonds	02/01/2029	\$395,000 - \$540,000	2.50 - 3.00	6,015,000	4,805,000
2018A G.O. Capital Improvement Plan Bonds	02/01/2039	\$340,000 - \$630,000	3.00 - 3.50	9,315,000	9,315,000
2019A G.O. Capital Improvement Plan Bonds	02/01/2035	\$150,000 - \$245,000	3.00 - 4.00	<u>2,970,000</u>	<u>2,970,000</u>
Total General Obligation Bonds				\$ 19,220,000	\$ 18,010,000
Special assessment bonds with government commitment					
2019B G.O. Drainage Bonds	02/01/2042	\$45,000 - \$65,000	3.00	1,195,000	1,195,000
2019A G.O. Capital Equipment Notes	02/01/2025	\$185,000 - \$215,000	4.00	<u>1,000,000</u>	<u>1,000,000</u>
Total				<u>\$ 21,415,000</u>	<u>\$ 20,205,000</u>

**MILLE LACS COUNTY  
MILACA, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources (Continued)

4. Debt Service Requirements

Debt service requirements at December 31, 2019, were as follows:

Year Ending December 31	General Obligation Bonds		Taxable General Obligation Bonds	
	Principal	Interest	Principal	Interest
2020	\$ 765,000	\$ 540,707	\$ 125,000	\$ 34,533
2021	935,000	502,725	125,000	30,189
2022	970,000	472,626	130,000	25,372
2023	1,000,000	442,625	130,000	20,238
2024	1,030,000	412,838	135,000	14,836
2025 - 2029	5,620,000	1,564,909	275,000	12,247
2030 - 2034	3,590,000	847,496	-	-
2035 - 2039	3,180,000	268,014	-	-
Total	<u>\$ 17,090,000</u>	<u>\$ 5,051,940</u>	<u>\$ 920,000</u>	<u>\$ 137,415</u>

Year Ending December 31	Special Assessment Bonds		Notes	
	Principal	Interest	Principal	Interest
2020	\$ -	\$ 39,933	\$ -	\$ 44,556
2021	45,000	35,175	185,000	36,300
2022	45,000	33,825	190,000	28,800
2023	45,000	32,475	200,000	21,000
2024	45,000	31,125	210,000	12,800
2025 - 2029	250,000	133,500	215,000	4,300
2030 - 2034	295,000	92,925	-	-
2035 - 2039	285,000	48,525	-	-
2040 - 2042	185,000	8,475	-	-
Total	<u>\$ 1,195,000</u>	<u>\$ 455,958</u>	<u>\$ 1,000,000</u>	<u>\$ 147,756</u>

**MILLE LACS COUNTY  
MILACA, MINNESOTA**

---

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources

4. Debt Service Requirements (Continued)

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 decreased by 6.8 percent from sequestration through September 30, 2016, and 6.9 percent for the remainder of the year. 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, 2019, the County's net annual debt service requirements to amortize all taxable general obligation bonds outstanding, including interest of \$79,846 on the governmental activities debt, is as follows:

Year Ending December 31	Principal	Interest	Federal Subsidy	Net Interest	Total Payment
2020	\$ 125,000	\$ 34,533	\$ (14,468)	\$ 20,065	\$ 145,065
2021	125,000	30,189	(12,648)	17,541	142,541
2022	130,000	25,372	(10,629)	14,743	144,743
2023	130,000	20,238	(8,479)	11,759	141,759
2024	135,000	14,836	(6,215)	8,621	143,621
2025 - 2027	275,000	12,247	(5,130)	7,117	282,117
Total	<u>\$ 920,000</u>	<u>\$ 137,415</u>	<u>\$ (57,569)</u>	<u>\$ 79,846</u>	<u>\$ 999,846</u>

**MILLE LACS COUNTY  
MILACA, MINNESOTA**

---

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources (Continued)

5. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2019, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General obligation bonds	\$ 14,655,000	\$ 2,970,000	\$ 535,000	\$ 17,090,000	\$ 765,000
Taxable general obligation bonds	920,000	-	-	920,000	125,000
Special assessments bonds with government commitment	-	1,195,000	-	1,195,000	-
Capital equipment notes	-	1,000,000	-	1,000,000	-
Add: premium on bonds and notes	331,105	422,524	21,858	731,771	-
Compensated absences	2,357,432	264,735	591,102	2,031,065	247,505
<b>Long-Term Liabilities</b>	<b>\$ 18,263,537</b>	<b>\$ 5,852,259</b>	<b>\$ 1,147,960</b>	<b>\$ 22,967,836</b>	<b>\$ 1,137,505</b>

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.

**MILLE LACS COUNTY  
MILACA, MINNESOTA**

---

3. Detailed Notes on All Funds

D. Other Postemployment Benefits (OPEB)

1. Plan Description (Continued)

As of the January 1, 2018, actuarial valuation, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	5
Active plan participants	<u>256</u>
Total	<u><u>261</u></u>

2. Total OPEB Liability

The County's total OPEB liability of \$2,181,246 was measured as of January 1, 2019, and was determined by an actuarial valuation as of January 1, 2018. 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, 2019, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Actuarial cost method	Entry Age Normal Percent of Pay
Inflation	2.50 percent
Salary increases	3.00 percent
Health care cost trend	6.25 percent in 2019 grading to 5.00 percent over 5 years

The current year discount rate is 3.80 percent. For the current valuation, the discount rate is equal to the 20-Year municipal bond yield.

Mortality rates used are recent tables developed and recommended by the Society of Actuaries (SOA), RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale (with blue collar adjustment for police and fire personnel).



**MILLE LACS COUNTY  
MILACA, MINNESOTA**

---

3. Detailed Notes on All Funds

D. Other Postemployment Benefits (OPEB)

2. Total OPEB Liability (Continued)

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

	Total OPEB Liability
Balance at December 31, 2018	\$ 2,010,954
Changes for the year	
Service cost	\$ 135,579
Interest	69,845
Assumption changes	(82,426)
Plan changes	107,812
Benefit payments	(60,518)
Net change	\$ 170,292
Balance at December 31, 2019	\$ 2,181,246

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	2.80%	\$ 2,364,453
Current	3.80	2,181,246
1% Increase	4.80	2,013,134

**MILLE LACS COUNTY  
MILACA, MINNESOTA**

---

3. Detailed Notes on All Funds

D. Other Postemployment Benefits (OPEB)

4. OPEB Liability Sensitivity (Continued)

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 4.25%	\$ 1,956,686
Current	6.25% Decreasing to 5.25%	2,181,246
1% Increase	7.25% Decreasing to 6.25%	2,447,649

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

For the year ended December 31, 2019, the County recognized OPEB expense of \$125,940. At December 31, 2019, the County reported \$72,122 in deferred inflows of resources resulting from assumption changes, and \$116,474 in deferred outflows of resources resulting from County contributions subsequent to the measurement date, and will be recognized as a reduction of the OPEB liability in the year ended December 31, 2020.

Amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended December 31	OPEB Expense Amount
2020	\$ (10,304)
2021	(10,304)
2022	(10,304)
2023	(10,304)
2024	(10,304)
Thereafter	(20,602)

**MILLE LACS COUNTY  
MILACA, MINNESOTA**

---

3. Detailed Notes on All Funds

D. Other Postemployment Benefits (OPEB) (Continued)

6. Changes in Actuarial Assumptions

The following changes in actuarial assumptions occurred in 2019:

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

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 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.

**MILLE LACS COUNTY  
MILACA, MINNESOTA**

---

3. Detailed Notes on All Funds

E. Pension Plans

Defined Benefit Pension Plans

1. Plan Description (Continued)

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

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

Beginning January 1, 2019, 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. For 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.

**MILLE LACS COUNTY  
MILACA, MINNESOTA**

---

3. Detailed Notes on All Funds

E. Pension Plans

Defined Benefit Pension Plans

2. Benefits Provided (Continued)

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.

Beginning January 1, 2019, 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. For 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.

Beginning January 1, 2019, 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. For 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.

**MILLE LACS COUNTY  
MILACA, MINNESOTA**

---

3. Detailed Notes on All Funds

E. Pension Plans

Defined Benefit Pension Plans

2. Benefits Provided (Continued)

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

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

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. General Employees Plan members were required to contribute 6.50 percent of their annual covered salary in 2019. Police and Fire Plan members were required to contribute 11.30 percent of their annual covered salary in 2019. Correctional Plan members were required to contribute 5.83 percent of their annual covered salary in 2019.

**MILLE LACS COUNTY  
MILACA, MINNESOTA**

---

3. Detailed Notes on All Funds

E. Pension Plans

Defined Benefit Pension Plans

3. Contributions (Continued)

In 2019, the County was required to contribute the following percentages of annual covered salary:

General Employees Plan – Coordinated Plan members	7.50%
Police and Fire Plan	16.95
Correctional Plan	8.75

The Police and Fire Plan member and employer contribution rates increased 0.50 percent and 0.75 percent, respectively, from 2018.

The County's contributions for the year ended December 31, 2019, to the pension plans were:

General Employees Plan	\$ 787,336
Police and Fire Plan	454,687
Correctional Plan	161,813

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

4. Pension Costs

General Employees Plan

At December 31, 2019, the County reported a liability of \$8,171,531 for its proportionate share of the General Employees Plan's net pension liability. The net pension liability was measured as of June 30, 2019, 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, 2018, through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the County's proportion was 0.1478 percent. It was

**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)

0.1443 percent measured as of June 30, 2018. The County recognized pension expense of \$1,104,621 for its proportionate share of the General Employees Plan's pension expense.

The County also recognized \$19,021 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's 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.

The County's proportionate share of the net pension liability	\$	8,171,531
State of Minnesota's proportionate share of the net pension liability associated with the County		253,989
Total	\$	8,425,520

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	\$ 221,048	\$ -
Changes in actuarial assumptions	-	621,698
Difference between projected and actual investment earnings	-	813,018
Changes in proportion	380,885	-
Contributions paid to PERA subsequent to the measurement date	393,351	-
Total	\$ 995,284	\$ 1,434,716



**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 \$393,351 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, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31</u>	<u>Pension Expense Amount</u>
2020	\$ (216,166)
2021	(518,786)
2022	(110,994)
2023	13,163

Police and Fire Plan

At December 31, 2019, the County reported a liability of \$2,584,851 for its proportionate share of the Police and Fire Plan's net pension liability. The net pension liability was measured as of June 30, 2019, 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, 2018, through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the County's proportion was 0.2428 percent. It was 0.2384 percent measured as of June 30, 2018. The County recognized pension expense of \$452,796 for its proportionate share of the Police and Fire 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

Police and Fire Plan (Continued)

The County also recognized \$32,778 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. Legislation 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. In addition, the state will pay direct state aid of \$4.5 million on October 1, 2018, and October 1, 2019, and \$9 million by October 1 of each subsequent year until full funding is reached or July 1, 2048, whichever is earlier.

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	\$ 105,234	\$ 295,805
Changes in actuarial assumptions	1,616,713	2,661,518
Difference between projected and actual investment earnings	-	557,119
Changes in proportion	985,844	-
Contributions paid to PERA subsequent to the measurement date	246,120	-
Total	\$ 2,953,911	\$ 3,514,442

**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)

The \$246,120 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, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31</u>	<u>Pension Expense Amount</u>
2020	\$ (28,669)
2021	(183,233)
2022	(643,058)
2023	42,683
2024	5,626

Correctional Plan

At December 31, 2019, the County reported a liability of \$114,443 for its proportionate share of the Correctional Plan's net pension liability. The net pension liability was measured as of June 30, 2019, 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, 2018, through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the County's proportion was 0.8266 percent. It was 0.9028 percent measured as of June 30, 2018. The County recognized pension expense of \$205,840 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	\$ 4,595	\$ 20,938
Changes in actuarial assumptions	-	1,137,761
Difference between projected and actual investment earnings	-	172,322
Changes in proportion	-	298,440
Contributions paid to PERA subsequent to the measurement date	87,483	-
Total	\$ 92,078	\$ 1,629,461

The \$87,483 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, 2020. 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
2020	\$ (860,628)
2021	(723,865)
2022	(41,483)
2023	1,110

**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, 2019, was \$1,763,257.

5. Actuarial Assumptions

The total pension liability in the June 30, 2019, actuarial valuation was determined using the individual entry-age normal actuarial cost method and the following additional actuarial assumptions:

Inflation	2.50 percent per year
Active member payroll growth	3.25 percent per year
Investment rate of return	7.50 percent

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants for all plans were based on RP-2014 tables for males or females, as appropriate, 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, 2019, valuation were based on the results of actuarial experience studies. The experience study for the General Employees Plan was dated June 30, 2015. The experience study for the Police and Fire Plan was dated August 30, 2016. The experience study for the Correctional Plan was dated February 2012. The mortality assumption for the Correctional Plan is based on the Police and Fire Plan experience study. Inflation and investment assumptions for all plans were reviewed in the experience study report for the General Employees Plan dated June 27, 2019.

**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 7.50 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 equity	35.50%	5.10%
International equity	17.50	5.30
Fixed income	20.00	0.75
Private markets	25.00	5.90
Cash equivalents	2.00	0.00

6. Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent in 2019, which remained consistent with 2018. 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 2019:

General Employees Plan

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

Police and Fire Plan

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

Correctional Plan

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

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:

	General Employees Plan		Police and Fire Plan		Correctional Plan	
	Discount Rate	Net Pension Liability	Discount Rate	Net Pension Liability	Discount Rate	Net Pension Liability
1% Decrease	6.50%	\$ 13,433,557	6.50%	\$ 5,650,005	6.50%	\$ 1,219,723
Current	7.50	8,171,531	7.50	2,584,851	7.50	114,443
1% Increase	8.50	3,826,682	8.50	50	8.50	(769,961)

**MILLE LACS COUNTY  
MILACA, MINNESOTA**

---

3. Detailed Notes on All Funds

E. Pension Plans

Defined Benefit Pension Plans (Continued)

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](http://www.mnpera.org); by writing to PERA at 60 Empire Drive, Suite 200, St. Paul, Minnesota 55103-2088; or by calling 651-296-7460 or 1-800-652-9026.

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 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 2019 and 2020. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.



**MILLE LACS COUNTY  
MILACA, MINNESOTA**

---

---

4. Summary of Significant Contingencies and Other Items

A. Risk Management (Continued)

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 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Claims payable – January 1	\$ 10,189	\$ 10,712
Current year claims	141,517	126,742
Claim payments	<u>(126,110)</u>	<u>(127,265)</u>
Claims payable – December 31	<u>\$ 25,596</u>	<u>\$ 10,189</u>

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.

**MILLE LACS COUNTY  
MILACA, MINNESOTA**

---

4. Summary of Significant Contingencies and Other Items

B. Contingent Liabilities (Continued)

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. Mille Lacs Lake Area Economic Relief Loan Program

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

The maximum loan request that will be considered under this program is \$100,000. The loan terms and amortization schedule will be considered to a maximum of 20 years. Loans with deferred or forgivable options must remain in the local community for a minimum of five years after the closing date of the loan.

The maximum loan deferral period must not exceed five years from the date the loan is approved. The maximum amount of the loan that may be forgiven must not exceed 50 percent of the principal amount, and may be forgiven only if the business has remained in operation in the community for at least ten years after the loan was approved.

D. 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,

**MILLE LACS COUNTY  
MILACA, MINNESOTA**

---

---

4. Summary of Significant Contingencies and Other Items

D. Joint Ventures

East Central Solid Waste Commission (Continued)

one from each county. At its annual meeting, the Board of County Commissioners of each county chooses a member and an alternate, both County Commissioners, as representatives of the county. Each county has one voting member and, in the absence of the voting member, the alternate votes.

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

Following is a summary of the financial information as of and for the year ended December 31, 2018 (most recent figures available):

Total assets and deferred outflows of resources	\$ 18,258,398
Total liabilities and deferred inflows of resources	<u>(5,900,196)</u>
Total Net Position	<u>\$ 12,358,202</u>
Operating and nonoperating revenues	\$ 6,868,048
Operating and nonoperating expenses	<u>(6,147,791)</u>
Change in Net Position	<u>\$ 720,257</u>

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

**MILLE LACS COUNTY  
MILACA, MINNESOTA**

---

4. Summary of Significant Contingencies and Other Items

D. Joint Ventures (Continued)

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 2019 was \$299,430.

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

Snake River Watershed Management Board

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

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

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 2019. 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.

**MILLE LACS COUNTY  
MILACA, MINNESOTA**

---

4. Summary of Significant Contingencies and Other Items

D. Joint Ventures (Continued)

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, Chisago, Crow Wing, Isanti, Kanabec, Mille Lacs, Morrison, Pine, Sherburne, 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.

Complete financial information can be obtained from the Central Minnesota Emergency Medical Services Region, Administration Center, 705 Courthouse Square, St. Cloud, Minnesota 56303-4701.

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, Sherburne, 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.

**MILLE LACS COUNTY  
MILACA, MINNESOTA**

---

4. Summary of Significant Contingencies and Other Items

D. Joint Ventures

Central Minnesota Emergency Services Board (Continued)

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 2019, Mille Lacs County contributed \$11,821 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.

E. Subsequent Event

On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) to be a pandemic. Economic activity decreased in 2020, including gasoline sales taxes collected by the State of Minnesota used for funding County State Aid Highways (CSAH) revenue recorded in the County's Road and Bridge Special Revenue Fund. As a result, a decrease of approximately 15 percent of CSAH revenue is expected to be received for calendar year 2021.

The County expects to receive approximately \$3.2 million in funding under the federal Coronavirus Aid, Relief, and Economic Security (CARES) Act in July 2020. The CARES Act requires the County use the funding to cover eligible expenses incurred due to the COVID-19 public health emergency.

**REQUIRED SUPPLEMENTARY INFORMATION**

This page was left blank intentionally.



**MILLE LACS COUNTY  
MILACA, MINNESOTA**

*EXHIBIT A-1*

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 11,021,233	\$ 11,021,233	\$ 10,942,293	\$ (78,940)
Special assessments	16,000	16,000	16,779	779
Licenses and permits	292,165	292,165	308,121	15,956
Intergovernmental	3,603,838	3,603,838	4,154,740	550,902
Charges for services	1,273,900	1,273,900	1,091,920	(181,980)
Fines and forfeits	65,100	65,100	117,975	52,875
Gifts and contributions	2,200	2,200	7,976	5,776
Investment earnings	190,000	190,000	494,554	304,554
Miscellaneous	562,800	562,800	496,464	(66,336)
<b>Total Revenues</b>	<b>\$ 17,027,236</b>	<b>\$ 17,027,236</b>	<b>\$ 17,630,822</b>	<b>\$ 603,586</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Commissioners	\$ 233,031	\$ 233,031	\$ 290,958	\$ (57,927)
Court administrator	94,000	94,000	109,282	(15,282)
Law library	17,000	17,000	17,976	(976)
County administrator	1,294,851	1,294,851	1,344,299	(49,448)
Auditor-treasurer	438,704	438,704	463,941	(25,237)
Auditing	50,000	50,000	55,702	(5,702)
General administration	410,394	410,394	608,691	(198,297)
Information services	149,250	149,250	151,709	(2,459)
Data processing	81,700	81,700	84,758	(3,058)
Elections	25,800	25,800	22,171	3,629
County attorney	1,493,967	1,493,967	1,466,218	27,749
Victim emergency grant	145,026	145,026	153,345	(8,319)
Assessor	465,831	465,831	482,783	(16,952)
Land records and information	52,000	52,000	62,361	(10,361)
Zoning and environmental services	362,029	362,029	403,165	(41,136)
Building maintenance	351,350	351,350	417,029	(65,679)
Other general government	496,000	496,000	2,842,335	(2,346,335)
<b>Total general government</b>	<b>\$ 6,160,933</b>	<b>\$ 6,160,933</b>	<b>\$ 8,976,723</b>	<b>\$ (2,815,790)</b>

**MILLE LACS COUNTY  
MILACA, MINNESOTA**

**EXHIBIT A-1  
(Continued)**

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Expenditures</b>				
<b>Current (Continued)</b>				
<b>Public safety</b>				
Sheriff	\$ 3,817,933	\$ 3,817,933	\$ 4,117,645	\$ (299,712)
Court security	430,387	430,387	422,716	7,671
Drug and alcohol contingency	1,000	1,000	-	1,000
Boat and water safety	98,045	98,045	191,514	(93,469)
Snowmobile safety enforcement	2,500	2,500	30	2,470
ATV grant	3,300	3,300	884	2,416
DARE program	2,000	2,000	1,931	69
Hooked on fishing account	1,000	1,000	-	1,000
Chaplaincy	500	500	284	216
DWI forfeiture	2,000	2,000	8,680	(6,680)
DWI assessment	500	500	-	500
Drug forfeiture	2,000	2,000	12,068	(10,068)
Fleeing an officer forfeiture	100	100	-	100
Communications	10,000	10,000	8,669	1,331
Records system	54,000	54,000	50,835	3,165
Permit to carry	64,615	64,615	62,113	2,502
Animal control	16,000	16,000	14,089	1,911
Coroner	63,530	63,530	63,527	3
County jail	3,081,685	3,081,685	3,255,526	(173,841)
Prisoner account	185,000	185,000	186,177	(1,177)
Probation	1,002,501	1,002,501	956,417	46,084
Case load reduction account	141,610	141,610	149,209	(7,599)
911 services and civil defense	85,998	85,998	84,267	1,731
E-911	31,500	31,500	96,645	(65,145)
Public safety answering point	868,208	868,208	899,031	(30,823)
<b>Total public safety</b>	<b>\$ 9,965,912</b>	<b>\$ 9,965,912</b>	<b>\$ 10,582,257</b>	<b>\$ (616,345)</b>
<b>Sanitation</b>				
Solid waste	\$ 130,205	\$ 130,205	\$ 136,568	\$ (6,363)
<b>Culture and recreation</b>				
Historical society	\$ 9,000	\$ 9,000	\$ 9,000	\$ -
Snowmobile trails	-	-	105,137	(105,137)
<b>Total culture and recreation</b>	<b>\$ 9,000</b>	<b>\$ 9,000</b>	<b>\$ 114,137</b>	<b>\$ (105,137)</b>

**MILLE LACS COUNTY  
MILACA, MINNESOTA**

*EXHIBIT A-1  
(Continued)*

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Expenditures</b>				
<b>Current (Continued)</b>				
<b>Conservation of natural resources</b>				
County agricultural society	\$ 17,000	\$ 17,000	\$ 17,000	\$ -
County extension service	95,220	95,220	85,685	9,535
Soil and water conservation	124,239	124,239	107,750	16,489
Aquatic invasive species aid	100,824	100,824	80,779	20,045
Environmental resources	132,031	132,031	132,865	(834)
Other conservation	4,379	4,379	4,379	-
<b>Total conservation of natural resources</b>	<b>\$ 473,693</b>	<b>\$ 473,693</b>	<b>\$ 428,458</b>	<b>\$ 45,235</b>
<b>Economic development</b>				
Community development	\$ 94,177	\$ 94,177	\$ 223,419	\$ (129,242)
Economic development	-	-	1,250	(1,250)
<b>Total economic development</b>	<b>\$ 94,177</b>	<b>\$ 94,177</b>	<b>\$ 224,669</b>	<b>\$ (130,492)</b>
<b>Intergovernmental</b>				
<b>Culture and recreation</b>				
Library	\$ 299,316	\$ 299,316	\$ 299,430	\$ (114)
<b>Total Expenditures</b>	<b>\$ 17,133,236</b>	<b>\$ 17,133,236</b>	<b>\$ 20,762,242</b>	<b>\$ (3,629,006)</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (106,000)</b>	<b>\$ (106,000)</b>	<b>\$ (3,131,420)</b>	<b>\$ (3,025,420)</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	\$ 100,000	\$ 100,000	\$ -	\$ (100,000)
Proceeds from sale of capital assets	6,000	6,000	6,401	401
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 106,000</b>	<b>\$ 106,000</b>	<b>\$ 6,401</b>	<b>\$ (99,599)</b>
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (3,125,019)</b>	<b>\$ (3,125,019)</b>
<b>Fund Balance – January 1</b>	<b>6,363,786</b>	<b>6,363,786</b>	<b>6,363,786</b>	<b>-</b>
<b>Fund Balance – December 31</b>	<b>\$ 6,363,786</b>	<b>\$ 6,363,786</b>	<b>\$ 3,238,767</b>	<b>\$ (3,125,019)</b>

**MILLE LACS COUNTY  
MILACA, MINNESOTA**

*EXHIBIT A-2*

**BUDGETARY COMPARISON SCHEDULE  
ROAD AND BRIDGE SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 695,000	\$ 695,000	\$ 791,462	\$ 96,462
Licenses and permits	13,000	13,000	18,875	5,875
Intergovernmental	6,380,141	6,380,141	2,952,403	(3,427,738)
Charges for services	369,300	369,300	28,549	(340,751)
Miscellaneous	10,000	10,000	22,902	12,902
<b>Total Revenues</b>	<b>\$ 7,467,441</b>	<b>\$ 7,467,441</b>	<b>\$ 3,814,191</b>	<b>\$ (3,653,250)</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Highways and streets</b>				
Administration	\$ 351,223	\$ 351,223	\$ 601,392	\$ (250,169)
Construction	13,910,123	13,910,123	10,572,885	3,337,238
Maintenance	1,597,719	1,597,719	1,413,809	183,910
Equipment maintenance and shop	557,194	557,194	678,867	(121,673)
Public works surveyor	109,237	109,237	108,218	1,019
<b>Total highways and streets</b>	<b>\$ 16,525,496</b>	<b>\$ 16,525,496</b>	<b>\$ 13,375,171</b>	<b>\$ 3,150,325</b>
<b>Intergovernmental</b>				
Highways and streets	290,000	290,000	285,798	4,202
<b>Total Expenditures</b>	<b>\$ 16,815,496</b>	<b>\$ 16,815,496</b>	<b>\$ 13,660,969</b>	<b>\$ 3,154,527</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (9,348,055)</b>	<b>\$ (9,348,055)</b>	<b>\$ (9,846,778)</b>	<b>\$ (498,723)</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	9,348,055	9,348,055	8,645,494	(702,561)
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (1,201,284)</b>	<b>\$ (1,201,284)</b>
<b>Fund Balance – January 1</b>	<b>2,034,841</b>	<b>2,034,841</b>	<b>2,034,841</b>	<b>-</b>
<b>Increase (decrease) in inventories</b>	<b>-</b>	<b>-</b>	<b>(144,448)</b>	<b>(144,448)</b>
<b>Fund Balance – December 31</b>	<b>\$ 2,034,841</b>	<b>\$ 2,034,841</b>	<b>\$ 689,109</b>	<b>\$ (1,345,732)</b>

**MILLE LACS COUNTY  
MILACA, MINNESOTA**

*EXHIBIT A-3*

**BUDGETARY COMPARISON SCHEDULE  
COMMUNITY AND VETERAN SERVICES SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 4,552,258	\$ 4,552,258	\$ 4,474,690	\$ (77,568)
Intergovernmental	6,422,437	6,422,437	6,917,786	495,349
Charges for services	680,090	680,090	816,125	136,035
Gifts and contributions	-	-	2,520	2,520
Miscellaneous	546,157	546,157	587,354	41,197
<b>Total Revenues</b>	<b>\$ 12,200,942</b>	<b>\$ 12,200,942</b>	<b>\$ 12,798,475</b>	<b>\$ 597,533</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Veteran services	\$ 161,705	\$ 161,705	\$ 158,297	\$ 3,408
<b>Human services</b>				
Income maintenance	\$ 2,345,676	\$ 2,345,676	\$ 2,388,932	\$ (43,256)
Social services	9,209,247	9,209,247	8,385,687	823,560
<b>Total human services</b>	<b>\$ 11,554,923</b>	<b>\$ 11,554,923</b>	<b>\$ 10,774,619</b>	<b>\$ 780,304</b>
<b>Health</b>				
Public health	\$ 828,872	\$ 828,872	\$ 886,940	\$ (58,068)
<b>Total Expenditures</b>	<b>\$ 12,545,500</b>	<b>\$ 12,545,500</b>	<b>\$ 11,819,856</b>	<b>\$ 725,644</b>
<b>Net Change in Fund Balance</b>	<b>\$ (344,558)</b>	<b>\$ (344,558)</b>	<b>\$ 978,619</b>	<b>\$ 1,323,177</b>
<b>Fund Balance – January 1</b>	<b>7,305,257</b>	<b>7,305,257</b>	<b>7,305,257</b>	<b>-</b>
<b>Fund Balance – December 31</b>	<b>\$ 6,960,699</b>	<b>\$ 6,960,699</b>	<b>\$ 8,283,876</b>	<b>\$ 1,323,177</b>

**MILLE LACS COUNTY  
MILACA, MINNESOTA**

*EXHIBIT A-4*

**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS  
OTHER POSTEMPLOYMENT BENEFITS  
DECEMBER 31, 2019**

	<b>2019</b>	<b>2018</b>
<b>Total OPEB Liability</b>		
Service cost	\$ 135,579	\$ 138,023
Interest	69,845	65,301
Plan changes	107,812	-
Changes of assumption or other inputs	(82,426)	-
Benefit payments	(60,518)	(65,821)
<b>Net change in total OPEB liability</b>	<b>\$ 170,292</b>	<b>\$ 137,503</b>
<b>Total OPEB Liability – Beginning</b>	<b>2,010,954</b>	<b>1,873,451</b>
<b>Total OPEB Liability – Ending</b>	<b>\$ 2,181,246</b>	<b>\$ 2,010,954</b>
Covered-employee payroll	\$ 14,880,367	\$ 14,446,958
Total OPEB liability (asset) as a percentage of covered-employee payroll	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, 2019**

<b>Measurement Date</b>	<b>Employer's Proportion of the Net Pension Liability (Asset)</b>	<b>Employer's Proportionate Share of the Net Pension Liability (Asset) (a)</b>	<b>State's Proportionate Share of the Net Pension Liability Associated with Mille Lacs County (b)</b>	<b>Employer's Proportionate Share of the Net Pension Liability and the State's Related Share of the Net Pension Liability (Asset) (a + b)</b>	<b>Covered Payroll (c)</b>	<b>Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/c)</b>	<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>
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, 2019**

<b>Year Ending</b>	<b>Statutorily Required Contributions (a)</b>	<b>Actual Contributions in Relation to Statutorily Required Contributions (b)</b>	<b>Contribution (Deficiency) Excess (b - a)</b>	<b>Covered Payroll (c)</b>	<b>Actual Contributions as a Percentage of Covered Payroll (b/c)</b>
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, 2019**

<b>Measurement Date</b>	<b>Employer's Proportion of the Net Pension Liability (Asset)</b>	<b>Employer's Proportionate Share of the Net Pension Liability (Asset) (a)</b>	<b>Covered Payroll (b)</b>	<b>Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b)</b>	<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>
2019	0.2428 %	\$ 2,584,851	\$ 2,563,644	100.83 %	89.26 %
2018	0.2384	2,541,098	2,513,063	101.12	88.84
2017	0.2220	2,997,264	2,280,498	131.43	85.43
2016	0.1830	7,344,108	1,760,704	417.11	63.88
2015	0.1810	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.

**MILLE LACS COUNTY  
MILACA, MINNESOTA**

*EXHIBIT A-8*

**SCHEDULE OF CONTRIBUTIONS  
PERA PUBLIC EMPLOYEES POLICE AND FIRE PLAN  
DECEMBER 31, 2019**

<b>Year Ending</b>	<b>Statutorily Required Contributions (a)</b>	<b>Actual Contributions in Relation to Statutorily Required Contributions (b)</b>	<b>Contribution (Deficiency) Excess (b - a)</b>	<b>Covered Payroll (c)</b>	<b>Actual Contributions as a Percentage of Covered Payroll (b/c)</b>
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, 2019**

<b>Measurement Date</b>	<b>Employer's Proportion of the Net Pension Liability (Asset)</b>	<b>Employer's Proportionate Share of the Net Pension Liability (Asset) (a)</b>	<b>Covered Payroll (b)</b>	<b>Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b)</b>	<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>
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, 2019**

<b>Year Ending</b>	<b>Statutorily Required Contributions (a)</b>	<b>Actual Contributions in Relation to Statutorily Required Contributions (b)</b>	<b>Contribution (Deficiency) Excess (b - a)</b>	<b>Covered Payroll (c)</b>	<b>Actual Contributions as a Percentage of Covered Payroll (b/c)</b>
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, 2019**

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, 2019:

	<u>Expenditures</u>	<u>Final Budget</u>	<u>Excess</u>
General Fund			
Current			
General government	\$ 8,976,723	\$ 6,160,933	\$ 2,815,790
Public safety	10,582,257	9,965,912	616,345
Sanitation	136,568	130,205	6,363
Culture and recreation	114,137	9,000	105,137
Economic development	224,669	94,177	130,492
Intergovernmental			
Culture and recreation	299,430	299,316	114
Community and Veteran Services			
Special Revenue Fund			
Current			
Health	886,940	828,872	58,068

**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

2019

The following change in actuarial assumptions occurred in 2019:

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

2018

The following changes in actuarial assumptions occurred in 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.

**MILLE LACS COUNTY  
MILACA, MINNESOTA**

---

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

2018 (Continued)

The following change in plan provisions occurred in 2018:

- 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

2019

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

2018

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

**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)

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

2017

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



**MILLE LACS COUNTY  
MILACA, MINNESOTA**

---

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

General Employees Retirement Plan (Continued)

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

2019

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

2018

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

**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

2018 (Continued)

- Member contributions were changed effective January 1, 2019, and January 1, 2020, from 10.80 percent to 11.30 and 11.80 percent of pay, respectively. Employer contributions were changed effective January 1, 2019, and January 1, 2020, from 16.20 percent to 16.95 and 17.70 percent of pay, respectively. Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017

- The assumed salary increases were changed as recommended in the June 30, 2016, experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates.
- The assumed rates of retirement were changed, resulting in fewer retirements.
- The CSA load was 30 percent for vested and non-vested, deferred members. The CSA load has been changed to 33 percent for vested members and 2.00 percent for non-vested members.
- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality table assumed for healthy retirees.

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

2016

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2037 and 2.50 percent per year thereafter, to 1.00 percent for all future years.
- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was changed from 7.90 percent to 5.60 percent.

**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

2016 (Continued)

- 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

2019

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

**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)

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

2017

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

2016

- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was changed from 7.90 percent to 5.31 percent.

**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

2016 (Continued)

- 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**

This page was left blank intentionally.



**MILLE LACS COUNTY  
MILACA, MINNESOTA**

**FIDUCIARY FUND**

Agency Fund – to account for assets held by the County as an agent for other governmental units, individuals, private organizations, or other funds.

This page was left blank intentionally.

MILLE LACS COUNTY  
MILACA, MINNESOTA

EXHIBIT B-1

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
AGENCY FUND  
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Balance January 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31</u>
<b><u>Assets</u></b>				
Cash and pooled investments	<u>\$ 288,298</u>	<u>\$ 19,695,980</u>	<u>\$ 19,296,730</u>	<u>\$ 687,548</u>
<b><u>Liabilities</u></b>				
Due to other governments	<u>\$ 288,298</u>	<u>\$ 19,695,980</u>	<u>\$ 19,296,730</u>	<u>\$ 687,548</u>

This page was left blank intentionally.

## **OTHER SCHEDULES**

**MILLE LACS COUNTY  
MILACA, MINNESOTA**

**BALANCE SHEET – BY DITCH  
DITCH SPECIAL REVENUE FUND  
DECEMBER 31, 2019**

	<u>Assets</u>		<u>Liabilities</u>	
	<u>Cash and Pooled Investments</u>		<u>Accounts Payable</u>	<u>Advances From Other Funds</u>
<b>County Ditch</b>				
1	\$ 4,345	\$	32	\$ 7,443
2	100,478		162	1,922
3	68,532		125	-
4	562,732		22	-
5	6,505		13	-
6	1,348		2	-
7	605		7	-
11	11,274		14	-
14	13,956		36	67,612
<b>Judicial Ditch</b>				
3	1,251		-	-
	<u>771,026</u>		<u>-</u>	<u>-</u>
<b>Total</b>	<u><u>\$ 771,026</u></u>	<u><u>\$</u></u>	<u><u>413</u></u>	<u><u>\$ 76,977</u></u>

**EXHIBIT C-1**

	<b>Fund Balance</b>			<b>Total Liabilities and Fund Balance</b>
	<b>Restricted for Ditch Maintenance and Repairs</b>	<b>Unassigned</b>	<b>Total Fund Balance</b>	
\$ 7,475	\$ -	\$ (3,130)	\$ (3,130)	\$ 4,345
2,084	98,394	-	98,394	100,478
125	68,407	-	68,407	68,532
22	562,710	-	562,710	562,732
13	6,492	-	6,492	6,505
2	1,346	-	1,346	1,348
7	598	-	598	605
14	11,260	-	11,260	11,274
67,648	-	(53,692)	(53,692)	13,956
-	1,251	-	1,251	1,251
<b>\$ 77,390</b>	<b>\$ 750,458</b>	<b>\$ (56,822)</b>	<b>\$ 693,636</b>	<b>\$ 771,026</b>

**MILLE LACS COUNTY  
MILACA, MINNESOTA**

*EXHIBIT C-2*

**SCHEDULE OF INTERGOVERNMENTAL REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2019**

**Appropriations and Shared Revenue**

**State**

Highway users tax	\$	2,694,195
County program aid		1,722,888
Riparian buffer aid		40,000
PERA rate reimbursement		30,786
Disparity reduction aid		24,711
Police aid		332,033
PERA state aid		51,799
Indian casino aid		85,762
Enhanced 911		101,936
SCORE		73,862
Aquatic invasive species aid		95,071
Market value credit		225,973
Out-of-home placement aid		397,396

**Total appropriations and shared revenue** **\$ 5,876,412**

**Reimbursement for Services**

**State**

Minnesota Department of Human Services	\$	1,906,782
--	----	-----------

**Payments**

**Local**

Payments in lieu of taxes	\$	76,328
Other		233,057

**Total payments** **\$ 309,385**

**Grants**

**State**

Minnesota Department/Board of		
Public Safety	\$	14,918
Commerce		144,628
Health		195,634
Natural Resources		103,115
Human Services		1,544,434
Corrections		226,376
Transportation		212,784
Water and Soil Resources		100,276
Peace Officer Standards and Training Board		38,773

**Total state** **\$ 2,580,938**



MILLE LACS COUNTY  
MILACA, MINNESOTA

*EXHIBIT C-2*  
*(Continued)*

SCHEDULE OF INTERGOVERNMENTAL REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2019

**Grants (Continued)**

**Federal**

Department of Agriculture	\$ 308,965
Housing and Urban Development	124,002
Justice	214,234
Transportation	32,546
Education	1,670
Health and Human Services	2,582,979
Homeland Security	87,016
	<hr/>
<b>Total federal</b>	<b>\$ 3,351,412</b>
	<hr/>
<b>Total state and federal grants</b>	<b>\$ 5,932,350</b>
	<hr/>
Build America Bonds interest subsidy	\$ 15,447
	<hr/>
<b>Total Intergovernmental Revenue</b>	<b>\$ 14,040,376</b>

**MILLE LACS COUNTY  
MILACA, MINNESOTA**

*EXHIBIT C-3*

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

<b>Federal Grantor Pass-Through Agency Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Grant Numbers</b>	<b>Expenditures</b>
<b>U.S. Department of Agriculture</b>			
Passed Through Minnesota Department of Health Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	Not provided	\$ 116,441
Passed Through Minnesota Department of Human Services SNAP Cluster State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	192MN101S2514	<u>192,524</u>
<b>Total U.S. Department of Agriculture</b>			<b><u>\$ 308,965</u></b>
<b>U.S. Department of Housing and Urban Development</b>			
Passed Through Minnesota Department of Employment and Economic Development Community Development Block Grants/State's Program and Non-entitlement Grants in Hawaii	14.228	CDAP-16-0037-O-FY17	<b><u>\$ 130,367</u></b>
<b>U.S. Department of Justice</b>			
Direct Public Safety Partnership and Community Policing Grants	16.710		\$ 128,043
Passed Through Minnesota Department of Public Safety Crime Victim Assistance	16.575	A-CVS-2020-MILLACAO-024	<u>86,191</u>
<b>Total U.S. Department of Justice</b>			<b><u>\$ 214,234</u></b>
<b>U.S. Department of Transportation</b>			
Passed Through Minnesota Department of Transportation Highway Planning and Construction Cluster Highway Planning and Construction	20.205	00048	\$ 4,182
Passed Through Minnesota Department of Natural Resources Highway Planning and Construction Cluster Recreational Trails Program	20.219	Not Provided	23,708
Passed Through Minnesota Department of Public Safety Highway Safety Cluster State and Community Highway Safety	20.600	18X920564MN17	699
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	18X9204020MN17	3,035
Highway Safety Cluster National Priority Safety Programs	20.616	18X920405EMN17	<u>922</u>
<b>Total U.S. Department of Transportation</b>			<b><u>\$ 32,546</u></b>

**MILLE LACS COUNTY  
MILACA, MINNESOTA**

**EXHIBIT C-3  
(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

<b>Federal Grantor Pass-Through Agency Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Grant Numbers</b>	<b>Expenditures</b>
<b>U.S. Department of Education</b>			
Passed Through Minnesota Department of Health Special Education – Grants for Infants and Families	84.181	B04MC29349 B04MC3621	<b>\$ 1,670</b>
<b>U.S. Department of Health and Human Services</b>			
Passed Through Minnesota Department of Health Public Health Emergency Preparedness Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.069	CDC-RFA-TP19-1901	\$ 27,543
Early Hearing Detection and Intervention TANF Cluster	93.074	CDC-RFA-TP-1901	22,394
Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families 93.558 \$292,849)	93.251	H61MC00035 NUR3DD000842-05-01	225
Maternal and Child Health Services Block Grant to the States	93.558	NGA1801MNTANF	16,841
Passed Through Minnesota Department of Human Services Promoting Safe and Stable Families TANF Cluster	93.994	B04MC29349	32,323
Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families 93.558 \$292,849)	93.556	G-1801MNFPS	3,371
Child Support Enforcement	93.558	1901MNTANF	276,008
Child Support Enforcement (Total Child Support Enforcement 93.563 \$604,084)	93.563	1901MNCSES	190,585
Refugee and Entrant Assistance – State Administered Programs	93.563	1901MNCEST	413,499
Community-Based Child Abuse Prevention Grants CCDF Cluster	93.566	1901MNRCA	214
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.590	G-1801MNBCAP	30,821
Stephanie Tubbs Jones Child Welfare Services Program	93.596	G1901MNCDF	14,981
Foster Care Title IV-E	93.645	G-1801MNCWSS	5,830
Social Services Block Grant	93.658	1901MNFOST	269,273
John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.667	G-1901MNSOSR	198,448
Children's Health Insurance Program	93.674	G-1901MNCILP	9,406
Medicaid Cluster	93.767	1905MN5021	177
Medical Assistance Program	93.778	1905MN5ADM	977,657
Medical Assistance Program (Total Medical Assistance Program 93.778 \$997,875)	93.778	1905MN5MAP	20,218
<b>Total U.S. Department of Health and Human Services</b>			<b>\$ 2,509,814</b>

**MILLE LACS COUNTY  
MILACA, MINNESOTA**

**EXHIBIT C-3  
(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

<b>Federal Grantor Pass-Through Agency Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Grant Numbers</b>	<b>Expenditures</b>
<b>U.S. Department of Homeland Security</b>			
Passed Through Minnesota Department of Natural Resources			
Boating Safety Financial Assistance	97.012	MILLE LACS SBG-071919 MILLE LACS FBE-081519 MILLE LACS FBP-101019	<b>\$ 66,839</b>
<b>Total Federal Awards</b>			<b>\$ 3,264,435</b>

The County did not pass any federal awards through to subrecipients during the year ended December 31, 2019.

**Totals by Cluster**

Total expenditures for SNAP Cluster	\$ 192,524
Total expenditures for Highway Planning and Construction Cluster	27,890
Total expenditures for Highway Safety Cluster	1,621
Total expenditures for TANF Cluster	292,849
Total expenditures for CCDF Cluster	14,981
Total expenditures for Medicaid Cluster	997,875

**MILLE LACS COUNTY  
MILACA, MINNESOTA**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

---

---

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, 2019. 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	\$	3,351,412
Grants received more than 60 days after year-end, considered unavailable revenue in 2019		
Community Development Block Grants/State's Program and Non-entitlement Grants in Hawaii		6,365
Promoting Safe and Stable Families		596
Community-Based Child Abuse Prevention Grants		7,705
Stephanie Tubbs Jones Child Welfare Services Program		1,295
Foster Care Title IV-E		38,662
John H. Chafee Foster Care Program for Successful Transition to Adulthood		2,206
Unavailable revenue in 2018, recognized as revenue in 2019		
Promoting Safe and Stable Families		(2,590)
Temporary Assistance for Needy Families		(107,919)
Community-Based Child Abuse Prevention Grants		(7,148)
Stephanie Tubbs Jones Child Welfare Services Program		(2,544)
John H. Chafee Foster Care Program for Successful Transition to Adulthood		(3,428)
Emergency Management Performance Grants		(20,177)
		<hr/>
Expenditures per Schedule of Expenditures of Federal Awards	\$	<u>3,264,435</u>



This page was left blank intentionally.





JULIE BLAHA  
STATE AUDITOR

# STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

SUITE 500  
525 PARK STREET  
SAINT PAUL, MN 55103-2139

(651) 296-2551 (Voice)  
(651) 296-4755 (Fax)  
state.auditor@state.mn.us (E-mail)  
1-800-627-3529 (Relay Service)

## **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, 2019, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated October 1, 2020.

### **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 to determine the 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.

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 combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected, on a timely basis. A

significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit the attention of those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section 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. Given these limitations, during our audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. We did identify a deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs as item 2019-001, that we consider to be a significant deficiency.

### **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 determination of financial statement amounts. 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, nothing came to our attention that caused us to believe that Mille Lacs County failed to comply with the provisions of the contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, 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. 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**

Mille Lacs County's response to the internal control finding identified in our audit is described in the Corrective Action Plan. The County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **Purpose of This Report**

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

*/s/Julie Blaha*

JULIE BLAHA  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

October 1, 2020

This page was left blank intentionally.



JULIE BLAHA  
STATE AUDITOR

# STATE OF MINNESOTA

## OFFICE OF THE STATE AUDITOR

SUITE 500  
525 PARK STREET  
SAINT PAUL, MN 55103-2139

(651) 296-2551 (Voice)  
(651) 296-4755 (Fax)  
state.auditor@state.mn.us (E-mail)  
1-800-627-3529 (Relay Service)

### REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

#### Independent Auditor's Report

Board of County Commissioners  
Mille Lacs County  
Milaca, Minnesota

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

We have audited Mille Lacs County's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on the County's major federal program for the year ended December 31, 2019. Mille Lacs County's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

#### ***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for Mille Lacs County's major federal program based on our audit of the types of compliance requirements referred to above. 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Mille Lacs County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the County's compliance.

### ***Opinion on the Major Federal Program***

In our opinion, Mille Lacs County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2019.

### ***Other Matters***

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2019-002. Our opinion on the major federal program is not modified with respect to this matter.

Mille Lacs County's response to the noncompliance finding identified in our audit is described in the accompanying Corrective Action Plan. The County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Report on Internal Control Over Compliance**

Management of Mille Lacs County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's 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 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 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 the attention of those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a deficiency in internal control over compliance, described in the accompanying Schedule of Findings and Questioned Costs as item 2019-002, that we consider to be a material weakness.

Mille Lacs County's response to the internal control over compliance finding identified in our audit is described in the accompanying Corrective Action Plan. The County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

*/s/Julie Blaha*

JULIE BLAHA  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

October 1, 2020

This page was left blank intentionally.



**MILLE LACS COUNTY  
MILACA, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

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

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

**Federal Awards**

Internal control over major programs:

- Material weaknesses identified? **Yes**
- 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)? **Yes**

The major federal program is:

Medicaid Cluster

Medical Assistance Program

CFDA No. 93.778

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

Mille Lacs County qualified as a low-risk auditee? **Yes**

**MILLE LACS COUNTY  
MILACA, MINNESOTA**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2019

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

INTERNAL CONTROL

Finding Number: 2019-001

Prior Year Finding Number: 1996-001

Repeat Finding Since: 1996

Segregation of Duties

**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, 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.

**Context:** Due to the limited number of office personnel within the County, segregation of the accounting functions necessary to ensure adequate internal accounting control is not possible. 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 a timely period by employees in the normal course of performing their assigned functions.

**Cause:** The County informed us that, due to the available resources, it would not be able to hire additional qualified accounting staff to segregate duties in every department.

**MILLE LACS COUNTY  
MILACA, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2019**

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

**View of Responsible Official:** Concur

**III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS**

Finding Number: 2019-002

Prior Year Finding Number: N/A

Repeat Finding Since: N/A

Eligibility

**Program:** U.S. Department of Health and Human Services' Medical Assistance Program (CFDA No. 93.778), Award Nos. 1905MN5ADM and 1905MN5MAP, 2019

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

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

**Condition:** The Minnesota Department of Human Services (DHS) maintains the computer systems, MAXIS and METS, which are used by the County to support the eligibility determination process. In the case files reviewed for compliance with Medical Assistance Program eligibility requirements, not all documentation was available, updated, or input correctly to support participant eligibility. The following exceptions were noted in nine of the sample of 40 MAXIS case files tested:

- One instance where income reported could not be re-determined based on the support provided in the case file.

**MILLE LACS COUNTY  
MILACA, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2019**

- Seven instances where case files did not have accurate or properly supported asset information.
- Three instances where the citizenship information in the case file was not accurate or appropriately supported.

**Questioned Costs:** Not applicable. The County administers the program, but benefits to participants in this program are paid by the State of Minnesota.

**Context:** The State of Minnesota and the County’s Community and Veteran Services Department split the eligibility determination process. The County performs the “intake function” (meeting with the social services client to determine income and categorical eligibility), while the state maintains MAXIS and METS, which support the eligibility determination and actually pay the benefits to the participants.

The sample size was based on guidance from chapter 11 of the AICPA Audit Guide, *Government Auditing Standards and Single Audits*.

**Effect:** The lack of updated information in MAXIS and documented verification of key eligibility-determining factors increases the risk that clients will receive benefits when they are not eligible.

**Cause:** Program personnel entering case information into MAXIS did not ensure all required information was input or updated in MAXIS correctly or that all required information was obtained and/or retained.

**Recommendation:** We recommend the County implement additional procedures to provide reasonable assurance that all necessary documentation to support eligibility determinations exists and is properly input or updated in MAXIS and maintained in case files, and that issues are followed up in a timely manner. In addition, consideration should be given to providing additional training to program personnel.

**View of Responsible Official:** Concur



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

Phone: (320) 983-8218  
Fax: (320) 983-8382

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

**CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED DECEMBER 31, 2019**

**Finding Number: 2019-001**

**Finding Title: Segregation of Duties**

Name of Contact Person Responsible for Corrective Action:

Pat Oman, Mille Lacs County Administrator

Corrective Action Planned:

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.

Anticipated Completion Date:

This will be discussed at a Management Team meeting within the next few months; the billing, collecting, recording, and depositing receipts processes in all offices/departments will be reviewed by January 2021.

**Finding Number: 2019-002**

**Finding Title: Eligibility**

**Program: Medical Assistance Program (CFDA No. 93.778)**

Name of Contact Person Responsible for Corrective Action:

Beth Crook, Community & Veteran Services Director

Corrective Action Planned:

All findings from the 2019 audit will be reviewed with Eligibility Workers as well as the associated policy to ensure all staff fully understand program policies and procedures. In addition, the Financial Assistance Supervisor along with the Lead Eligibility Workers will implement monthly random case reviews to ensure eligibility requirements are appropriate as well as review policy and procedure application for accuracy.

Anticipated Completion Date:

The review of the 2019 audit findings, policy and procedures will be discussed with Eligibility Workers at the scheduled October 1, 2020 staff meeting.

Random case reviews began September 2020.



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

Phone: (320) 983-8218  
Fax: (320) 983-8382

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

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

**Finding Number: 1996-001**

**Finding Title: Segregation of Duties**

**Summary of Condition:** Several County 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 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.

**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. Please see corrective action plan for further information.

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