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Steele County

Financial Statements and
Supplementary Information

December 31, 2022

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Independent Auditors' Report

To the County Board of Commissioners of
Steele County

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Steele County, Minnesota (the County), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the County as of December 31, 2022 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.

We did not audit the financial statements of the Minnesota Prairie County Alliance and South Country Health Alliance, in which Steele County has equity interests. Such equity interests represent 7.6%, 9.2% and 8.4%, respectively, of the assets, net position and revenue of Steele County's governmental activities. The statements for South Country Health Alliance were prepared in accordance with the financial reporting provisions of the Department of Health of the State of Minnesota. We have applied audit procedures on the conversion adjustments to the financial statements of South Country Health Alliance, which conform those financial statements to accounting principles generally accepted in the United States of America. Those statements were audited by other auditors, whose report has been furnished to us, and our opinions, insofar as it relates to the amounts included for the Minnesota Prairie County Alliance and South Country Health Alliance (prior to conversion adjustments) are based solely on the report of the other auditors.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards)*. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the County and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions. The financial statements of South Country Health Alliance were not audited in accordance with *Government Auditing Standards.*

Emphasis of Matter

As discussed in Note 1, the County adopted the provisions of GASB Statement No. 87, *Leases*, effective January 1, 2022. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the County's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information 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 September 28, 2023 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

Baker Tilly US, LLP

Eau Claire, Wisconsin
September 28, 2023

STEELE COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED
For the Year Ended December 31, 2022

This section of the Steele County's (the County) annual financial report is presented to provide readers with a narrative overview and analysis of the County's financial performance during the fiscal year that ended on December 31, 2022. We encourage readers to consider the information presented in this overview in conjunction with the information contained in the basic financial statements and required supplemental information in order to enhance their understanding of the activities and financial health of Steele County.

Financial Highlights

Key financial highlights for 2022 include the following:

> The assets and deferred outflows of resources of the County's governmental activities exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by $152,017,250 (net position). Of this amount, $31,534,123 (unrestricted net position) may be used to meet the County's ongoing obligations to citizens and creditors.

> The net position of governmental activities increased by $4,628,007, or 3.1% over the prior year. This is discussed further in the government-wide financial analysis section.

> Capital assets (net of accumulated deprecation and amortization) increased by 2.7% over the prior year. This increase was primarily due to completed projects for the road and bridge, detention center, courthouse and the implementation of GASB 87 causing the County to recognize leased capital assets.

> The County's long-term liabilities increased by 56.8% from the prior year. This increase was primarily due to the allocated net pension liability from the State of Minnesota, additional leases payable with the implementation of GASB 87, and increases in the estimated closure and post closure care of the landfill.

> Governmental fund-level expenditures exceeded revenues resulting in a fund balance decrease of $4,169,461. This decrease primary due to the year end mark to market adjustment made for investment income to book unrealized gains or losses.

> The governmental fund balance totaled $43,195,182 at the end of the current fiscal year. Of this amount, $29,467,002 (68.2%) is classified as either nonspendable, restricted, committed or assigned while $13,728,180 (31.8%) is unassigned.

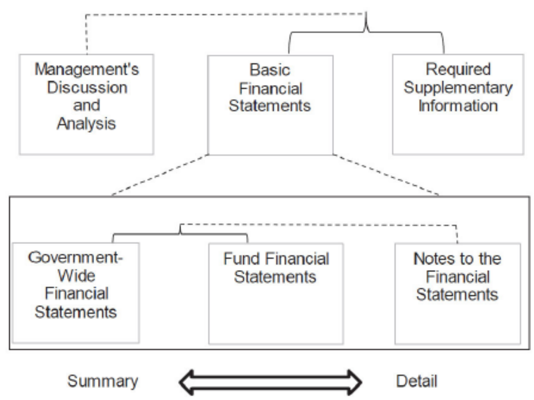
> The County received its second payment of the federal American Rescue Plan Act (ARPA) funds during 2022. As of December 31, 2022, $7,091,881 remains unspent, but all unspent funds have been allocated to a new facility for community corrections and an addition to the detention center for sheriff's operations.

> Operating revenues for the County's Landfill Enterprise Fund totaled $1,729,217 and operating expenses were $2,330,880. Nonoperating revenues totaled $9,637 from interest income and a loss on disposal of capital assets. This resulted in a decrease in net position of $592,026 for 2021. This decrease was primarily from increase in equipment repairs, costs paid to cleanout leachate recirculation lines, and an overall decrease in landfill tipping fees in comparison to the prior year.

Overview of the Financial Statements

The purpose of management's discussion and analysis is to introduce the reader to the basic financial statements and provide an analytical overview of the County's financial activities. The County's basic financial statements consist of three parts: government-wide financial statements, fund financial statements, and notes to the financial statements. The management's discussion and analysis (this section), budgetary comparison schedules, and other supplemental schedules and discourses are required to accompany the basic financial statements and, therefore, are included as required supplementary information. Figure A-1 demonstrates how the different pieces of the financial statements are interrelated.

Figure A-1
Annual Report Format



The basic financial statements consist of:

1. Government-wide financial statements – providing users with a broad overview of the County's finances similar to the financial statements of private-sector businesses.
2. Fund financial statements – providing users detailed information about the County's most significant components - funds - not the County as a whole. They are used to establish financial control over resources that have been segregated for various activities and objectives.
    - The governmental fund financial statements tell how basic services such as public safety, health and human services, highways and streets, and administration were financed in the short term, as well as what remains for future spending.
    - Fiduciary fund statements provide information about the financial relationships in which the County acts solely as a trustee or agent for the benefit of others to whom the resources belong.
3. Notes to the financial statements – providing users the accounting methods, policies, and choices underlying the amounts in the financial statements. In addition, they provide additional detail about or explanations of the amounts in the financial statements.

Figure A-2 summarizes the major features of the County's financial statements, including the portion of the County's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

Figure A-2
Major Features of the County's Government-wide and Fund Financial Statements

	Government-Wide Statements	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire County's government (except fiduciary funds).	The activities of the County that are not proprietary or fiduciary.	The activities of the County that operate similar to private businesses.	Instances in which the County is the trustee or agent for someone else's resources.
Required financial statements	Statement of net position.	Balance sheet.	Statement of net position.	Statement of fiduciary net position.
	Statement of activities.	Statement of revenues, expenditures and changes in fund balance.	Statement of revenues, expenses, and changes in fund net position.	Statement of changes in fiduciary net position.
			Statement of cash flows.	
Accounting basis and measurement focus	Accrual accounting and economic resources focus.	Modified accrual accounting and current financial resources focus.	Accrual accounting and economic resources focus.	Accrual accounting and economic resources focus.
Type of asset/liability information	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources, both financial and capital, short- term and long-term.	Only assets and deferred outflows of resources expected to be used up and liabilities and deferred inflows of resources that come due during the year or soon thereafter, no capital assets or long-term debt included.	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources, both financial and capital, and short-term and long-term.	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources, both short-term and long-term. Agency's funds do not currently contain capital assets, although they can.
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and payment is due during the year or soon thereafter.	All revenues and expenses during the year, regardless of when cash is received or paid.	All revenues and expenses during the year, regardless of when cash is received or paid.

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

Government-Wide Statements

The government-wide financial statements provide a long-term view of the County's overall finances using the full accrual basis of accounting. The government-wide statements are comprised of the statement of net position and the statement of activities.

The statement of net position presents information on all of Steele County's assets, liabilities, and deferred outflows and inflows of resources, with the difference reported as net position. Over time, increases or decreases in the County's net position is an indicator of whether its financial position is improving or deteriorating. However, to assess the overall health of the County, you need to consider additional non-financial factors such as changes in the County's property tax base, the County's economic conditions, and the condition of County infrastructure.

The statement of activities presents information showing how the County's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. This means, some revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

In the government-wide financial statements, the County's activities are shown in two categories:

1. Governmental activities – Many of the activities that are normally associated with county government are included in governmental activities: sheriff, detention center, highway, health and human services, administration, etc. Funding for these activities is provided mainly from taxes (including property, sales, and wheelage tax), intergovernmental revenues, and public charges for services.

2. Business-type activities – The County's landfill operations are included here. Public charges for services are the primary financing source.

Net Position

As discussed earlier, net position can serve as a useful indicator of a government's financial position. At the close of 2022, Steele County's total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources by $159,084,695. A summary of Steele County's net position is outlined in Table A-1 below.

Table A-1
Steele County's Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government		% Change
	2022	2021	2022	2021	2022	2021	2021-22
Assets							
Current Assets	$ 58,498,033	$ 57,058,021	$ 5,472,282	$ 5,301,949	$ 63,970,315	$ 62,359,970	2.6%
Capital and Noncurrent Assets	125,695,514	117,849,295	5,384,168	5,802,847	131,079,682	123,652,142	6.0%
Total Assets	184,193,547	174,907,316	10,856,450	11,104,796	195,049,997	186,012,112	4.9%
Deferred Outflows of Resources	10,468,940	7,577,599	89,869	126,382	10,558,809	7,703,981	37.1%
Liabilities							
Current Liabilities	12,473,082	8,119,570	124,629	87,890	12,597,711	8,207,460	53.5%
Long-Term Liabilities	29,100,177	16,767,510	3,740,656	3,323,545	32,840,833	20,091,055	63.5%
Total Liabilities	41,573,259	24,887,080	3,865,285	3,411,435	45,438,544	28,298,515	60.6%
Deferred Inflows of Resources	1,071,978	10,208,592	13,589	160,272	1,085,567	10,368,864	(89.5%)
Net Position							
Net Investment in Capital Assets	102,116,950	97,833,327	2,582,586	3,172,874	104,699,536	101,006,201	3.7%
Restricted	18,366,177	15,305,729	-	-	18,366,177	15,305,729	20.0%
Unrestricted	31,534,123	34,250,187	4,484,859	4,486,597	36,018,982	38,736,784	(7.0%)
Total Net Position	$ 152,017,250	$ 147,389,243	$ 7,067,445	$ 7,659,471	$ 159,084,695	$ 155,048,714	2.6%

Net Investment in Capital Assets ($104,699,536 or 65.8% of total net position) represent the County's capital assets net of accumulated depreciation and amortization ($114,919,294) less the remaining balances of debt used to finance the acquisition of these assets ($10,219,758). Steele County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Restricted net position ($18,366,177 or 11.5% of total net position) is subject to external restrictions on how it may be used. This includes funds that are restricted for debt service repayment, road and bridge projects, recorder equipment, and other statutory requirements.

The remaining balance of net position ($36,018,982 or 22.7% of total net position) is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.

In comparison to the prior year:

> County assets increased by 4.9% over the previous year due to a combination of many surpluses and deficits. The primary increases over the prior year include positive financial performance in County's joint ventures (increasing equity interest), cash received from the second federal American Rescue Plan Act (ARPA) payment and increases in capital assets. Decreases in comparison to the prior year include the mark to market adjustment made on investment income booking unrealized gains or losses.

> Liabilities increased by 60.6% over the previous year. This increase was primarily due to the second American Rescue Plan Act (ARPA) payment being classified as unearned revenue at year end (causing the increase in current liabilities), the allocated net pension liability from the State of Minnesota, and an increase in leases payable with the implementation of GASB 87.

> The County's deferred outflows of resources increased by 37.1% and deferred inflows of resources decreased by 89.5%. These changes were due to the changes in the County's net pension liability and the related inflows and outflows.

> Net position increased by 2.6% due to the increase in the County's net investment in capital assets and revenues exceeding expenditures during the current fiscal year.

STEELE COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED
For the Year Ended December 31, 2022

Changes in Net Position

The statement of activities for Steele County is summarized in table A-2 below.

Table A-2
Steele County's Change in Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government		% Change
	2022	2021	2022	2021	2022	2021	2021-22
Revenues							
Program Revenues							
Charges, Fees, Fines & Other	$ 5,207,899	$ 6,165,646	$ 1,704,995	$ 1,948,508	$ 6,912,894	$ 8,114,154	(14.8%)
Operating Grants & Contributions	5,640,899	6,165,481	-	-	5,640,899	6,165,481	(8.5%)
Capital Grants & Contributions	5,188,542	4,098,479	-	-	5,188,542	4,098,479	26.6%
General Revenues							
Property & Other Taxes	31,732,397	30,354,196	-	-	31,732,397	30,354,196	4.5%
Unrestricted Grants	2,457,370	2,422,171	-	-	2,457,370	2,422,171	1.5%
Investment Earnings (Loss)	(4,144,764)	(259,403)	13,576	12,957	(4,131,188)	(246,446)	1576.3%
Miscellaneous	6,336,590	839,632	20,283	24,717	6,356,873	864,349	635.5%
Total Revenue	52,418,933	49,786,202	1,738,854	1,986,182	54,157,787	51,772,384	4.6%
Expenditures							
General Government	10,144,577	9,699,459	-	-	10,144,577	9,699,459	4.6%
Public Safety	13,615,685	10,819,298	-	-	13,615,685	10,819,298	25.8%
Public Works	12,577,071	11,121,208	-	-	12,577,071	11,121,208	13.1%
Sanitation	683,921	635,035	2,330,880	2,197,187	3,014,801	2,832,222	6.4%
Health and Human Services	8,507,924	7,122,169	-	-	8,507,924	7,122,169	19.5%
Culture, Recreation and Education	1,213,743	1,130,580	-	-	1,213,743	1,130,580	7.4%
Conservation and Development	860,798	803,002	-	-	860,798	803,002	7.2%
Interest and Fiscal Charges	187,207	211,351	-	-	187,207	211,351	(11.4%)
Total Expenses	47,790,926	41,542,102	2,330,880	2,197,187	50,121,806	43,739,289	14.6%
Change in Net Position	4,628,007	8,244,100	(592,026)	(211,005)	4,035,981	8,033,095	(49.8%)
Net Position - Beginning of Year	147,389,243	139,145,143	7,659,471	7,870,476	155,048,714	147,015,619	5.5%
Net Position - End of Year	$ 152,017,250	$ 147,389,243	$ 7,067,445	$ 7,659,471	$ 159,084,695	$ 155,048,714	2.6%

County-Wide revenues totaled $54,157,787 for the year ended December 31, 2022. Taxes, charges for services, and intergovernmental revenues (including grants and contributions) accounted for 95.9% of total revenue for the year.

In comparison to the prior year, county-wide revenues increased by 4.6%. This increase is the combination of many surpluses and deficits, but the primary changes include:

> Positive financial performance from the County's Joint Ventures caused an equity interest adjustment of $4,413,488 to be made under the miscellaneous revenue category.

> Increases in expected highway allotment funds for road and bridge construction, $1,673,657.

> An additional $1,378,201 in tax revenues from the board approved 3.6% property tax levy increase, additional sales tax collections, and delinquent tax collections.

> The County experienced revenue decreases over the previous year due to lower detention center boarding revenues, public health COVID-19 vaccine shots, and highway construction charges for projects completed for other governments, $1,073,904

> Investment earnings had a negative year-end mark to market adjustment of $5,019,432 million in 2022. This adjustment is made annually to book unrealized gains or losses on investments.

County wide expenditures totaled $50,121,806 for the year ended December 31, 2022, an increase of 14.6% over the previous year. The statement of activities includes all the costs from the fund financial statements plus additional non-cash expenditures adjustments including depreciation, pension adjustments, compensated absences, other postemployment benefits, etc. This increase in expenditures of 14.6% are mainly due to increases in personnel service costs, contracted services, repairs and maintenance, depreciation expense, allocated pension expenditures. Allocated pension expenditures from GASB 68 accounted for $3,711,655 or 8.5% of the expenditure increase over the prior year.

As the result of revenues exceeding expenditures, the County-Wide net position increased by $4,035,981. Governmental activities increased by $4,628,007 and business-type activities decreased by $592,026.

Figure A-3 and A-4 below summarize the revenue sources and expenditures by function for the County's governmental activities.

Figure A-3
Governmental Activities Revenue Sources

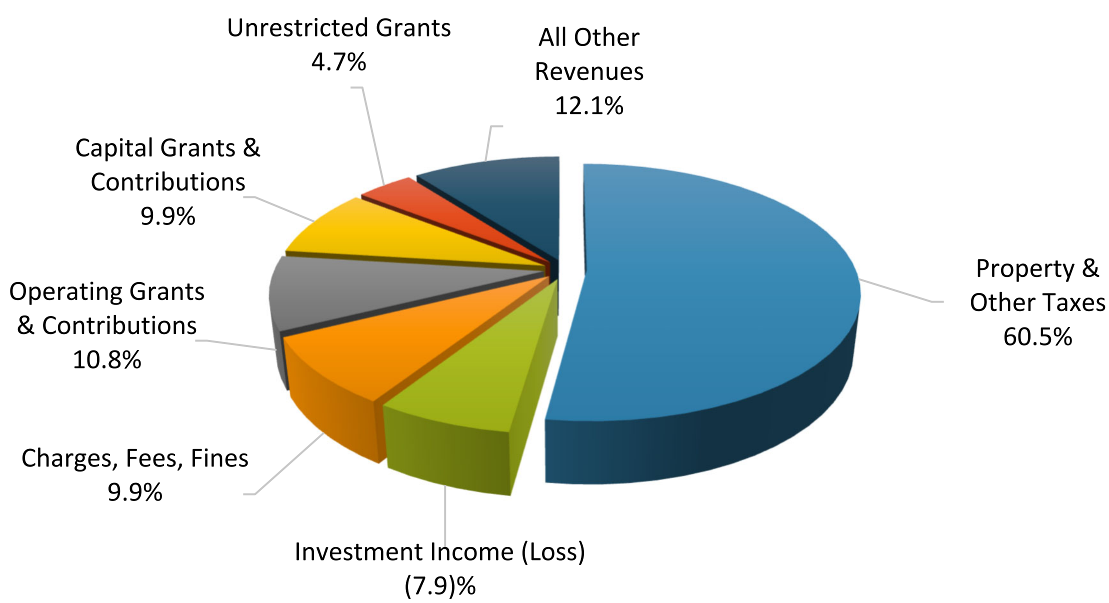


Figure A-4
Governmental Activities Expenditures by Function

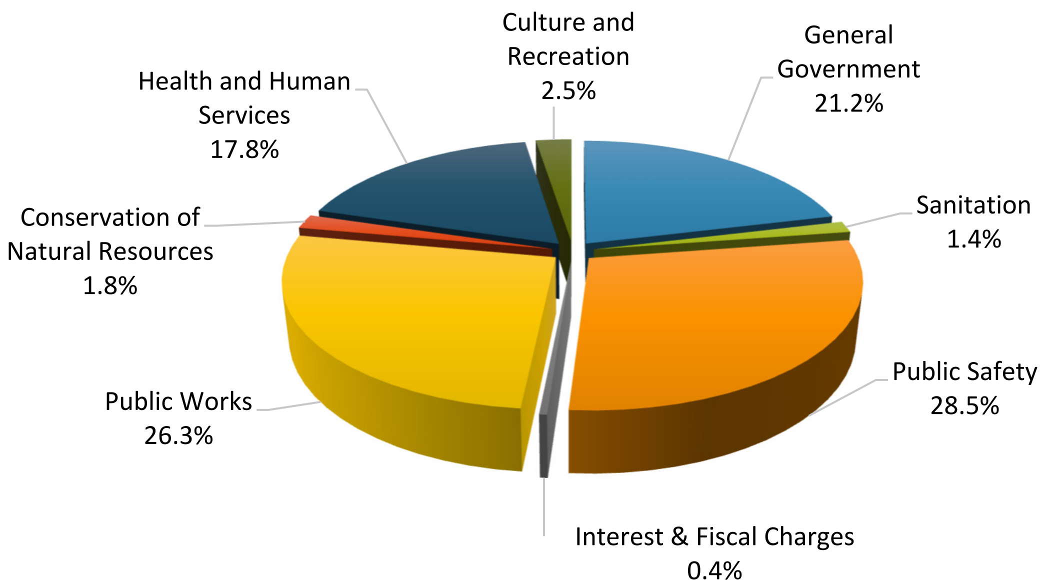


Table A-3 presents the cost of each County function, as well as each function's net cost (total cost, less revenues generated by that activity). The net cost of a County function shows the amount of general revenue (property taxes, investment income, or unrestricted grants) that were needed to fund each county function.

Table A-3
Expenses and Net (Revenue)/Cost of Services

	2022		2021	
	Total Cost of Services	Net (Revenue)/ Cost of Services	Total Cost of Services	Net (Revenue)/ Cost of Services
Governmental Activities				
General Government	$ 10,144,577	$ 7,854,853	$ 9,699,459	$ 6,639,391
Public Safety	13,615,685	11,869,990	10,819,298	8,829,684
Public Works	12,577,071	3,673,905	11,121,208	2,728,385
Sanitation	683,921	(118,929)	635,035	(115,950)
Health and Human Services	8,507,924	6,452,215	7,122,169	5,268,862
Culture, Recreation and Education	1,213,743	1,191,359	1,130,580	1,086,581
Conservation and Development	860,798	642,986	803,002	464,192
Interest and Fiscal Charges	187,207	187,207	211,351	211,351
Total	$ 47,790,926	$ 31,753,586	$ 41,542,102	$ 25,112,496
Business-Type Activities				
Solid Waste	$ 2,330,880	$ 625,885	$ 2,197,187	$ 248,679

The cost of all the County's governmental activities this year totaled $47,790,926. These expenditures were financed from the following sources:

> $5,207,899 was paid by the users of the County's programs from fees or other public charges for services.

> $10,829,441 was subsidized by the federal and state governments with grants and contributions for certain programs.

> $31,753,586 was paid by County taxpayers, investment earnings, unrestricted intergovernmental revenues, and other miscellaneous revenues.

Capital Assets

Steele County's capital assets (net of accumulated depreciation and amortization) as of December 31, 2022, totaled $111,291,147. This investment in capital assets includes land, construction in progress, buildings, improvements, machinery and equipment, infrastructure, and leased assets. A breakdown of the capital assets can be seen in Table A-4 below.

Table A-4
Steele County Capital Assets

	Governmental Activities		Business-Type Activities		Total Primary Government		% Change
	2022	2021	2022	2021	2022	2021	2021-22
Land and Right of Way	$ 4,538,792	$ 4,214,350	$ 451,250	$ 451,250	$ 4,990,042	$ 4,665,600	7.0%
Construction in Progress (CIP)	3,537,243	2,369,394	20,535	-	3,557,778	2,369,394	50.2%
Right-of-Use Asset	339,804	339,804	-	-	339,804	339,804	0.0%
Leased Buildings	128,764	-	-	-	128,764	-	0.0%
Leased Machinery and Equipment	746,394	-	-	-	746,394	-	0.0%
Buildings	50,956,933	47,101,560	432,521	432,521	51,389,454	47,534,081	8.1%
Land Improvements	308,918	247,333	104,831	104,831	413,749	352,164	17.5%
Machinery, Equipment & Vehicles	11,819,218	12,057,515	2,287,505	2,300,626	14,106,723	14,358,141	(1.8%)
Landfill	-	-	8,594,911	8,594,911	8,594,911	8,594,911	0.0%
Infrastructure	155,504,813	151,142,003	-	-	155,504,813	151,142,003	2.9%
Less: Accumulated Depreciation & Amortization	(116,141,873)	(109,353,686)	(9,308,967)	(8,711,265)	(125,450,840)	(118,064,951)	6.3%
Total Capital Assets (Net)	$ 111,739,006	$ 108,118,273	$ 2,582,586	$ 3,172,874	$ 114,321,592	$ 111,291,147	2.7%

In comparison to the prior year, the County's net capital assets increased by 2.7% from the prior year. Major capital asset events during the current fiscal year included the following:

> Completed road and bridge projects for the current year totaled $4,687,252. This amount included current year infrastructure costs ($4,362,810) and the purchase of land right of way ($324,442).

> The detention center completed an integrator/security project for $1,896,097. This was a combination of current year construction costs ($1,441,273) and the reduction of prior year construction in progress ($454,824).

> The courthouse completed an HVAC conversion for $1,876,079. This was a combination of current year construction costs ($1,740,438) and the reduction of prior year construction in progress ($135,641).

> With the implementation of GASB 87 the County added $875,158 in leased capital assets. This consists of office space ($128,764), fleet vehicles ($719,623), and postage machines ($26,771).

> Purchase of various equipment for the road and bridge including a tandem truck, wheel loader, track loader, mowers, and a snowblower, $702,850.

> Depreciation and amortization expense for the current year amounted to $8,431,397. Governmental activity depreciation totaled $7,741,804 and business-type activity depreciation totaled $689,593.

Long-Term Liabilities

At the end of 2022, the County had outstanding long-term liabilities of $36,313,130, as outlined in table A-5 below.

Table A-5
Steele County Long Term Liabilities

	Governmental Activities		Business-Type Activities		Total Primary Government		% Change
	2022	2021	2022	2021	2022	2021	2021-22
General Obligation Bonds	$ 8,577,937	$ 10,236,874	$ -	$ -	$ 8,577,937	$ 10,236,874	(16.2%)
General Obligation Note	7,885	15,694	-	-	7,885	15,694	(49.8%)
Clean Water Partnership Loans	155,690	197,056	-	-	155,690	197,056	(21.0%)
Licensing Agreement	67,681	135,362	-	-	67,681	135,362	(50.0%)
Leases Payable	616,469	24,322	-	-	616,469	24,322	2434.6%
Other Postemployment Benefits	585,752	734,859	9,869	11,909	595,621	746,768	(20.2%)
Compensated Absences Payable	1,719,038	1,613,757	31,307	31,961	1,750,345	1,645,718	6.4%
Net Pension Liability	20,816,037	6,855,182	293,864	172,871	21,109,901	7,028,053	200.4%
Closure and Post closure	-	-	3,431,601	3,133,332	3,431,601	3,133,332	9.5%
Total Long-Term Liabilities	$ 32,546,489	$ 19,813,106	$ 3,766,641	$ 3,350,073	$ 36,313,130	$ 23,163,179	56.8%

Long-term liabilities increased by 56.8% from the prior year. This increase is primarily due to the allocated net pension liability from the State of Minnesota, additional leases payable with the implementation of GASB 87, and increases in the estimated closure and post closure care of the landfill.

FINANCIAL ANALYSIS OF THE COUNTY AT THE FUND LEVEL

Fund Financial Statements

Fund financial statements provide users detailed information about the County's most significant components - funds - not the County as a whole. These statements use the modified accrual basis of accounting, focusing more on the short-run perspective and current financial resources. Funds are accounting devices the County uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required to be established by state law and by bond covenants.

- The County can also establish funds to help it control and manage money for a particular purpose (e.g., repaying its long-term debts) or to show that it is properly using certain revenues (e.g., grants).

The County has three kinds of funds:

1. Governmental Funds – Many of the activities that are normally associated with county government are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps to determine whether there are more or fewer financial resources that can be spent in the future to finance the County's programs. Because this information does not encompass the additional long-term focus of the County-wide statements, we provide additional information at the bottom of the governmental funds statements that explain the relationship (or differences) between them. The County's governmental funds include the general fund, road and bridge, opioid settlement, ditch, debt service, and capital projects.

2. Proprietary Funds – Including enterprise and internal service funds. Enterprise funds include activities that are self-supporting by providing goods or services for a fee. Internal service funds are an accounting device used to accumulate and allocate costs internally amount governments (i.e. self-insurance). Proprietary fund financial statements provide the same type of information as the government-wide financial statements, and a statement of cash flows. The County reports an enterprise fund to account for its landfill operations and does not report any internal services funds.

3. Fiduciary Funds – The County is the fiscal agent, or fiduciary, for assets that belong to others. The County is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All the County's fiduciary activities are reported in a separate statement of fiduciary net position. We exclude these activities from the County-wide financial statements because the County cannot use these assets to finance its operations.

GENERAL FUND

The general fund is the primary operational fund of the County, it includes many of the essential services provided to County residents including public safety, health and human services, administration, and recreation. Table A-6 presents a summary of general fund revenues.

Table A-6
General Fund Revenues

	Fiscal Year Ending		Increase	% Change
	2022	2021	(Decrease)	2021-22
General Fund Revenues				
Taxes (Property and Other)	$ 21,776,085	$ 21,281,973	$ 494,112	2.3%
Intergovernmental	4,716,784	5,140,238	(423,454)	(8.2%)
Public Charges for Services	3,373,821	3,676,326	(302,505)	(8.2%)
Investment Income (Loss)	(4,159,848)	(297,147)	(3,862,701)	1299.9%
Miscellaneous and Other	1,951,923	1,365,349	586,574	43.0%
Total Revenue	$ 27,658,765	$ 31,166,739	$ (3,507,974)	(11.3%)

Total general fund revenues decreased by $3,507,974 or 11.3% from the previous year. This decrease is the combination of many surpluses and deficits, but the primary changes include:

> Investment earnings had a negative year-end mark to market adjustment of $5,019,432. This adjustment is made annually to book unrealized gains or losses on investments.

> In the prior year, the County received an intergovernmental grant for $732,425 from the Minnesota Department of Employment and Economic Development which provided business assistance grants to businesses within the county.

> Public charges for service revenue decreased by $302,505 in comparison for the prior year primarily due to decreases in detention center boarding revenues received from housing inmates and a reduction in public health COVID-19 vaccine shots.

> Miscellaneous and other revenue includes $702,930 in one-time funding sources including an equity payment from MNPrairie County Alliance, health insurance dividend, and a worker's compensation reinsurance equity distribution.

Table A-7 presents a summary of general fund expenditures.

Table A-7
General Fund Expenditures

	Fiscal Year Ending		Increase	% Change
	2022	2021	(Decrease)	2021-22
General Fund Expenditures				
General Government	$ 9,074,061	$ 9,376,946	$ (302,885)	(3.2%)
Public Safety	11,127,718	10,931,682	196,036	1.8%
Health and Human Services	8,351,389	8,200,449	150,940	1.8%
Sanitation	683,921	635,035	48,886	7.7%
Culture, Recreation, and Education	929,166	826,978	102,188	12.4%
Conservation and Development	572,370	569,094	3,276	0.6%
Capital Outlay	49,214	167,459	(118,245)	(70.6%)
Debt Service	204,622	189,286	15,336	8.1%
Total Expenditures	$ 30,992,461	$ 30,896,929	$ 95,532	0.3%

Total general fund expenditures increased by $95,532, or 0.3%. This relatively small increase over the prior year was mainly due to prior year grant expenditures. A total of $732,425 from the Minnesota Department of Employment and Economic Development grant was paid out of the general government function in 2021. This decrease in expenditures was then offset with increases in personnel services, district court attorney fees, contracted services, and utilities.

General Fund Budgetary Highlights

> Actual revenues were $3,890,274 less than budgeted revenues primarily due to the mark to market adjustment made to book unrealized gains/losses.

> Actual expenditures were $869,460 less then budget primarily due to capital projects for the law enforcement center that were budgeted but not completed in 2022. In addition, the County observed savings under the health and human services function from staffing turnover and refilling of open positions.

> Other financing sources were $6,098,322 less then budget primarily due to an interfund transfer that was made to the capital projects fund.

> At the end of the current fiscal year, the general fund had a total fund balance of $18,876,842, a decrease of $9,119,136 from the prior year.

Other Major Fund Analysis

Table A-8 presents the fund balance changes of all other funds of the County:

Table A-8
Other Major Funds Analysis

	Road & Bridge	Ditch	Opioid Settlement	Debt Service	Capital Projects	Landfill (Enterprise)
Beginning Fund Balance	$ 17,997,551	$ 157,258	$ -	$ 1,115,981	$ 97,875	$ 7,659,471
2022 Activity						
Total Revenues	14,423,552	339,937	172,382	1,862,929	1,262,307	1,738,854
Less: Total Expenditures	(13,073,358)	(279,786)	-	(1,832,488)	(4,814,369)	(2,330,880)
Other Financing Sources (Uses)	(773,065)	-	-	50,404	7,611,230	-
Change in Fund Balance	577,129	60,151	172,382	80,845	4,059,168	(592,026)
Ending Fund Balance	$ 18,574,680	$ 217,409	$ 172,382	$ 1,196,826	$ 4,157,043	$ 7,067,445

The Road and Bridge Fund had a total fund balance of $18,574,680 at the end of the current fiscal year. Road and Bridge's fund balance increased by $577,129 mainly due to the sale of capital equipment and unspent allotments planned road and bridge projects in 2023 and beyond. Unspent allotments are included in the restricted fund balance of the road and bridge.

The Ditch Fund had a total fund balance of $217,409 at the end of the current fiscal year. The fund balance increased by $60,151 as the amount collected for special assessments exceeded the expenditures for ditch repairs.

The Opioid Settlement Fund had a total fund balance of $172,382 at the end of the current fiscal year. The fund balance increased by $172,382 as this is the first year that funds were distributed from the nationwide settlement related to multiple opioid lawsuits. No funds have been spent on abatement or remediation activity as of December 31, 2022.

The Debt Service Fund had a total fund balance of $1,196,826 at the end of the current fiscal year. The fund balance increased by $80,845 due to the transfer of $50,404 from unspent 2020A general obligation bond proceeds and two of the County's general obligation bonds being levied at 105% as required by bond agreements and County resolutions.

The Capital Projects Fund had a total fund balance of $4,157,043 at the end of the current fiscal year. The fund balance increased by $4,059,168 mainly due to interfund transfers being made to reimburse the fund for capital projects budgeted with County reserves funding from 2019 to 2022.

The Solid Waste Landfill had a total net position of $7,067,445 at the end of the current fiscal year. The net position decreased by $592,026 due to an increase in equipment repairs, costs paid to cleanout leachate recirculation lines, and an overall decrease in landfill tipping fees in comparison to the prior year. These reductions in landfill tipping fees were the result of increased landfill fees during the COVID-19 pandemic and less waste being accepted from outside the County.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The 2022 average unemployment rate for Steele County was 2.8%. This compares favorably to the State's average unemployment rate of 2.7% and the national average of 3.6%.
- The County's estimated market value and net tax capacity showed improved growth from 2022. The 2023 estimated market value of the County totaled $5,621,646,100, an overall increase of 15.5% from the prior year. Net tax capacity for 2023 totaled $55,795,700, an overall increase of 14.9%. (Please note that 2023 estimates are based on 2022 assessment data)
- The County's economic growth helped reduce the County's tax rate from 56.467% to 50.055% in 2023.
- The County's General Fund expenditures for 2023 are budgeted to increase 6.4% over 2022.
- Some challenges faced when preparing the 2023 budget include a very competitive workforce market, rising health insurance costs, increases in cyber security threats, and rising costs due to inflation.
- In December of 2022, the 2023 budget and levy were set at $62,542,893 and $28,021,403, respectively.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Cathy Piepho, Interim Steele County Finance Director/Treasurer, at 507-444-7420.

Steele County

Statement of Net Position
December 31, 2022

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and investments	$ 50,413,761	$ 5,346,080	$ 55,759,841
Taxes receivable	388,507	-	388,507
Special assessments receivable	418,898	-	418,898
Accounts receivable	259,773	120,009	379,782
Loans receivable	191,643	-	191,643
Leases receivable	62,862	2,208	65,070
Interest receivable	327,786	-	327,786
Due from other governmental units	5,963,121	139	5,963,260
Internal balances	3,991	(3,991)	-
Inventories and prepaid items	467,691	7,837	475,528
Restricted cash and investments	-	2,801,582	2,801,582
Capital assets:			
Construction in progress	3,537,243	20,535	3,557,778
Land	4,538,792	451,250	4,990,042
Other capital assets, net of depreciation/amortization	103,662,971	2,110,801	105,773,772
Investment in joint ventures	13,956,508	-	13,956,508
Total assets	184,193,547	10,856,450	195,049,997
Deferred Outflows of Resources			
Other postemployment benefit related amounts	58,629	988	59,617
Pension related amounts	10,410,311	88,881	10,499,192
Total deferred outflows of resources	10,468,940	89,869	10,558,809
Liabilities			
Accounts payable	818,555	65,478	884,033
Accrued liabilities and deposits	717,491	15,724	733,215
Due to other governments	393,281	17,442	410,723
Unearned revenues	7,097,443	-	7,097,443
Noncurrent liabilities:			
Due within one year	3,446,312	25,985	3,472,297
Due in more than one year	29,100,177	3,740,656	32,840,833
Total liabilities	41,573,259	3,865,285	45,438,544
Deferred Inflows of Resources			
Grants received in advance of meeting time requirements	264,951	-	264,951
Other postemployment benefit related amounts	285,859	4,816	290,675
Pension related amounts	460,066	6,669	466,735
Lease related amounts	61,102	2,104	63,206
Total deferred inflows of resources	1,071,978	13,589	1,085,567
Net Position			
Net investment in capital assets	102,116,950	2,582,586	104,699,536
Restricted for:			
General government	217,736	-	217,736
Recorder equipment	355,515	-	355,515
Public safety	403,283	-	403,283
Health	176,413	-	176,413
Highways and streets	15,075,563	-	15,075,563
Conservation of natural resources	930,975	-	930,975
Debt service	1,206,692	-	1,206,692
Unrestricted	31,534,123	4,484,859	36,018,982
Total net position	$ 152,017,250	$ 7,067,445	$ 159,084,695

See notes to financial statements

Steele County

Statement of Activities
Year Ended December 31, 2022

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position: Governmental Activities	Net (Expenses) Revenues and Changes in Net Position: Business-Type Activity	Total
Governmental Activities							
General government	$ 10,144,577	$ 1,644,094	$ 502,961	$ 142,669	$ (7,854,853)	$ -	$ (7,854,853)
Public safety	13,615,685	1,472,217	273,478	-	(11,869,990)	-	(11,869,990)
Public works	12,577,071	591,794	3,265,499	5,045,873	(3,673,905)	-	(3,673,905)
Sanitation	683,921	614,316	188,534	-	118,929	-	118,929
Health and human services	8,507,924	649,040	1,406,669	-	(6,452,215)	-	(6,452,215)
Culture, recreation and education	1,213,743	22,384	-	-	(1,191,359)	-	(1,191,359)
Conservation and development	860,798	214,054	3,758	-	(642,986)	-	(642,986)
Interest and fiscal charges	187,207	-	-	-	(187,207)	-	(187,207)
Total governmental activities	47,790,926	5,207,899	5,640,899	5,188,542	(31,753,586)	-	(31,753,586)
Business-Type Activity							
Solid waste	2,330,880	1,704,995	-	-	-	(625,885)	(625,885)
Total business-type activity	2,330,880	1,704,995	-	-	-	(625,885)	(625,885)
Total primary government	$ 50,121,806	$ 6,912,894	$ 5,640,899	$ 5,188,542	(31,753,586)	(625,885)	(32,379,471)
General Revenues							
Taxes:							
Property taxes, levied for general purposes					25,238,060	-	25,238,060
Property taxes, levied for debt service					1,709,329	-	1,709,329
Other taxes					4,785,008	-	4,785,008
Intergovernmental revenues not restricted to specific programs					2,457,370	-	2,457,370
Gifts and contributions					106,015	-	106,015
Investment income/(loss)					(4,144,764)	13,576	(4,131,188)
Gain on disposal of capital assets					709,858	-	709,858
Miscellaneous					5,520,717	20,283	5,541,000
Total general revenues					36,381,593	33,859	36,415,452
Change in net position					4,628,007	(592,026)	4,035,981
Net Position, Beginning					147,389,243	7,659,471	155,048,714
Net Position, Ending					$ 152,017,250	$ 7,067,445	$ 159,084,695

See notes to financial statements

Steele County

Balance Sheet -
Governmental Funds
December 31, 2022

	General Fund	Special Revenue: Road and Bridge	Special Revenue: Ditch	Special Revenue: Opioid Settlement	Debt Service	Capital Projects	Total Governmental Funds
Assets							
Cash and investments	$ 18,503,959	$ 18,251,564	$ 751,537	$ 172,382	$ 1,193,793	$ 11,540,526	$ 50,413,761
Receivables:							
Taxes	311,599	38,826	-	-	25,590	12,492	388,507
Special assessments	34,700	-	384,198	-	-	-	418,898
Accounts	162,602	52,569	3,830	-	-	40,772	259,773
Leases	57,047	5,815	-	-	-	-	62,862
Loans	191,643	-	-	-	-	-	191,643
Interest	327,786	-	-	-	-	-	327,786
Due from other governments	574,593	5,357,168	31,360	-	-	-	5,963,121
Due from other funds	558	14,024	-	-	-	-	14,582
Inventories and prepaid items	174,767	206,924	-	-	-	86,000	467,691
Advances to other funds	463,977	-	-	-	-	-	463,977
Total assets	$ 20,803,231	$ 23,926,890	$ 1,170,925	$ 172,382	$ 1,219,383	$ 11,679,790	$ 58,972,601
Liabilities, Deferred Inflows of Resources and Fund Balances							
Liabilities							
Accounts payable	$ 257,169	$ 35,874	$ 3,470	$ -	$ 1,901	$ 1,610	$ 300,024
Construction contracts payable	57,975	40,791	-	-	-	419,765	518,531
Accrued liabilities and deposits	635,522	70,995	-	-	-	-	706,517
Due to other governments	172,112	122,241	98,928	-	-	-	393,281
Due to other funds	10,034	558	-	-	-	-	10,592
Advances from other funds	-	-	463,977	-	-	-	463,977
Unearned revenues	5,562	-	-	-	-	7,091,881	7,097,443
Total liabilities	1,138,374	270,459	566,375	-	1,901	7,513,256	9,490,365
Deferred Inflows of Resources							
Unearned revenues	166,082	159,971	-	-	-	-	326,053
Unavailable revenues	621,933	4,921,780	387,141	-	20,656	9,491	5,961,001
Total deferred inflows of resources	788,015	5,081,751	387,141	-	20,656	9,491	6,287,054
Fund Balances							
Nonspendable	792,728	206,924	-	-	-	86,000	1,085,652
Restricted	1,281,947	10,347,633	217,409	172,382	1,196,826	-	13,216,197
Committed	102,307	384,176	-	-	-	773,900	1,260,383
Assigned	2,971,680	7,635,947	-	-	-	3,297,143	13,904,770
Unassigned	13,728,180	-	-	-	-	-	13,728,180
Total fund balances	18,876,842	18,574,680	217,409	172,382	1,196,826	4,157,043	43,195,182
Total liabilities, deferred inflows of resources and fund balances	$ 20,803,231	$ 23,926,890	$ 1,170,925	$ 172,382	$ 1,219,383	$ 11,679,790	$ 58,972,601

See notes to financial statements

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

Total Fund Balance, Governmental Funds		$ 43,195,182
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in government activities are not financial resources and, therefore, are not reported in the fund statements. See Note 2.		111,739,006
Delinquent taxes, special assessments and certain accounts receivable are reported as unavailable revenue in the fund financial statements and are recognized as revenue when earned in the government-wide financial statements See Note 2.		5,961,001
Governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. These amounts are the net effect of these differences:		
(Premium)/discount on debt		(392,937)
Some deferred outflows of resources do not relate to current financial resources and are not reported in the governmental funds.		
Deferred outflows, pension related amounts		10,410,311
Deferred outflows, OPEB related amounts		58,629
Some deferred inflows of resources do not relate to current financial resources and are not reported in the governmental funds.		
Deferred inflows, pension related amounts		(460,066)
Deferred inflows, OPEB related amounts		(285,859)
Investments in joint ventures are not financial resources and, therefore, are not reported in the funds.		13,956,508
Long-term liabilities, including bonds and notes payable, are not due in the current period and, therefore, are not reported in the fund statements. Long-term liabilities at year end consist of:		
General obligation bonds payable	$ (8,185,000)	
General obligation note payable	(7,885)	
Loans payable	(155,690)	
Accrued interest on debt	(10,973)	
Licensing agreement	(67,681)	
Lease liabilities	(616,469)	
Net pension liability	(20,816,037)	
Other postemployment benefits liability	(585,752)	
Vested compensated absences	(1,719,038)	(32,164,525)
Total Net Position, Governmental Activities		$ 152,017,250

See notes to financial statements

Steele County

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

	General Fund	Special Revenue: Road and Bridge	Special Revenue: Ditch	Special Revenue: Opioid Settlement	Debt Service	Capital Projects	Total Governmental Funds
Revenues							
Property taxes	$ 21,712,264	$ 2,524,894	$ -	$ -	$ 1,707,205	$ 1,092,095	$ 27,036,458
Other taxes	63,821	4,618,270	-	-	-	-	4,682,091
Special assessments	-	-	290,622	-	-	-	290,622
Intergovernmental	4,716,784	6,683,002	-	-	155,724	169,425	11,724,935
Licenses and permits	194,615	10,820	-	-	-	-	205,435
Fines and forfeitures	11,433	-	-	-	-	-	11,433
Public charges for services	3,373,821	565,883	-	-	-	-	3,939,704
Investment income (including unrealized losses)	(4,159,848)	11	7,011	-	-	787	(4,152,039)
Miscellaneous	1,745,875	20,672	42,304	172,382	-	-	1,981,233
Total revenues	27,658,765	14,423,552	339,937	172,382	1,862,929	1,262,307	45,719,872
Expenditures							
Current:							
General government	9,074,061	-	-	-	-	-	9,074,061
Public safety	11,127,718	-	-	-	-	-	11,127,718
Public works	-	12,410,507	-	-	-	-	12,410,507
Health and human services	8,351,389	-	-	-	-	-	8,351,389
Sanitation	683,921	-	-	-	-	-	683,921
Culture, recreation and education	929,166	-	-	-	-	-	929,166
Conservation and development	572,370	-	279,786	-	-	-	852,156
Capital outlay	49,214	662,851	-	-	-	4,603,770	5,315,835
Debt service:							
Principal retirement	199,348	-	-	-	1,565,000	199,769	1,964,117
Interest and fiscal charges	5,274	-	-	-	267,488	10,830	283,592
Total expenditures	30,992,461	13,073,358	279,786	-	1,832,488	4,814,369	50,992,462
Excess (deficiency) of revenues over expenditures	(3,333,696)	1,350,194	60,151	172,382	30,441	(3,552,062)	(5,272,590)
Other Financing Sources (Uses)							
Proceeds from leases	31,797	-	-	-	-	339,715	371,512
Transfers in	-	-	-	-	50,404	6,817,237	6,867,641
Transfers out	(5,817,237)	(1,000,000)	-	-	-	(50,404)	(6,867,641)
Proceeds from sale of capital assets	-	205,176	-	-	-	504,682	709,858
Total other financing sources (uses)	(5,785,440)	(794,824)	-	-	50,404	7,611,230	1,081,370
Net change in fund balances	(9,119,136)	555,370	60,151	172,382	80,845	4,059,168	(4,191,220)
Fund Balances, Beginning	27,995,978	17,997,551	157,258	-	1,115,981	97,875	47,364,643
Change in inventories	-	21,759	-	-	-	-	21,759
Fund Balances, Ending	$ 18,876,842	$ 18,574,680	$ 217,409	$ 172,382	$ 1,196,826	$ 4,157,043	$ 43,195,182

See notes to financial statements

Steele County

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

Net Change in Fund Balances, Total Governmental Funds	$ (4,191,220)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. The following differ in their presentation in the two statements:	
Capital outlay is reported as an expenditure in the fund financial statements but is capitalized in the government-wide financial statements.	5,315,835
Some items reported as capital outlay were not capitalized	(118,361)
Current expenditures capitalized in the government-wide statements	5,785,038
Depreciation/amortization is reported in the government-wide statements	(7,741,804)
Net book value of assets disposed of	(122,871)
Delinquent taxes, special assessments and certain accounts receivable are reported as unavailable revenue in the fund financial statements but are recognized as revenue when earned in the government-wide financial statements. This is the amount recognized as revenue on the fund statement that was recognized in the government-wide statement in prior years.	
Taxes receivable	13,848
Special assessments	(83,667)
Due from other governments	1,748,487
Accounts receivable	27,969
Interest receivable	8,329
Notes and loans receivable	(16,382)
Debt issued provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position.	
Leases issued	(371,512)
Principal payments	1,964,117
The change in inventory is reported as a change in fund balance in the fund financial statements, but is an (increase)/reduction in expense in the government-wide statements.	21,759
Governmental funds report the effect of debt premiums when debt is issued, where as these amounts are reported as deferred inflows of resources and amortized in the statement of activities.	
Debt premium	93,937
Some expenses 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. These amounts are for the following:	
Compensated absences	(105,281)
Accrued interest on debt	2,449
Net pension liability (and pension related deferred outflows/inflows of resources)	(2,004,223)
Other postemployment benefit liability (and related deferred outflows/inflows of resources)	(11,928)
The proportionate share of the change in net position related to joint ventures reported in the statement of activities neither provides or uses current financial resources are not reported in the fund statements.	4,413,488
Change in Net Position of Governmental Activities	$ 4,628,007

See notes to financial statements

Statement of Net Position -
Enterprise Fund
December 31, 2022

	Solid Waste
Assets and Deferred Outflows of Resources	
Current Assets	
Cash and investments	$ 5,346,080
Accounts receivable (net)	120,009
Lease receivable	2,208
Due from other governments	139
Inventories	7,837
Total current assets	5,476,273
Noncurrent Assets	
Restricted cash and investments	2,801,582
Capital assets:	
Construction in progress	20,535
Land	451,250
Property and equipment	11,419,768
Accumulated depreciation	(9,308,967)
Total noncurrent assets	5,384,168
Total assets	10,860,441
Deferred Outflows of Resources	
OPEB related amounts	988
Pension related amounts	88,881
Total deferred outflows of resources	89,869
Liabilities, Deferred Inflows of Resources and Net Position	
Current Liabilities	
Accounts payable	65,478
Accrued expenses and deposits	15,724
Due to other governments	17,442
Due to other funds	3,991
Current portion of vested compensated absences	25,985
Total current liabilities	128,620
Noncurrent Liabilities	
Vested compensated absences	5,322
OPEB liability	9,869
Net pension liability	293,864
Landfill long-term care costs	3,431,601
Total noncurrent liabilities	3,740,656
Total liabilities	3,869,276
Deferred Inflows of Resources	
OPEB related amounts	4,816
Pension related amounts	6,669
Lease related amounts	2,104
Total deferred inflows of resources	13,589
Net Position	
Net investment in capital assets	2,582,586
Unrestricted	4,484,859
Total net position	$ 7,067,445

See notes to financial statements

Steele County

Statement of Revenues, Expenses and Changes in Net Position -
Enterprise Fund
Year Ended December 31, 2022

	Solid Waste
Operating Revenues	
Charges for services	$ 1,708,934
Miscellaneous revenues	20,283
Total operating revenues	1,729,217
Operating Expenses	
Solid waste disposal	996,389
Supervision and labor	426,827
Benefits	59,336
Other services and charges	158,735
Depreciation	689,593
Total operating expenses	2,330,880
Operating income (loss)	(601,663)
Nonoperating Revenues	
Investment income	13,576
Gain/(loss) on disposal of capital assets	(3,939)
Total nonoperating revenues	9,637
Change in net position	(592,026)
Net Position, Beginning	7,659,471
Net Position, Ending	$ 7,067,445

See notes to financial statements

Steele County

Statement of Cash Flows -
Enterprise Fund
Year Ended December 31, 2022

	Solid Waste
Cash Flows From Operating Activities	
Cash received from customers	$ 1,687,317
Cash paid to suppliers for goods and services	(926,198)
Cash paid to employees for services	(380,077)
Net cash flows from operating activities	381,042
Cash Flows From Investing Activities	
Interest on investments	13,576
Cash Flows From Capital and Related Financing Activities	
Acquisition and construction of capital assets	(103,244)
Net change in cash and cash equivalents	291,374
Cash and Cash Equivalents, Beginning	7,856,288
Cash and Cash Equivalents, Ending	$ 8,147,662
Reconciliation of Operating Income (Loss) to Net Cash Flows From Operating Activities	
Operating income (loss)	$ (601,663)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:	
Noncash items included in operating income (loss):	
Depreciation	689,593
Landfill closure liability	298,269
Change in assets, liabilities and deferred outflows and inflows of resources:	
Receivables	(46,716)
Materials, supplies and prepaid items	(5,739)
Accounts payable and due to other governments	39,957
Accrued expenses	(3,329)
Due to other funds	3,991
Post employment retirement benefit liability and related deferrals	(2,495)
Pension related deferrals and liability	9,174
Net cash flows from operating activities	$ 381,042
Reconciliation of Cash and Cash Equivalents	
Cash and investments per Statement of Net Position	$ 5,346,080
Noncurrent restricted cash	2,801,582
Cash and Cash Equivalents, Ending	$ 8,147,662

Noncash Capital, Investing and Financing Activities
None.

See notes to financial statements

Steele County

Statement of Fiduciary Net Position
December 31, 2022

	Private-Purpose Trust	Custodial Funds
Assets		
Cash and investments	$ 209,376	$ 2,190,996
Accounts receivable	-	1,416
Taxes receivable, other governments	-	796,727
Due from other governments	-	50,662
Prepaid items	-	74,769
Total assets	209,376	3,114,570
Liabilities		
Accounts payable	-	8,813
Accrued security deposits	12,485	-
Accrued wages	-	66,400
Due to individuals and other governments	-	559,025
Total liabilities	12,485	634,238
Deferred Inflows of Resources		
Taxes collected in advance of levy	-	172,285
Net Position		
Restricted for individuals, organizations or other governments	$ 196,891	$ 2,308,047

See notes to financial statements

Steele County

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

	Private-Purpose Trust	Custodial Funds
Additions		
Property tax collections for other governments	$ -	$ 46,983,694
License and fees collected for state	-	1,782,517
Intergovernmental revenues	-	2,995,701
Charges for services	-	67,172
Contributions, individuals	-	261,031
Investment earnings	3,158	-
Miscellaneous	-	20,363
Total additions	3,158	52,110,478
Deductions		
Payments of property tax to other governments	-	46,862,545
Payments to state	-	1,782,449
Public safety expenditures	-	2,970,165
Beneficiary payments to individuals	-	261,031
Payments in accordance with trust agreements	91	-
Total deductions	91	51,876,190
Change in fiduciary net position	3,067	234,288
Net Position, Beginning	193,823	2,073,759
Net Position, Ending	$ 196,890	$ 2,308,047

See notes to financial statements

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1. Summary of Significant Accounting Policies

The accounting policies of Steele County, Minnesota (the County) conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The accepted standard-setting body for establishing governmental accounting and financial reporting principles is the Governmental Accounting Standards Board (GASB).

Reporting Entity

The County was established February 20, 1855 and is an organized county having the powers, duties and privileges granted counties by Minn. Statute 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 Auditor, elected on a County-wide basis, serves as the clerk of the board of commissioners but has no vote.

This report includes all of the funds of the County. The reporting entity for the County consists of the primary government and its component units. Component units are legally separate organizations for which the primary government is financially accountable or other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading. The County has not identified any organizations that meet this criteria.

Government-Wide and Fund Financial Statements

In June 2017, the GASB issued Statement No. 87, *Leases*. This Statement requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The standard establishes a single model for lease accounting based on the foundational principle that leases are financings of the right-to-use an underlying asset. Under the Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, which enhances the relevance and consistency of information about the County's leasing activities. This standard was implemented January 1, 2022.

Government-Wide Financial Statements

The statement of net position and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities, which generally are financed through taxes, intergovernmental revenues and other nonexchange revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external parties for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The County does not allocate indirect expenses to functions in the statement of activities. Program revenues include: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not included among program revenues are reported as general revenues. Internally dedicated resources are reported as general revenues rather than as program revenues.

Fund Financial Statements

Financial statements of the County are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position/fund equity, revenues and expenditures/expenses.

Funds are organized as major funds or nonmajor funds within the governmental and proprietary fund statements. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the County or meets the following criteria:

a. Total assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues or expenditures of that individual governmental fund or enterprise fund are at least 10% of the corresponding total for all governmental or enterprise funds.

b. The same element of the individual governmental fund or enterprise fund that met the 10% test is at least 5% of the corresponding total for all governmental and enterprise funds combined.

c. In addition, any other governmental or enterprise fund that the County believes is particularly important to financial statement users may be reported as a major fund.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The County reports the following major governmental funds:

General Fund

General Fund accounts for the County's primary operating activities. It is used to account for and report all financial resources except those required to be accounted for in another fund.

Road and Bridge Special Revenue Fund

Road and Bridge Special Revenue Fund is used to account for and report the proceeds of specific revenue sources that are restricted, committed or assigned to expenditures relating to public works for the establishment, location, vacation, construction, reconstruction, improvement and maintenance of county state-aid highways, county highways and county bridges.

Ditch Special Revenue Fund

Ditch Special Revenue Fund is used to account for and report resources restricted, committed or assigned for the financing of construction and maintenance of the County's ditches.

Opioid Settlement Special Revenue Fund

Opioid Settlement Fund is used to account for and report financial resources that are restricted from the National Opioid Settlement Fund for forward-looking strategies, programming, and services to abate the opioid endemic.

Debt Service Fund

Debt Service Fund is used to account for and report financial resources that are restricted, committed or assigned to expenditure for the payment of general long-term debt principal, interest and related costs.

Capital Projects Fund

Capital Projects Fund is used to account for and report financial resources that are restricted, committed or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Steele County reports the following major enterprise fund:

Solid Waste Fund

Solid Waste Fund accounts for and reports the operation of solid waste activities, including landfill and recycling. The fund also accounts for funds being accumulated for closure and post-closure care costs associated with the landfill.

In addition, Steele County reports the following fund types:

Private-Purpose Trust Fund

Private-Purpose Trust Fund is used to account for and report any trust arrangement not properly reported in a pension trust fund under which principal and income benefit individuals, private organizations or other governments.

Cemetery Investment

Custodial Funds

Custodial funds are used to account for and report assets controlled by the County and the assets are for the benefit of individuals, private organizations and/or other governmental units.

Taxes and Penalties	Consolidated Dispatch
State Collections	Jail Canteen

Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-Wide Financial Statements

The government-wide statement of net position and statement of activities are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. 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 are met. Special assessments are recorded as revenue when earned. Unbilled receivables are recorded as revenues when services are provided.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt, claims, judgments, compensated absences and pension expenditures, which are recorded as a fund liability when expected to be paid with expendable available financial resources.

Property taxes are recorded as receivables in the year levied. They are recognized as revenues when collected in the current year and in the first 60 days of the succeeding year.

Intergovernmental aids and grants are recognized as revenues in the period the County is entitled to the resources and the amounts are available. Amounts owed to the County, which are not available, are recorded as receivables and unavailable revenues. Amounts received before eligibility requirements (excluding time requirements) are met are recorded as liabilities. Amounts received in advance of meeting time requirements are recorded as deferred inflows.

Special assessments are recorded as revenues when they become measurable and available as current assets. Annual installments due in future years are reflected as receivables and unavailable revenues.

Revenues susceptible to accrual include property taxes, miscellaneous taxes, public charges for services, special assessments and interest. Other general revenues such as fines and forfeitures, inspection fees, recreation fees and miscellaneous revenues are recognized when received in cash or when measurable and available under the criteria described above.

Proprietary fund and fiduciary financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as described previously in this note.

The 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. Operating expenses for proprietary funds include the cost of sales and services and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

All Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles 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 expenditures/expenses during the reporting period. Actual results could differ from those estimates.

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

Deposits and Investments

For purposes of the statement of cash flows, the County considers all highly liquid investments with an initial maturity of three months or less when acquired to be cash equivalents.

Minnesota statutes authorize the County board to designate a depository for public funds and to invest in certificates of deposit. Minnesota statutes require that all deposits be covered by insurance, surety bond or collateral.

Investments are limited to:

a. Bonds, notes, bills, mortgages and other securities, which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities or organizations created by Congress, except mortgage-backed securities defined as "high risk" by Minnesota statutes.

b. State and local securities that meet specified bond ratings by a national rating service.

c. Commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by at least two nationally recognized rating agencies and matures in 270 days or less.

d. Mutual fund through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments.

e. Banker's acceptances of United States banks.

f. Repurchase agreements, securities lending agreements, joint powers investment trusts and guaranteed investment contracts, with certain restrictions.

The County has adopted an investment policy. This policy follows the state statutes for allowable investments and contains the following guidelines:

Custodial Credit Risk - The policy states that full collateralization will be required on all demand deposit accounts, including checking accounts and nonnegotiable certificates of deposits. The County follows state statutes related to this risk.

Credit Risk - The investment policy addresses credit risk through the investment restrictions detailed above.

Concentration of Credit Risk - The policy requires diversification of the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Interest Rate Risk - The investment policy specifies the portfolio will be structured so that securities mature as needed for ongoing operations, thereby avoiding the need to sell securities in the open market. The average maturity shall not exceed five years from the date of purchase.

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on methods and inputs as outlined in Note 2. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income. Investment income on commingled investments of municipal accounting funds is generally allocated to the General Fund. The difference between the bank balance and carrying value is due to outstanding checks and/or deposits in transit.

The 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. Statute 471.59. The County's MAGIC portfolio investment is reported at amortized cost. Shares of the County's MAGIC term series investment are purchased to mature upon pre-determined dates and are reported at a net asset value. Financial information for the MAGIC Fund can be obtained online at https://www.magicfund.org/forms-and-documents/.

See Note 2 for further information.

Receivables

The County levies and collects property taxes and special assessments for all governmental units within the County. Property tax collections and payments to other governmental units are accounted for in custodial funds.

The County is required to distribute the collections to the various governmental units three times each year on a schedule prescribed in Minn. Statute 276.

Property taxes are levied as of January 1 on property values assessed as of the same date. The tax levy notice is mailed in March with the first half payment due May 15 and 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.

No allowance for uncollectible delinquent taxes has been provided because of the County's demonstrated ability to recover any losses through the sale of the applicable property.

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. Short-term interfund loans are reported as "due to and from other funds." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the statement of net position. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as internal balances.

In the governmental fund financial statements, advances to other funds are offset equally by a nonspendable fund balance account, which indicates that they do not constitute expendable available financial resources and, therefore, are not available for appropriation.

Inventories and Prepaid Items

Inventory, if material, is valued at cost based on first-in, first-out and consists of supplies held for consumption. Reported inventories are offset by nonspendable fund balance in the fund financial statements to indicate they are not available, spendable resources.

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.

Restricted Assets

Mandatory segregations of assets are presented as restricted assets. Such segregations are required by bond agreements and other external parties. Current liabilities payable from these restricted assets are so classified. The excess of restricted assets over current liabilities payable from restricted assets will be used first for retirement of related long-term debt. The remainder, if generated from earnings, is shown as restricted net position.

Capital Assets

Government-Wide Statements

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an estimated useful life in excess of one year and an initial cost of $5,000 or more, except for infrastructure, which is capitalized at a threshold of $100,000 or more. All capital assets are valued at historical cost or estimated historical cost if actual amounts are unavailable. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

	Years
Machinery and equipment	3-15
Improvements	20-30
Buildings	25-75
Roads and bridges (Infrastructure)	25-75

Lease assets are typically amortized over the lease term

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same way as in the government-wide statements.

Deferred Outflows of Resources

A deferred outflow of resources represents a consumption of net assets that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until that future time.

Compensated Absences

Under terms of employment, employees are granted sick leave and vacations in varying amounts. Only benefits considered to be vested are disclosed in these statements.

All vested vacation and sick leave pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements, and are payable with expendable available resources.

Payments for vacation and sick leave will be made at rates in effect when the benefits are used. Accumulated vacation and sick leave liabilities at December 31, 2022 are determined on the basis of current salary rates and include salary related payments.

Long-Term Obligations

All long-term obligations to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term obligations consist primarily of bonds and notes payable, accrued compensated absences, leases, other postemployment benefits and the net pension liabilities.

Long-term obligations for governmental funds are not reported as liabilities in the fund financial statements. The face value of debts (plus any premiums) are reported as other financing sources and payments of principal and interest are reported as expenditures. The accounting in proprietary funds is the same as it is in the government-wide statements.

For the government-wide statements and proprietary fund statements, bond premiums and discounts are amortized over the life of the issue using the straight-line method. The balance at year-end is shown as an increase or decrease in the liability section of the statement of net position.

Leases

The County is a lessor because it leases capital assets to other entities. As a lessor, the County reports a lease receivable and corresponding deferred inflow of resources in both the fund financial statements and government-wide financial statements. The County continues to report and depreciate the capital assets being leased as capital assets of the primary government.

The County is a lessee because it leases capital assets from other entities. As a lessee, the County reports a lease liability and an intangible right-to-use capital asset (known as the lease asset) on the government-wide financial statements and proprietary fund statements. In the governmental fund financial statements, the County recognizes lease proceeds and capital outlay at initiation of the lease, and the outflow of resources for the lease liability as a debt service payment.

Deferred Inflows of Resources

A deferred inflow of resources represents an acquisition of net assets that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until that future time.

Equity Classifications

Government-Wide Statements

Equity is classified as net position and displayed in three components:

a. **Net Investment in Capital Assets** - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances (excluding unspent bond proceeds) of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

b. **Restricted Net Position** - Consists of net position with constraints placed on their use either by: 1) external groups such as creditors, grantors, contributors or laws or regulations of other governments or, 2) law through constitutional provisions or enabling legislation.

c. **Unrestricted Net Position** - All other net position that does not meet the definition of "restricted" or "net investment in capital assets."

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

Fund Statements

Governmental fund equity is classified as fund balance and displayed as follows:

a. **Nonspendable** - Includes fund balance amounts that cannot be spent either because they are not in spendable form or because legal or contractual requirements require them to be maintained intact.

b. **Restricted** - Consists of fund balances with constraints placed on their use either by: 1) external groups such as creditors, grantors, contributors or laws or regulations of other governments or 2) law through constitutional provisions or enabling legislation.

c. **Committed** - Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority. Fund balance amounts are committed through a formal action (resolution) of the County Board. This formal action must occur prior to the end of the reporting period, but the amount of the commitment, which will be subject to the constraints, may be determined in the subsequent period. Any changes to the constraints imposed required the same formal action of the County board that originally created the commitment.

d. **Assigned** - Includes spendable fund balance amounts that are intended to be used for specific purposes that are not considered restricted or committed. Fund balance may be assigned through the following: 1) the County Board or County Treasurer, who has been delegated that authority by Board resolution and 2) all remaining positive spendable amounts in governmental funds, other than the General Fund, that are neither restricted nor committed. Assignments may take place after the end of the reporting period.

e. **Unassigned** - Includes residual positive fund balance within the General Fund, which has not been classified within the other above-mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed or assigned for those purposes.

Proprietary fund equity is classified the same as in the government-wide statements.

The County considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents / contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the County would first use committed, then assigned and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The County Board has approved a minimum fund balance policy. The target is to maintain a General Fund assigned plus unassigned fund balance that does not fall below a minimum of 45%, or exceed a maximum of 55%, of subsequent years' budgeted expenditures. Surpluses will be considered for one-time expenditures that are nonrecurring in nature. At December 31, 2022, the combined assigned and unassigned fund balance in the General Fund was approximately 49.4% of the subsequent year's budgeted expenditures.

Pension

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. Investments are reported at fair value.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the total OPEB liability and OPEB expense, the County's single-employer defined benefit retiree healthcare plan recognizes benefit payments when due and payable in accordance with the benefit terms.

2. Detailed Notes on All Funds

Deposits and Investments

The County maintains a cash and investment pool that is available for use by all funds. Each fund's portion in this pool is displayed on statement of net position and balance sheet as cash and investments.

	Carrying Value	Statement Balances	Associated Risks
Deposits	$ 2,515,656	$ 2,409,928	Custodial credit
Negotiable CD's	13,805,262	13,805,262	Custodial credit, credit, concentration of credit, interest rate
MAGIC portfolio	6,546,646	6,860,656	Credit, interest rate
U.S. agencies, implicitly guaranteed	7,085,435	7,085,435	Custodial credit, credit, concentration of credit, interest rate
Municipal bonds	31,006,871	31,006,871	Custodial credit, credit, concentration of credit, interest rate
Petty cash	1,925	-	N/A
Total cash and investments	$ 60,961,795	$ 61,168,152	

Reconciliation to the financial statements:	
Per statement of net position:	
Unrestricted cash and investments	$ 55,759,841
Restricted cash and investments	2,801,582
Per statement of fiduciary net position:	
Private purpose trust	209,376
Custodial funds	2,190,996
Total cash and investments	$ 60,961,795

Deposits in each local and area bank are insured by the FDIC in the amount of $250,000 for time and savings accounts and $250,000 for demand deposit amounts (interest-bearing and noninterest bearing). In addition, if deposits are held in an institution outside of the state in which the government is located, insured amounts are further limited to a total of $250,000 for the combined amount of all deposits.

The Securities Investor Protection Corporation (SIPC), created by the Securities Investor Protection Act of 1970, is an independent government-sponsored corporation (not an agency of the U.S. government). SIPC membership provides account protection up to a maximum of $500,000 per customer, of which $250,000 may be in cash. Additionally, through UBS Financial Services, Inc., accounts have additional securities coverage of up to a firm aggregate of $500 million.

The County categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The valuation methods for recurring fair value measurements are as follows:

- Quoted market prices
- Matrix pricing models

	December 31, 2022			
Investment Type	**Level 1**	**Level 2**	**Level 3**	**Total**
Negotiable CDs	$ -	$ 13,805,262	$ -	$ 13,805,262
U.S. agencies, implicitly guaranteed	-	7,085,435	-	7,085,435
Municipal bonds	-	31,006,871	-	31,006,871
Total	$ -	$ 51,897,568	$ -	$ 51,897,568

Custodial Credit Risk

Deposits - Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits may not be returned to the County. The County does not have any deposits exposed to custodial credit risk.

Investments - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County does not have any investments exposed to custodial credit risk.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

As of December 31, 2022, the County's investments were rated as follows:

Investment Type	**Standard & Poors**	**Moody's Investor Service**
Municipal bonds	AAA, AA+, AA-, AA, A+	AAA, AA3, AA2, AA1, A2, A1

The County also had the following unrated investments:

Minnesota Association of Governments Investing for Counties (MAGIC)
Negotiable certificates of deposit

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer.

As of December 31, 2022, the investment portfolio was concentrated as follows:

Issuer	Investment Type	Percentage of Portfolio
Federal National Mortgage Association	US Agencies - Implicitly Guaranteed	5.33 %
Federal Home Loan Mortgage Corporation	US Agencies - Implicitly Guaranteed	6.79 %

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the value of an investment.

As of December 31, 2022, the County's investments were as follows:

		Maturity in Years		
Investment Type	Bank Balance	Less Than 1 Year	1-5 Years	Greater Than 5 Years
Negotiable CD's	$ 13,805,262	$ 3,869,614	$ 9,729,593	$ 206,055
U.S. Agencies, implicitly guaranteed	7,085,435	-	4,062,388	3,023,047
Municipal bonds	31,006,871	3,311,100	13,579,107	14,116,664
MAGIC	6,860,656	6,860,656	-	-
Total	$ 58,758,224	$ 14,041,370	$ 27,371,088	$ 17,345,766

See Note 1 for further information on deposit and investment policies.

Receivables

All receivables are expected to be collected within one year except for $162,024 of loans receivable and $29,462 of leases receivable in the General Fund and $153,466 of special assessments in the ditch fund.

Governmental funds report *unavailable* or *unearned revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *unavailable revenue* and *unearned revenue* reported in the governmental funds were as follows:

	Unearned	Unavailable
Property taxes receivable	$ -	$ 311,254
Special assessments receivable	-	414,291
Due from other governments	-	5,085,478
Interest receivable	-	85,313
Loans receivable	-	16,941
Accounts receivable	-	47,724
Leases receivable	61,102	-
Grants received in advance of period to be spent	264,951	-
Grants received in advance of incurring allowable expenditures	7,097,443	-
Total unavailable/unearned revenue for governmental funds	$ 7,423,496	$ 5,961,001
Unearned revenue included in liabilities	$ 7,097,443	
Unearned revenue included in deferred inflows	326,053	
Total unearned revenue for governmental funds	$ 7,423,496	

Restricted Assets

The County makes annual contributions to a trust to finance closure and post-closure care of the County landfill. As of December 31, 2022, investments of $2,801,582 are held for these purposes. See Note 2.

Capital Assets

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

	Beginning Balance (as Restated)*	Additions	Deletions	Adjustments**	Ending Balance
Governmental Activities					
Capital assets not being depreciated/amortized:					
Land	$ 4,214,350	$ 324,442	$ -	$ -	$ 4,538,792
Construction in progress	2,369,394	6,445,566	5,277,717	-	3,537,243
Total capital assets not being depreciated/amortized	$ 6,583,744	$ 6,770,008	$ 5,277,717	$ -	$ 8,076,035
Capital assets being depreciated/amortized:					
Right-of-use asset	$ 339,804	$ -	$ -	$ -	$ 339,804
Buildings	47,101,560	3,855,373	-	-	50,956,933
Improvements	247,333	61,585	-	-	308,918
Machinery, furniture and equipment	12,057,515	828,618	1,043,991	(22,924)	11,819,218
Infrastructure	151,142,003	4,362,810	-	-	155,504,813
Leased building	128,764	-	-	-	128,764
Leased machinery and equipment	374,132	372,262	-	-	746,394
Total capital assets being depreciated/amortized	211,391,111	9,480,648	1,043,991	(22,924)	219,804,844
Less accumulated depreciation/amortization for:					
Right-of-use asset	(175,734)	(96,389)	-	-	(272,123)
Buildings	(14,987,898)	(1,284,445)	-	-	(16,272,343)
Improvements	(102,454)	(10,033)	-	-	(112,487)
Machinery, furniture and equipment	(8,220,995)	(862,035)	921,120	22,924	(8,138,986)
Infrastructure	(85,866,605)	(5,198,143)	-	-	(91,064,748)
Leased building	-	(79,808)	9,573	-	(70,235)
Leased machinery and equipment	-	(210,951)	-	-	(210,951)
Total accumulated depreciation/ amortization	(109,353,686)	(7,741,804)	953,617	22,924	(116,141,873)
Total capital assets being depreciated/amortized, net of depreciation/ amortization	$ 102,037,425	$ 1,738,844	$ 90,374	$ -	$ 103,662,971

* Beginning balances have been restated for the implementation of GASB 87, *Leases*, to reflect lease assets at the date of implementation.

** During 2022, a fully depreciated governmental activities asset with an original value of $22,924 was transferred to the business-type activities.

Depreciation expense was charged to functions as follows:

Governmental Activities	
General government	$ 692,766
Public safety	1,000,834
Health	1,334
Culture and recreation	192,014
Conservation	499
Public works	5,854,357
Total governmental activities depreciation/amortization expense	$ 7,741,804

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

	Beginning Balance	Additions	Deletions	Adjustments**	Ending Balance
Business-Type Activities					
Capital assets not being depreciated:					
Land and right of way	$ 451,250	$ -	$ -	$ -	$ 451,250
Construction in progress	-	20,535	-	-	20,535
Total capital assets not being depreciated	$ 451,250	$ 20,535	$ -	$ -	$ 471,785
Capital assets being depreciated:					
Buildings	$ 432,521	$ -	$ -	$ -	$ 432,521
Improvements	104,831	-	-	-	104,831
Landfill	8,594,911	-	-	-	8,594,911
Machinery, furniture and equipment	2,300,626	99,122	135,167	22,924	2,287,505
Total capital assets being depreciated	11,432, 889	99,122	135,167	22,924	11,419,768
Less accumulated depreciation for:					
Buildings	(320,470)	(14,263)	-	-	(334,733)
Improvements	(66,241)	(5,955)	-	-	(72,196)
Landfill	(6,813,099)	(427,213)	-	-	(7,240,312)
Machinery, furniture and equipment	(1,511,455)	(242,162)	114,815	(22,924)	(1,661,726)
Total accumulated depreciation	(8,711,265)	(689,593)	114,815	(22,924)	(9,308,967)
Total capital assets being depreciated, net of depreciation	$ 2,721,624	$ (590,471)	$ 20,352	$ -	$ 2,110,801

Depreciation expense of $689,593 was charged to the solid waste business-type activities.

**During 2022, a fully depreciated governmental activities asset with an original value of $22,924 was transferred to the business-type activities.

Interfund Receivables/Payables, Advances and Transfers

Interfund Receivables/Payables

The following is a schedule of interfund receivables and payables including any overdrafts on pooled cash and investment accounts:

Receivable Fund	Payable Fund	Amount
Road and Bridge	General fund	$ 10,034
Road and Bridge	Solid Waste	3,991
General fund	Road and Bridge	558
Subtotal, fund financial statements		14,583
Less fund eliminations		(10,592)
Total government-wide statement of net position		$ 3,991

All amounts are expected to be repaid within one year.

These interfunds resulted from the time lag between the dates that: (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system and (3) payments between funds are made.

Advances

The following is a schedule of interfund advances:

Receivable Fund	Payable Fund	Amount	Amount Not Due Within One Year
General fund	Ditch	$ 463,977	$ 463,977
Subtotal, fund financial statements		463,977	
Less fund eliminations		(463,977)	
Total, government-wide statement of activities		$ -	

The general fund has advanced funds to the ditch fund for cash flow purposes. There is no repayment schedule set up for the advances. Per County policy, repayment or additional borrowing is determined at year end by all 30 ditch systems maintaining a minimum cash balance of $1,000.

Transfers

The following is a schedule of interfund transfers:

Fund Transferred To	Fund Transferred From	Amount	Principal Purpose
Capital Projects	General fund	$ 5,817,237	Cash flow for capital projects
Capital Projects	Road and Bridge	1,000,000	Cash flow for capital projects
Debt Service	Capital Projects	50,404	Unspent bond proceeds
Total, fund financial statements		$ 6,867,641	
Less fund eliminations		(6,867,641)	
Total transfers, government-wide statement of activities		$ -	

Generally, transfers are used to (1) move revenues from the fund that collects them to the fund that the budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Long-Term Obligations

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

	Beginning Balance (as Restated)*	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental Activities					
Bonds and notes payable:					
General obligation bonds	$ 9,750,000	$ -	$ 1,565,000	$ 8,185,000	$ 1,605,000
General obligation note from direct borrowing	15,694	-	7,809	7,885	7,885
Clean water partnership loans, direct borrowing	197,056	-	41,366	155,690	42,197
Unamortized bond premium	486,874	-	93,937	392,937	-
Subtotal	10,449,624	-	1,708,112	8,741,512	1,655,082
Other liabilities:					
Licensing agreements	135,362	-	67,681	67,681	67,681
Leases payable	527,218	361,939	272,688	616,469	296,747
Other postemployment benefits	734,859	120,997	270,104	585,752	-
Compensated absences	1,613,757	1,414,878	1,309,597	1,719,038	1,426,802
Net pension liability	6,855,182	15,653,746	1,692,891	20,816,037	-
Subtotal	9,866,378	17,551,560	3,612,961	23,804,977	1,791,230
Total governmental activities long-term liabilities	$ 20,316,002	$ 17,551,560	$ 5,321,073	$ 32,546,489	$ 3,446,312
Business-Type Activities					
Other postemployment benefits	$ 11,909	$ 2,511	$ 4,551	$ 9,869	$ -
Compensated absences	31,961	24,852	25,506	31,307	25,985
Net pension liability	172,871	144,885	23,892	293,864	-
Landfill liability	3,133,332	298,269	-	3,431,601	-
Total business-type activities long-term liabilities	$ 3,350,073	$ 470,517	$ 52,949	$ 3,766,641	$ 25,985

* Beginning balances have been restated for the implementation of GASB 87, *Leases*, to reflect lease liabilities at the date of implementation.

General Obligation Debt

All general obligation bonds and notes payable are backed by the full faith and credit of the County. General obligation bonds will be retired by future property tax levies accumulated by the debt service fund.

In accordance with Minnesota Statutes, net indebtedness of the County may not exceed 3% of the market value of taxable property within the County's jurisdiction. The debt limit as of December 31, 2022 was approximately $139 million. General obligation debt outstanding at year-end subject to the debt limit was $8,192,885.

General obligation debt payable for the County at December 31, 2022, consists of the following:

	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance December 31, 2022
Governmental Activities					
GO Refunding Bonds	2015	2024	1.75-3.00%	$ 9,720,000	$ 2,055,000
Capital Improvement Bonds	2018	2026	3.00-4.00%	3,190,000	2,090,000
GO Jail Bonds	2020	2030	2.00-3.00%	4,505,000	4,040,000
Total governmental activities, general obligation bonds					$ 8,185,000

Debt service requirements to maturity are as follows:

	Governmental Activities General Obligation Bonds	
	Principal	Interest
Years ending December 31:		
2023	$ 1,605,000	$ 220,438
2024	1,645,000	181,850
2025	945,000	139,300
2026	975,000	103,950
2027	725,000	67,550
2028-2030	2,290,000	92,200
Total	$ 8,185,000	$ 805,288

Notes payable for the County at December 31, 2022, consist of the following:

	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance December 31, 2022
Governmental Activities					
MPFA GO Revenue Note*	2012	2023	1.00%	$ 192,281	$ 7,885

*considered direct placement or direct borrowing

Debt service requirements to maturity are as follows:

	Governmental Activities General Obligation Note From Direct Borrowings	
	Principal	Interest
Years ending December 31:		
2023	$ 7,885	$ 59
Total	$ 7,885	$ 59

Clean Water Partnership Loans

The County has entered into agreements with the Minnesota Pollution Control Agency to provide loans for financing septic systems. The loans are secured by special assessments placed on the individual's parcels requesting repaid of septic systems.

	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance December 31, 2022
Clean Water Partnership Loans					
Loan payable - SRF0259*	2017	2026	2.00%	$ 390,847	$ 155,690

*considered direct placement or direct borrowing

Debt service requirements to maturity are as follows:

	Clean Water Partnership Loans From Direct Borrowings	
	Principal	Interest
Years ending December 31:		
2023	$ 42,197	$ 3,269
2024	43,046	2,421
2025	43,911	1,556
2026	26,536	673
Total	$ 155,690	$ 7,919

Other Debt Information

Estimated payments of compensated absences, other postemployment benefits and net pension liabilities are not included in the debt service requirement schedules. These liabilities attributable to governmental activities will be liquidated primarily by the general fund and road and bridge fund for their proportionate shares.

The County's outstanding general obligation note from direct borrowing related to the governmental activities of $7,885 contains clauses that in the event of default, one or more of the following may be exercised: (1) no further disbursements of the loan, (2) outstanding amounts become due and payable with interest accrued, (3) repayment of the grant.

Additionally, the County's outstanding clean water partnership loans from direct borrowing in the amount of $155,690 contain clauses that upon the event of default, demand will be made for full payment of all amounts due, including attorney's fees and interest incurred by MPCA to recover payments.

The licensing agreements consist of two separate agreements. The first is a 5-year noninterest bearing agreement entered into on March 4, 2019. Four equal payments of $29,181 are due annually through 2023. The agreement contains a clause that upon termination due to breach of contract, the County will pay for all software services and professional services performed up to the date of termination. A second licensing agreement is a 3-year noninterest bearing agreement entered into on January 14, 2021. Three equal payments of $38,500 are due annually through 2023.

Lease Disclosures

Lessee - Lease Liabilities

	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance December 31, 2022
Lease Liabilities					
Community Corrections office space	2017	2023	0.89%	$ 488,235	$ 58,979
Vehicles	2018-2022	2023-2027	0.43-2.9%	not applicable	533,853
Mailing machines	2021-2022	2026-2027	1.12-2.88%	29,657	23,637
Total governmental activities, lease liabilities					$ 616,469

Debt service requirements to maturity are as follows:

	Capital Leases	
	Principal	Interest
Years ending December 31:		
2023	$ 296,747	$ 9,858
2024	113,536	6,673
2025	71,221	4,639
2026	56,137	2,927
2027	78,828	1,084
Total	$ 616,469	$ 25,181

Lessor - Lease Receivables

	Date of Inception	Final Maturity	Interest Rates	Balance December 31, 2022
Lease Receivables				
911 Center office space	2021	2024	1.12%	$ 57,047
Highway farmland	2022	2023	0.85%	5,815
Total governmental activities, lease receivables				$ 62,862

The County recognized $33,815 of lease principal revenue during the fiscal year.

The County recognized $928 of lease interest revenue during the fiscal year.

Closure and Postclosure Care Cost

State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the County reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The $3,431,601 reported as landfill closure and postclosure care liability at December 31, 2022, represents the cumulative amount reported to date based on the use of approximately 88.1% of the estimated permitted capacity of the landfill. The County will recognize the remaining estimated cost of closure and postclosure care costs of $464,538 as the remaining estimated capacity is filled. The County expects to close the landfill in 2040. The landfill closure and postclosure care liability is based on 2022 costs. Actual costs may be higher due to inflation, changes in technology or changes in regulation.

The County is required by state and federal laws and regulations to make annual contributions to a trust to finance closure and postclosure care. The County is in compliance with these requirements, and, at December 31, 2022, investments of $2,801,582 are held for these purposes. These are reported as restricted assets on the statement of net position. The County expects that future inflation costs will be paid from interest earnings on these annual contributions. However, if interest earnings are inadequate or additional postclosure care requirements are determined (due to changes in technology or applicable laws or regulations, for example) these costs may need to be covered by charges to future landfill users or from future tax revenue.

Net Position/Fund Balances

Net position reported on the government wide statement of net position at December 31, 2022 includes the following:

Net investment in capital assets:	
Construction in progress	$ 3,537,243
Land	4,538,792
Other capital assets, net of accumulated depreciation/amortization	103,662,971
Less related long-term debt outstanding (excluding unspent capital related debt proceeds)	(9,229,119)
Less unamortized premium	(392,937)
Total net investment in capital assets	$ 102,116,950

Governmental fund balances reported on the fund financial statements at December 31, 2022, include the following:

	General Fund	Road and Bridge	Ditch	Opioid Settlement	Debt Service	Capital Projects	Total
Nonspendable:							
Inventories and prepaids	$ 174,767	$ 206,924	$ -	$ -	$ -	$ 86,000	$ 467,691
Loans receivables	153,985	-	-	-	-	-	153,985
Advances to other funds	463,976	-	-	-	-	-	463,976
Restricted for:							
Fish and wildlife	53,280	-	-	-	-	-	53,280
Law library	151,925	-	-	-	-	-	151,925
Recorder technology	181,996	-	-	-	-	-	181,996
Recorder compliance fund	173,119	-	-	-	-	-	173,119
CWP loans	138,749	-	-	-	-	-	138,749
U of M extension	2,919	-	-	-	-	-	2,919
Veterans donation	12,559	-	-	-	-	-	12,559
Sheriff drug and alcohol forfeitures	24,034	-	-	-	-	-	24,034
Sheriff handgun	331,562	-	-	-	-	-	331,562
Sheriff special deputies	4,472	-	-	-	-	-	4,472
Sheriff K9 project	13,261	-	-	-	-	-	13,261
SCRAM	29,954	-	-	-	-	-	29,954
County attorney	25,810	-	-	-	-	-	25,810
Public health	4,031	-	-	172,382	-	-	176,413
Bixby project	109,753	-	-	-	-	-	109,753
HAVA election grant	24,523	-	-	-	-	-	24,523
Highways and streets	-	10,347,633	-	-	-	-	10,347,633
Debt service	-	-	-	-	1,196,826	-	1,196,826
Ditch maintenance & repair	-	-	217,409	-	-	-	217,409
Committed to:							
Equipment purchases	-	384,176	-	-	-	-	384,176
Employee wellness	102,307	-	-	-	-	-	102,307
Building purchase	-	-	-	-	-	773,900	773,900
Assigned to:							
Subsequent year's expenditures	1,482,500	-	-	-	-	-	1,482,500
Compensated absences	1,489,180	229,857	-	-	-	-	1,719,037
Bridges, roads and streets	-	7,406,090	-	-	-	-	7,406,090
Capital projects	-	-	-	-	-	3,297,143	3,297,143
Unassigned	13,728,180	-	-	-	-	-	13,728,180
Total fund balances	$ 18,876,842	$ 18,574,680	$ 217,409	$ 172,382	$ 1,196,826	$ 4,157,943	$ 43,195,182

3. Other Information

Employees' Retirement System

Public Employees Retirement Association (PERA)

Plan Description

All full-time and certain part-time employees of the County are covered by cost-sharing multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA's defined benefit pension plans are established and administered in accordance with *Minnesota Statutes*, Chapters 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

General Employees Retirement Plan

All full-time and certain part-time employees of the County are covered by the General Employees Plan. General Employees Plan members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

Public Employees Police and Fire Plan

The Police and Fire Plan, originally established for police officers and firefighters not covered by a local relief association, now covers all police officers and firefighters hired since 1980. Effective July 1, 1999, the Police and Fire Plan also covers police officers and firefighters belonging to local relief associations that elected to merge with and transfer assets and administration to PERA.

Local Government Correctional Plan

The Correctional Plan was established for correctional officers serving in county and regional corrections facilities. Eligible participants must be responsible for the security, custody and control of the facilities and their inmates.

Benefits Provided

PERA provides retirement, disability and death benefits. Benefit provisions are established by state statute and can only be modified by the state Legislature. Vested, terminated employees who are entitled to benefits, but are not receiving them yet, are bound by the provisions in effect at the time they last terminated their public service.

General Employees Plan Benefits

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2% for each of the first 10 years of service and 1.7% for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7% for all years of service. For 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.

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1% and a maximum of 1.5%. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

Police and Fire Plan Benefits

Benefits for Police and Fire Plan members first hired after June 30, 2010, but before July 1, 2014, vest on a prorated basis from 50% after five years up to 100% after 10 years of credited service. Benefits for Police and Fire Plan members first hired after June 30, 2014, vest on a prorated basis from 50% after 10 years up to 100% after twenty years of credited service. The annuity accrual rate is 3% of average salary for each year of service. For Police and Fire Plan members who were first hired prior to July 1, 1989, a full annuity is available when age plus years of service equal at least 90.

Benefit increases are provided to benefit recipients each January. The postretirement increase is fixed at 1%. Recipients that have been receiving the annuity or benefit for at least 36 months as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least 25 months but less than 36 months as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

Correctional Plan Benefits

Benefits for Correctional Plan members first hired after June 30, 2010, vest on a prorated basis from 50% after five years up to 100% after 10 years of credited service. The annuity accrual rate is 1.9% of average salary for each year of service in that plan. For Correctional Plan members who were first hired prior to July 1, 1989, a full annuity is available when age plus years of service equal at least 90.

Benefit increases are provided to benefit recipients each January. The postretirement increase will be equal to 100% of the COLA announced by SSA, with a minimum increase of at least 1% and a maximum of 2.5%. If the plan's funding status declines to 85% or below for two consecutive years or 80% for one year, the maximum will be lowered from 2.5% to 1.5%. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

Contributions

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state legislature.

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2022 and the County was required to contribute 7.50% for Coordinated Plan members. The County contributions to the General Employees Fund for the year ended December 31, 2022, were $772,441. Contributions were equal to the required contributions as set by state statute.

Police and Fire Fund Contributions

Police and Fire Plan members were required to contribute 11.80% of their annual covered salary in fiscal year 2022 and the County was required to contribute 17.70% for Police and Fire Plan members. The County contributions to the Police and Fire Fund for the year ended December 31, 2022, were $340,197. Contributions were equal to the required contributions as set by state statute.

Correctional Fund Contributions

Correctional Plan members were required to contribute 5.83% of their annual covered salary in fiscal year 2022 and the County was required to contribute 8.75% for Correctional Plan members. The County contributions to the Correctional Fund for the year ended December 31, 2022, were $203,149. Contributions were equal to the required contributions as set by state statute.

Pension Costs

General Employees Fund Pension Costs

At December 31, 2022, the County reported a liability of $10,771,245 for its proportionate share of the General Employees Fund's net pension liability. The net pension liability reflected a reduction due to the State of Minnesota's contribution of $16 million. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the County totaled $315,810.

The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The proportionate share of the net pension liability was based on the County contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2021 through June 30, 2022, relative to the total employer contributions received from all of PERA's participating employers. The County's proportionate share was 0.1360% at the end of the measurement period and 0.1386% for the beginning of the period.

County's proportionate share of the net pension liability	$ 10,771,245
State of Minnesota's proportionate share of the net pension liability associated with the County	315,810
Total	$ 11,087,055

For the year ended December 31, 2022, the County recognized pension expense of $1,524,077 for its proportionate share of the General Employees Plan's pension expense. In addition, the County recognized an additional $47,189 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of $16 million to the General Employees Fund.

At December 31, 2022, 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	$ 89,970	$ 117,126
Changes in actuarial assumptions	2,482,924	44,066
Net collective difference between projected and actual investment earnings	109,889	-
Changes in proportion	154,859	83,274
Contributions paid to PERA subsequent to the measurement date	393,142	-
Total	$ 3,230,784	$ 244,466

$393,142 is reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2023. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years ending December 31:	
2023	$ 1,037,174
2024	979,146
2025	(397,241)
2026	974,097

Police and Fire Fund Pension Costs

At December 31, 2022, the County reported a liability of $6,758,043 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportionate share of the net pension liability was based on County contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2021 through June 30, 2022, relative to the total employer contributions received from all of PERA's participating employers. The County proportionate share was 0.1553% at the end of the measurement period and 0.1437% for the beginning of the period.

The State of Minnesota contributed $18 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2022. The contribution consisted of $9 million in direct state aid that does meet the definition of a special funding situation and $9 million in supplemental state aid that does not meet the definition of a special funding situation. The $9 million direct state was paid on October 1, 2021. Thereafter, by October 1 of each year, the state will pay $9 million to the Police and Fire Fund until full funding is reached or July 1, 2048, whichever is earlier. The $9 million in supplemental state aid will continue until the fund is 90% funded, or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90% funded, whichever occurs later.

The State of Minnesota is included as a non-employer contributing entity in the Police and Fire Retirement Plan Schedule of Employer Allocations and Schedule of Pension Amounts by Employer, Current Reporting Period Only (pension allocation schedules) for the $9 million in direct state aid. Police and Fire Plan employers need to recognize their proportionate share of the State of Minnesota's pension expense (and grant revenue) under GASB 68 special funding situation accounting and financial reporting requirements. For the year ended June 30, 2022, the County recognized pension expense of $560,429 for its proportionate share of the Police and Fire Plan's pension expense. The County recognized $57,272 as grant revenue for its proportionate share of the State of Minnesota's pension expense for the contribution of $9 million to the Police and Fire Fund.

The State of Minnesota is not included as a non-employer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the $9 million in supplemental state aid. The County recognized $13,977 for the year ended December 31, 2022 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Fund.

County's proportionate share of the net pension liability	$ 6,758,043
State of Minnesota's proportionate share of the net pension liability associated with the County	295,257
Total	$ 7,053,300

At December 31, 2022, 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	$ 400,922	$ -
Changes in actuarial assumptions	3,872,869	38,822
Net collective difference between projected and actual investment earnings	218,147	-
Changes in proportion	88,118	56,880
Contributions paid to PERA subsequent to the measurement date	176,796	-
Total	$ 4,756,852	$ 95,702

$176,796 is reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Years ending December 31:	
2023	$ 872,733
2024	872,603
2025	784,703
2026	1,377,108
2027	577,207

Correctional Plan Pension Costs

At December 31, 2022, the County reported a liability of $3,580,613 for its proportionate share of the Correctional Plan's net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportionate share of the net pension liability was based on the County contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2021 through June 30, 2022, relative to the total employer contributions received from all of PERA's participating employers. The County's proportionate share was 1.0772% at the end of the measurement period and 1.1444% for the beginning of the period.

For the year ended December 31, 2022 the County recognized pension expense of $1,241,542 for its proportionate share of the Correctional Plan's pension expense.

At December 31, 2022, 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	$ -	$ 120,975
Changes in actuarial assumptions	2,364,975	5,592
Net collective difference between projected and actual investment earnings	32,021	-
Changes in proportion	11,262	-
Contributions paid to PERA subsequent to the measurement date	103,298	-
Total	$ 2,511,556	$ 126,567

$103,298 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as an addition to the net pension asset in the year ended December 31, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Years ending December 31:	
2023	$ 1,038,403
2024	1,075,493
2025	(119,859)
2026	287,654

The total pension expense recognized for all three plans was $3,430,509 for the year ended December 31, 2022.

Long-Term Expected Return on Investment

The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness on a regular basis of the long-term expected rate of return 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:

Asset Class	Long-Term Real Rate of Return	Target Allocations
Domestic stocks	5.10 %	33.5 %
International stocks	5.30	16.5
Bonds (Fixed income)	0.75	25.0
Alternative Assets (Private Markets)	5.90	25.0

Actuarial Methods and Assumptions

The total pension liability in the June 30, 2022, actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 6.5%. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 6.5% was deemed to be within that range of reasonableness for financial reporting purposes.

Inflation is assumed to be 2.25% for the General Employees Plan, 2.25% for the Police and Fire Plan and 2.25% for the Correctional Plan. Benefit increases after retirement are assumed to be 1.25% for the General Employees Plan and 2% for the Correction Plan through December 31, 2054 and 1.5 percent thereafter. The Police and Fire Plan benefit increase is fixed at 1% per year and that increase was used in the valuation.

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25% after one year of service to 3.0% after 27 years of service. In the Police and Fire Plan, salary growth assumptions range from 11.75% after one year of service to 3.0% after 24 years of service. In the Correctional Plan, salary growth assumptions range from 11.0% at age 20 to 3.0% at age 60.

Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table. Mortality rates for the Police and Fire Plan and the Correctional Plans are based on the Pub-2010 Public Safety Employee Mortality tables. The tables are adjusted slightly to fit PERA's experience.

Actuarial assumptions for the General Employees Plan are reviewed every four years. The most recent four-year experience study for the General Employees Plan was completed in 2019. The assumption changes were adopted by the Board and became effective with the July 1, 2020 actuarial valuation. The most recent four-year experience studies for the Police and Fire and the Correctional Plan were completed in 2020 were adopted by the Board and became effective with the July 1, 2021 actuarial valuation.

The following changes in actuarial assumptions and plan provisions occurred in 2022:

General Employees Fund

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

- There were no changes in plan provisions since the previous valuation.

Police and Fire Fund

Changes in Actuarial Assumptions:

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

- The single discount rate changed from 6.50% to 5.40%.

Changes in Plan Provisions:

- There were no changes in plan provisions since the previous valuation.

Correctional Fund

Changes in Actuarial Assumptions:

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

- The single discount rate changed from 6.50% to 5.40%.

- The benefit increase assumption was change from 2.00% per annum to 2.00% per annum through December 31, 2054 and 1.5% per annum thereafter.

Changes in Plan Provisions:

- There were no changes in plan provisions since the previous valuation.

Discount Rate

The discount rate used to measure the total pension liability in 2022 was 6.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net positions of the General Employees Fund, the Police and Fire Fund and the Correctional Fund were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

In the Police and Fire Fund and Correctional Fund, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members through June 30, 2060 and June 30, 2061 respectively. Beginning in fiscal year ended June 30, 2061 for the Police and Fire Fund and June 30, 2062 for the Correctional Fund, projected benefit payments exceed the funds' projected fiduciary net position. Benefit payments projected after were discounted at the municipal bond rate of 3.69% (based on the weekly rate closest to but not later than the measurement date of the Fidelity "20-Year Municipal GO AA Index"). The resulting equivalent single discount rate of 5.40% for the Police and Fire Fund and 5.42% for the Correctional Fund was determined to give approximately the same present value of projected benefits when applied to all years of projected benefits as the present value of projected benefits using 6.5% applied to all years of projected benefits through the point of asset depletion and 3.69% thereafter.

Pension Liability Sensitivity

The following presents the County's proportionate share of the net pension liability (asset) for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the County's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	1% Decrease in Discount Rate	Current Discount Rate	1% Increase to Discount Rate
County's proportionate share of the General Employees Fund net pension liability	$ 17,013,746	$ 10,771,245	$ 5,651,431
County's proportionate share of the Police and Fire Fund net pension liability	10,227,431	6,758,043	3,953,250
County's proportionate share of the Correctional Fund net pension liability	6,307,071	3,580,613	1,437,006

Pension Plan Fiduciary Net Position

Detailed information about each 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.

Other Postemployment Benefits

General Information about the OPEB Plan

Plan Description

The County administers a single employer defined benefit healthcare plan. The County's other postemployment benefit (OPEB) plan provides health insurance benefits for eligible retirees and their eligible dependent(s) through the County's group health insurance plan, which covers both active and retired members. The County provides benefits for retirees as required by Minnesota Statute §471.61 subdivision 2b. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Benefits Provided

Active employees, who retire from the County and do not participate in any other health benefits program providing coverage similar to that herein described, will be eligible to continue coverage with respect to both themselves and their eligible dependent(s) under the County's health benefits program indefinitely. Retirees are required to pay 100% of the total group rate. Since the premium is a blended rate determined on the entire active and retiree population, the retirees, whose costs are statistically higher than the group average, are receiving an implicit rate “subsidy."

Employees Covered by Benefit Terms

At January 1, 2022, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefit payments	4
Active plan members	190
	194

Total OPEB Liability

The County's total OPEB liability of $595,621 was measured as of January 1, 2022 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the January 1, 2022 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate	2.00%, based on the estimated yield of a 20-year AA-rated municipal bond.
Inflation	2.00%
Salary Increases	Service Graded Table
Health Care Tend Rate	6.50%, decreasing to 5.00% over 6 years and then to 4.00% over the next 48 years.
Dental Trend Rate	N/A
Mortality Rate	Pub-2010 Public Retirement Plans General Headcount-Weighted Mortality Tables with MP-2021 Generational Improvement Scale.

Since the plan is funded on a pay-as-you-go basis, both the discount rate and the investment rate of return were based on published rate information for 20-year high quality, tax exempt general obligation municipal bonds as of the measurement date.

The actuarial assumptions used in the January 1, 2022 valuation were based on input from a variety of published sources of historical and project future financial data. The assumptions around retirement and withdrawal are similar to those used to value pension liabilities for Minnesota public employees.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at December 31, 2021	$ 746,768
Changes for the year:	
Service cost	63,999
Interest cost	23,031
Assumption changes	36,478
Differences between expected and actual experience	(241,247)
Benefit payments	(33,408)
Net changes	(151,147)
Balance at December 31, 2022	$ 595,621

The following changes in assumptions occurred from 2021 to 2022:

- The health care trend rates were changed to better anticipate short term and long term medical increases.
- The mortality tables were updated from the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Safety) with MP-2019 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Safety) with MP-2021 Generational Improvement Scale.

- The salary increase, retirement and withdrawal rates were updated to reflect the latest experience study.

- The inflation rate was changed from 2.50% to 2.00%.

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

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	1% Increase (1.00%)	Discount Rate (2.00%)	1% Increase (3.00%)
Total OPEB liability	$ 643,034	$ 595,621	$ 551,157

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease (5.50% Decreasing to 3.00%)	Healthcare Cost Trend Rates (6.50% Decreasing to 4.0%)	1% Increase (7.50% Decreasing to 5.0%)
Total OPEB liability	$ 524,785	$ 595,621	$ 680,187

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

For the year ended December 31, 2022, the County recognized OPEB expense of $12,646. At December 31, 2022, the County reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ -	$ 281,511
Changes in actuarial assumptions	31,266	9,164
Contributions subsequent to the measurement date	28,351	-
Total	$ 59,617	$ 290,675

$28,351 reported as deferred outflows of resources related to employer contributions made after the measurement date and before the reporting date will be recognized as a reduction of the total pension liability in the year ended December 31, 2023. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in pension expense as follows:

Years ending December 31:		
2023	$	(46,032)
2024		(46,032)
2025		(46,032)
2026		(46,032)
2027		(46,032)
Thereafter		(29,249)

Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; workers compensation; and health care of its employees. The County has entered into a joint powers agreement with other Minnesota counties to form the Minnesota Counties Intergovernmental Trust (MCIT) to protect against liabilities from workers compensation and property and casualty. The County purchases commercial insurance to cover all other risks. Settled claims have not exceeded coverage in any of the past three years. There were no significant reductions in coverage compared to the prior year.

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 claim liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at $500,000 per claim in 2022. Should workers compensation liabilities of the MCIT workers compensation division exceed its assets, MCIT may assess the County in a method and amount to be determined by MCIT.

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

Commitments and Contingencies

From time to time, the County is party to various other pending claims and legal proceedings. Although the outcome of such matters cannot be forecasted with certainty, it is the opinion of management and the County attorney that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the County's financial position or results of operations.

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. The liability and expenditure for claims and judgments are only reported in governmental funds if it has matured. Claims and judgments are recorded in the government-wide statements and proprietary funds as expenses when the related liabilities are incurred.

The County has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grants. Management believes such disallowances, if any, would be immaterial.

As of December 31, 2022, the County has commitments for construction projects in progress and other contracts of approximately $2,432,000.

Jointly-Governed Organizations

Jointly governed organizations are a regional government or multi-governmental arrangement governed by representatives of each creating government. Participants do not retain an ongoing financial interest or responsibility.

Steele County, in conjunction with other local governments, has formed joint powers boards to provide a variety of services. The County appoints at least one member to the following organizations:

- Minnesota Counties Computer Cooperative
- Southeastern Minnesota Community Action Council
- South Central Drug Investigations
- Southeastern Minnesota Private Industry Council
- Southeast Minnesota Water Resources Board
- Southeast Minnesota Regional Radio Board
- Counties Providing Technology

All 2022 payments to the jointly-governed organizations were minimal.

Joint Ventures

South Central Human Relations Center

Steele County is a participant with Dodge and Waseca Counties in a joint venture to contract with the South Central Human Relations Center (SCHRC) (a nonprofit corporation) for mental health services and in-home family services. On dissolution of the corporation, net position shall be divided in proportion to the contributions made by all participants. The counties are obligated by contract to provide financial support annually based on population and usage factors.

No financial support payments were made to this entity during 2022. In 2022, the corporation experienced a negative change in unrestricted net assets of $213,902. Complete financial statements for the SCHRC can be obtained from its administrative office at 610 Florence Avenue, Owatonna, Minnesota 55060.

Consolidated Dispatch

Steele County is a participant with Rice County, the City of Faribault, the City of Northfield and the City of Owatonna in the Consolidated Dispatch joint venture to provide enhanced 911 services to public safety entities in their service area. On dissolution, net position will be distributed in proportion to the total contributions made by all the participants. Beginning in 2002, annual operating costs are split between the two county participants on a per capita basis, using the most recent census figures. Total payments made to this entity during 2022 were $880,169. Complete financial statements can be obtained from the Steele County Administrator's Office at 630 Florence Avenue, Owatonna, Minnesota 55060.

Minnesota Prairie County Alliance

Effective January 1, 2015, Steele County is a participant with Dodge and Waseca Counties in a joint venture to form a separate joint powers entity known as the Minnesota Prairie County Alliance (MNPrairie) under Minnesota Statutes §471.59 and §402A.35. The purpose of the entity is to administer essential human services programs and services mandated by Minnesota Statutes §402A.10. No county may withdraw from the agreement for five years from the original agreement date. A withdrawing member is allowed to recover their original equity contribution; however, the amount returned will not exceed its proportional share of MNPrairie's fund balance.

MNPrairie is governed by a joint powers board, which consists of two representatives of each member county.

During the year, Steele County made payments of approximately $5.58 million to MNPrairie. Each county is required to make an annual operating contribution. The operating contribution is based 50% on the proportion of each member county's population and 50% on each member county's estimated market value. The equity interest at December 31, 2022 is $3,051,703, equal to the amount at December 31, 2021. No additional equity was required to be paid in for 2022.

Dodge County is acting as fiscal agent. Complete financial statements for MNPrairie can be obtained from the administrative office at 630 Florence Avenue, Owatonna, Minnesota 55060.

South Country Health Alliance

South Country Health Alliance (SCHA) was created by a Joint Powers Agreement between Brown, Cass, Crow Wing, Dodge, Freeborn, Goodhue, Kanabec, Morrison, Sibley, Todd, Wabasha, Wadena, Waseca and Steele counties on July 24, 1998, under Minnesota Statute §471.59. Mower, Freeborn, Cass, Crow Wing, Morrison, Todd and Wadena counties have since withdrawn. The agreement was in accordance with Section 256B.692, which allows the formation of a board of directors to operate, control and manage all matters concerning the eleven participating member counties health care functions, referred to as County Based Purchasing.

SCHA is authorized to provide prepaid comprehensive health maintenance services to persons enrolled under Medicaid and General Assistance Medical Care in each of the above listed member counties.

While SCHA was created on July 2, 1998, it did not begin providing health maintenance services until November 1, 2001. At that time, SCHA began coverage of the beneficiaries enrolled under Medicaid and General Assistance Medical Care in the specified counties. Funding is provided from the State of Minnesota based on eligible participants within the member counties. In the event SCHA incurs operating deficits, the member counties would maintain SCHA's reserves to meet statutory and regulatory reserves requirements. Minnesota Statutes require SCHA to maintain capital surplus equal to or greater than one month's expenditures, but less than three months' expenditures. The County has an equity interest in the organization equal to its share of participation. The equity interest at December 31, 2022 is $10,904,805, up from $6,491,317 December 31, 2021. No additional equity was required to be paid in for 2022.

Complete financial statements for SCHA can be obtained from Steele County Administrator's Office at 630 Florence Avenue, P.O. Box 890, Owatonna, Minnesota 55060-0890.

Tax Abatements

The County levies and collects property taxes for all governmental units with the County. The City of Owatonna, through its tax increment financing districts, provides tax abatements to local businesses pursuant to Minn. Statutes 469.174-.179 to promote economic development, housing districts for low to moderate income and redevelopment. The County is currently collecting tax increments that are paid through the property tax collection process. The requirement for businesses to receive the excess tax increments from the County is to perform improvements on the owned property. The increment taxes are based on the increase of the property value after the improvements are made. Aggregate excess tax increment the County paid for the year ended December 31, 2022 was $902,582.

Effect of New Accounting Standards on Current Period Financial Statements

The Governmental Accounting Standards Board (GASB) has approved the following:

- Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*
- Statement No. 96, *Subscription-Based Information Technology Arrangements*
- Statement No. 99*, Omnibus 2022*
- Statement No. 100, *Accounting Changes and Error Corrections - an Amendment of GASB Statement No. 62*
- Statement No. 101, *Compensated Absences*

When they become effective, application of these standards may restate portions of these financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

Steele County

Budgetary Comparison Schedule -
General Fund
Year Ended December 31, 2022

	Budget Original/Final	Actual	Variance With Budget
Revenues			
Taxes	$ 21,635,480	$ 21,712,264	$ 76,784
Other taxes	49,000	63,821	14,821
Intergovernmental	4,223,640	4,716,784	493,144
Licenses and permits	173,500	194,615	21,115
Fines and forfeitures	11,000	11,433	433
Public charges for services	3,725,977	3,373,821	(352,156)
Investment income (including unrealized gains/losses)	305,000	(4,159,848)	(4,464,848)
Miscellaneous	1,425,442	1,745,875	320,433
Total revenues	31,549,039	27,658,765	(3,890,274)
Expenditures			
General government:			
Commissioners	218,299	220,948	(2,649)
Court administration	310,750	380,466	(69,716)
County administration	288,542	290,452	(1,910)
County auditor / treasurer	1,087,682	1,024,952	62,730
Human resources	485,123	486,465	(1,342)
County assessor	770,478	720,079	50,399
Elections	45,566	94,479	(48,913)
Data processing	520,742	516,398	4,344
Attorney	1,361,802	1,286,417	75,385
Recorder	440,363	495,809	(55,446)
Law library	20,000	14,913	5,087
Surveyor	30,000	29,552	448
Planning and zoning	564,253	549,484	14,769
Buildings and plant	1,604,715	1,521,931	82,784
GIS	101,272	102,939	(1,667)
Veterans services	231,991	226,422	5,569
Central services	311,600	455,827	(144,227)
Other	675,469	656,528	18,941
Total general government	9,068,647	9,074,061	(5,414)
Public safety:			
Sheriff	3,464,590	3,742,815	(278,225)
Boat and water safety	4,275	1,649	2,626
Coroner	102,999	105,445	(2,446)
Emergency government	195,540	195,646	(106)
E-911	880,169	880,169	-
County jail	4,240,972	3,962,016	278,956
Community corrections	1,822,534	1,800,164	22,370
Law enforcement center	554,850	439,814	115,036
Total public safety	11,265,929	11,127,718	138,211
Health and human services:			
Minnesota Prairie	5,579,438	5,579,438	-
Nursing service	3,004,047	2,771,951	232,096
Total health and human services	8,583,485	8,351,389	232,096

See notes to required supplementary information

Steele County

Budgetary Comparison Schedule -
General Fund
Year Ended December 31, 2022

	Budget Original/Final	Actual	Variance With Budget
Sanitation:			
Solid waste	$ 771,045	$ 683,921	$ 87,124
Total sanitation	771,045	683,921	87,124
Culture, recreation and education:			
Parks	325,026	358,067	(33,041)
Historical society	8,000	8,000	-
Four seasons	510,671	546,171	(35,500)
Other	16,700	16,928	(228)
Total culture, recreation and education	860,397	929,166	(68,769)
Conservation and development:			
Cooperative extension	381,051	375,377	5,674
Soil and water conservation	135,000	135,000	-
Agricultural society	72,500	57,743	14,757
Clean water program	-	-	-
Bixby Sewer Project	9,410	4,250	5,160
Economic development	54,400	-	54,400
Total conservation and development	652,361	572,370	79,991
Capital outlay:			
General government	-	41,596	(41,596)
Public safety	606,000	7,618	598,382
Total capital outlay	606,000	49,214	556,786
Debt service:			
Principal	49,808	199,348	(149,540)
Interest	4,249	5,274	(1,025)
Total debt service	54,057	204,622	(150,565)
Total expenditures	31,861,921	30,992,461	869,460
Excess (deficiency) of revenues over expenditures	(312,882)	(3,333,696)	(3,020,814)
Other Financing Sources (Uses)			
Proceeds from leases	-	31,797	31,797
Transfers in	312,882	-	(312,882)
Transfers out	-	(5,817,237)	(5,817,237)
Total other financing sources (uses)	312,882	(5,785,440)	(6,098,322)
Net change in fund balance	-	(9,119,136)	(9,119,136)
Fund Balance, Beginning	27,995,978	27,995,978	-
Fund Balance, Ending	$ 27,995,978	$ 18,876,842	$ (9,119,136)

See notes to required supplementary information

Steele County

Budgetary Comparison Schedule -
Road and Bridge Fund
Year Ended December 31, 2022

	Budget Original / Final	Actual	Variance With Budget
Revenues			
Taxes	$ 2,512,001	$ 2,524,894	$ 12,893
Other taxes	4,081,476	4,618,270	536,794
Intergovernmental	8,889,894	6,683,002	(2,206,892)
Public charges for services	2,011,500	565,883	(1,445,617)
Interest income	-	11	11
Licenses and permits	8,000	10,820	2,820
Miscellaneous	7,500	20,672	13,172
Total revenues	17,510,371	14,423,552	(3,086,819)
Expenditures			
Current			
Public works:			
Administration	337,169	436,259	(99,090)
Operation and maintenance	4,837,033	4,208,611	628,422
Street construction	12,324,652	7,400,091	4,924,561
Other	244,487	365,546	(121,059)
Capital outlay:			
Highway and streets	751,264	662,851	88,413
Total expenditures	18,494,605	13,073,358	5,421,247
Excess (deficiency) of revenues over expenditures	(984,234)	1,350,194	2,334,428
Other Financing Sources (Uses)			
Transfers in	984,234	-	(984,234)
Transfers out	-	(1,000,000)	(1,000,000)
Sale of fixed assets	-	205,176	205,176
Total other financing sources (uses)	984,234	(794,824)	(1,779,058)
Net change in fund balances	-	555,370	555,370
Fund Balances, Beginning	17,997,551	17,997,551	-
Change in inventories	-	21,759	21,759
Fund Balances, Ending	$ 17,997,551	$ 18,574,680	$ 577,129

See notes to required supplementary information

Budgetary Comparison Schedule -
Ditch Fund
Year Ended December 31, 2022

	Budget Original/Final	Actual	Variance With Budget
Revenues			
Special assessments	$ -	$ 290,622	$ 290,622
Investment income	-	7,011	7,011
Miscellaneous	300,000	42,304	(257,696)
Total revenues	300,000	339,937	39,937
Expenditures			
Current:			
Conservation and development	300,000	279,786	20,214
Total expenditures	300,000	279,786	20,214
Net change in fund balances	-	60,151	60,151
Fund Balances (Deficit), Beginning	157,258	157,258	-
Fund Balances (Deficit), Ending	$ 157,258	$ 217,409	$ 60,151

See notes to required supplementary information

Steele County

Budgetary Comparison Schedule -
Opioid Settlement
Year Ended December 31, 2022

	Budget Original/Final	Actual	Variance With Budget
Revenues			
Miscellaneous	$ -	$ 172,382	$ 172,382
Net change in fund balances	-	172,382	172,382
Fund Balances (Deficit), Beginning	-	-	-
Fund Balances (Deficit), Ending	$ -	$ 172,382	$ 172,382

See notes to required supplementary information

Steele County

Schedule of County's Proportionate Share of the Net Pension Liability -
PERA General Employees' Retirement Fund
Year Ended December 31, 2022

County Fiscal Year End Date	PERA Fiscal Year End Date (Measurement Date)	County's Proportion of the Net Pension Liability	County's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated With County (b)	County's and State's Proportionate Share of the Net Pension Liability Associated With County (a+b)	County's Covered Payroll (c)	County's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
12/31/22	6/30/22	0.1360 %	$ 10,771,245	$ 315,810	$ 11,087,055	$ 10,185,351	105.75 %	76.70 %
12/31/21	6/30/21	0.1386	5,918,841	180,708	6,099,549	9,932,804	59.59	87.00
12/31/20	6/30/20	0.1368	8,201,785	252,881	8,454,666	9,743,482	84.18	79.10
12/31/19	6/30/19	0.1295	7,159,765	222,490	7,382,255	9,138,211	78.35	80.20
12/31/18	6/30/18	0.1293	7,173,034	235,216	7,408,250	8,532,121	84.07	79.50
12/31/17	6/30/17	0.1344	8,580,007	107,852	8,687,859	8,360,730	102.62	75.90
12/31/16	6/30/16	0.1286	10,441,682	136,372	10,578,054	7,967,772	131.05	68.90
12/31/15	6/30/15	0.1534	7,949,985	n/a	7,949,985	8,665,124	91.75	78.20

Schedule of Employer Contributions -
PERA General Employees' Retirement Fund
Year Ended December 31, 2022

County Fiscal Year End Date	Statutorily Required Contributions (a)	Contributions in Relation to the Statutorily Required Contributions (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (d)	Contributions as a Percentage of Covered Payroll (b/d)
12/31/22	$ 772,441	$ 772,441	$ -	$ 10,299,603	7.50 %
12/31/21	761,114	761,114	-	10,147,821	7.50
12/31/20	740,145	740,145	-	9,868,579	7.50
12/31/19	711,148	711,148	-	9,421,991	7.55
12/31/18	672,661	672,661	-	8,965,303	7.50
12/31/17	640,336	640,336	-	8,360,730	7.66
12/31/16	609,601	609,601	-	8,115,735	7.51
12/31/15	616,105	616,105	-	8,187,493	7.52

See notes to required supplementary information

Steele County

Schedule of County's Proportionate Share of the Net Pension Liability -
PERA Police and Fire Fund
Year Ended December 31, 2022

County Fiscal Year End Date	PERA Fiscal Year End Date (Measurement Date)	County's Proportion of the Net Pension Liability	County's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated With County (b)	County's and State's Proportionate Share of the Net Pension Liability Associated With County (a+b)	County's Covered Payroll (b)	County's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
12/31/22	6/30/22	0.1553 %	$ 6,758,043	$ 295,257	$ 7,053,300	$ 1,887,002	358.14 %	70.50 %
12/31/21	6/30/21	0.1437	1,109,212	49,880	1,159,092	1,645,691	67.40	93.70
12/31/20	6/30/20	0.1446	1,905,983	44,900	1,950,883	1,632,499	116.75	87.20
12/31/19	6/30/19	0.1538	1,637,356	n/a	1,637,356	1,623,072	100.88	89.30
12/31/18	6/30/18	0.1500	1,598,846	n/a	1,598,846	1,581,023	101.13	88.80
12/31/17	6/30/17	0.1500	2,025,179	n/a	2,025,179	1,547,524	130.87	85.40
12/31/16	6/30/16	0.1400	5,618,444	n/a	5,618,444	1,344,913	417.76	63.90
12/31/15	6/30/15	0.1330	1,511,191	n/a	1,511,191	1,223,553	123.51	86.60

Schedule of Employer Contributions -
PERA Police and Fire Fund
Year Ended December 31, 2022

County Fiscal Year End Date	Statutorily Required Contributions (a)	Contributions in Relation to the Statutorily Required Contributions (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (d)	Contributions as a Percentage of Covered Payroll (b/d)
12/31/22	$ 340,197	$ 340,197	$ -	$ 1,922,020	17.70 %
12/31/21	322,340	322,340	-	1,821,129	17.70
12/31/20	288,413	288,413	-	1,629,452	17.70
12/31/19	278,002	278,002	-	1,639,409	16.96
12/31/18	258,223	258,223	-	1,593,972	16.20
12/31/17	248,762	248,762	-	1,547,524	16.07
12/31/16	234,065	234,065	-	1,444,845	16.20
12/31/15	210,200	210,200	-	1,297,530	16.20

See notes to required supplementary information

Steele County

Schedule of County's Proportionate Share of the Net Pension Liability (Asset) -
PERA Correctional Fund
Year Ended December 31, 2022

County Fiscal Year End Date	PERA Fiscal Year End Date (Measurement Date)	County's Proportion of the Net Pension Liability (Asset)	County's Proportionate Share of the Net Pension Liability (Asset) (a)	County's Covered Payroll (b)	County's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
12/31/22	6/30/22	1.0772 %	$ 3,580,613	$ 2,366,321	151.32 %	74.60 %
12/31/21	6/30/21	1.1444	(188,002)	2,402,444	7.83	101.60
12/31/20	6/30/20	1.1313	306,967	2,460,209	12.48	96.70
12/31/19	6/30/19	1.0965	151,810	2,338,892	6.49	98.20
12/31/18	6/30/18	1.1116	182,825	2,305,825	7.93	97.60
12/31/17	6/30/17	1.0800	3,078,011	2,115,325	145.51	67.90
12/31/16	6/30/16	1.1700	4,274,174	2,198,788	194.39	58.20
12/31/15	6/30/15	1.1200	173,152	2,018,597	8.58	96.90

Schedule of Employer Contributions -
PERA Correctional Fund
Year Ended December 31, 2022

County Fiscal Year End Date	Statutorily Required Contributions (a)	Contributions in Relation to the Statutorily Required Contributions (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (d)	Contributions as a Percentage of Covered Payroll (b/d)
12/31/22	$ 203,149	$ 203,149	-	$ 2,322,130	8.70 %
12/31/21	214,008	214,008	-	2,443,375	8.76
12/31/20	218,231	218,231	-	2,494,062	8.75
12/31/19	209,541	209,541	-	2,393,306	8.76
12/31/18	198,653	198,653	-	2,305,825	8.62
12/31/17	186,847	186,847	-	2,115,325	8.83
12/31/16	182,191	182,191	-	2,082,175	8.75
12/31/15	192,416	192,416	-	2,199,124	8.75

See notes to required supplementary information

Steele County

Schedule of Changes in the Total OPEB Liability and Related Ratios
Year Ended December 31, 2022

	2018	2019	2020	2021	2022
Total OPEB Liability					
Service cost	$ 72,584	$ 74,762	$ 79,870	$ 82,466	$ 63,999
Interest	22,318	23,799	26,217	21,541	23,031
Assumption changes	-	-	(14,666)	-	36,478
Differences between expected and actual	-	-	(119,566)	-	(241,247)
Benefit payments	(61,121)	(43,110)	(17,502)	(34,849)	(33,408)
Net change in total OPEB liability	33,781	55,451	(45,647)	69,158	(151,147)
Total OPEB Liability, Beginning	634,025	667,806	723,257	677,610	746,768
Total OPEB Liability, Ending	$ 667,806	$ 723,257	$ 677,610	$ 746,768	$ 595,621
Covered-employee payroll	$ 11,555,589	$ 11,902,257	$ 13,383,026	$ 13,817,974	$ 13,553,478
Total OPEB liability as a percentage of covered-employee payroll	5.78%	6.08%	5.06%	5.40%	4.39%

See notes to required supplementary information

1. Budgetary Information

Budgetary information is derived from the annual operating budget and is presented using generally accepted accounting principles and the modified accrual basis of accounting.

The budgeted amounts presented are as presented in the original budget and no amendments were adopted during the year. Changes to the overall budget must be approved by board action. Appropriations lapse at year-end unless specifically carried over. Budgets are adopted at the fund level of expenditure.

2. Public Employees Retirement Association (PERA)

The amounts determined for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

The County is required to present the last ten fiscal years of data; however, accounting standards allow the presentation of as many years as are available until ten fiscal years are presented. For purposes of these schedules, covered payroll is defined as "pensionable wages."

Changes in Benefit Terms

There were no changes of benefit terms for any participating employer in the PERA.

Changes in Actuarial Assumptions and Plan Provisions

General Employees Fund

2022 Changes

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

- There were no changes in plan provisions since the previous valuation.

2021 Changes

Changes in Actuarial Assumptions:

- The investment return and single discount rates were changed from 7.50% to 6.50%, for financial reporting purposes.
- The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

Changes in Plan Provisions:

- There were no changes in plan provisions since the previous valuation.

2020 Changes

Changes in Actuarial Assumptions:

- The price inflation assumption was decreased from 2.50% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.00%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions:

- Augmentation for current privatized members was reduced to 2.0% for the period July 1, 2021 through December 31, 2023 and 0.0% after. Augmentation was eliminated for privatizations occurring after June 30, 2021.

2019 Changes

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

- The employer supplemental contribution was changed prospectively, decreasing from $31.0 million to $21.0 million per year. The State's special funding contribution was changed prospectively, requiring $16.0 million due per year through 2031.

2018 Changes

Changes in Actuarial Assumptions:

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.00% per year through 2044 and 2.50% per year thereafter to 1.25% per year.

Changes in Plan Provisions:

- 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 4.0% to 3.0%, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00%, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Post-retirement benefit increases were changed from 1.0% per year with a provision to increase to 2.5% upon attainment of 90% funding ratio to 50% of the Social Security Cost of Living Adjustment, not less than 1.0% and not more than 1.5%, 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 Rule of 90 retirees, disability benefit recipients or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 Changes

Changes in Actuarial Assumptions:

- The Combined Service Annuity (CSA) loads were changed from 0.8% for active members and 60% for vested and nonvested deferred members. The revised CSA loads are now 0.0% for active member liability, 15.00% for vested deferred member liability and 3.00% for nonvested deferred member liability.

- The assumed post-retirement benefit increase rate was changed from 1.00% per year for all years to 1.00% per year through 2044 and 2.50% per year thereafter.

Changes in Plan Provisions:

- The State's contribution for the Minneapolis Employees Retirement Fund equals $16,000,000 in 2017 and 2018, and $6,000,000 thereafter.

- The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from $21,000,000 to $31,000,000 in calendar years 2019 to 2031. The state's contribution changed from $16,000,000 to $6,000,000 in calendar years 2019 to 2031.

2016 Changes

Changes in Actuarial Assumptions:

- The assumed post-retirement benefit increase rate was changed from 1.00% per year through 2035 and 2.50% per year thereafter to 1.00% per year for all years.

- The assumed investment return was changed from 7.90% to 7.50%. The single discount rate was changed from 7.90% to 7.50%.

- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

2015 Changes

Changes in Actuarial Assumptions:

- The assumed post-retirement benefit increase rate was changed from 1.00% per year through 2030 and 2.50% per year thereafter to 1.00% per year through 2035 and 2.50% per year thereafter.

Changes in Plan Provisions:

- On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by $1.1 billion and increased the fiduciary plan net position by $892 million. Upon consolidation, state and employer contributions were revised; the State's contribution of $6 million, which meets the special funding situation definition, is due September 2015.

Police and Fire Fund

2022 Changes

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

- There were no changes in plan provisions since the previous valuation.

2021 Changes

Changes in Actuarial Assumptions:

- The investment return and single discount rates were changed from 7.50% to 6.50%, for financial reporting purposes.
- The inflation assumption was changed from 2.50% to 2.25%.
- The payroll growth assumption was changed from 3.25% to 3.00%.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 Public Safety Mortality table. The mortality improvement scale was changed from MP-2019 to MP-2020.
- The base mortality table for disabled annuitants was changed from the RP-2014 healthy annuitant mortality table (with future mortality improvement according to Scale MP-2019) to the Pub-2010 Public Safety disabled annuitant mortality table (with future mortality improvement according to Scale MP-2020).
- Assumed rates of salary increase were modified as recommended in the July 14, 2020 experience study. The overall impact is a decrease in gross salary increase rates.
- Assumed rates of retirement were changed as recommended in the July 14, 2020 experience study. The changes result in slightly more unreduced retirements and fewer assumed early retirements.
- Assumed rates of withdrawal were changed from select and ultimate rates to service-based rates. The changes result in more assumed terminations.
- Assumed rates of disability were increased for ages 25-44 and decreased for ages over 49. Overall, proposed rates result in more projected disabilities.
- Assumed percent married for active female members was changed from 60% to 70%. Minor changes to form of payment assumptions were applied.

Changes in Plan Provisions:

- There were no changes in plan provisions since the previous valuation.

2020 Changes

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

2019 Changes

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

2018 Changes

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

- Post-retirement benefit increases were changed to 1.0% for all years, with no trigger.
- An end date of July 1, 2048 was added to the existing $9.0 million state contribution.
- New annual state aid will equal $4.5 million in fiscal years 2019 and 2020, and $9.0 million thereafter until the plan reaches 100% funding, or July 1, 2048, if earlier.
- Member contributions were changed from 10.8% to 11.3% of pay, effective January 1, 2019 and 11.8% of pay, effective January 1, 2020.
- Employer contributions were changed from 16.20% to 16.95% of pay, effective January 1, 2019 and 17.70% of pay, effective January 1, 2020.
- Interest credited on member contributions decreased from 4.0% to 3.0%, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00%, 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 Changes

Changes in Actuarial Assumptions:

- Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34% lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements.
- The Combined Service Annuity (CSA) load was 30% for vested and nonvested deferred members. The CSA has been changed to 33% for vested members and 2% for nonvested 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 tables assumed for healthy retirees.
- Assumed termination rates were decreased to 3.0% for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- Assumed percentage of married female members was decreased from 65% to 60%.
- 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% for all years to 1.00% per year through 2064 and 2.50% thereafter.
- The Single Discount Rate was changed from 5.60% per annum to 7.50% per annum.

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

2016 Changes

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

2015 Changes

Changes in Actuarial Assumptions:

- The assumed post-retirement benefit increase rate was changed from 1.00% per year through 2030 and 2.50% per year thereafter to 1.00% per year through 2037 and 2.50% per year thereafter.

Changes in Plan Provisions:

- The post-retirement benefit increase to be paid after attainment of the 90% funding threshold was changed, from inflation up to 2.50%, to a fixed rate of 2.50%.

Correctional Fund

2022 Changes

Changes in Actuarial Assumptions:

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

- The single discount rate changed from 6.50% to 5.40%.

- The benefit increase assumption was change from 2.00% per annum to 2.00% per annum through December 31, 2054 and 1.5% per annum thereafter.

Changes in Plan Provisions:

- There were no changes in plan provisions since the previous valuation.

2021 Changes

Changes in Actuarial Assumptions:

- The investment return and single discount rates were changed from 7.50% to 6.50%, for financial reporting purposes.

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

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

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

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

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

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

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

- Assumed rates of disability lowered.

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

- Minor changes to form of payment assumptions were applied.

Changes in Plan Provisions:

- There were no changes in plan provisions since the previous valuation.

2020 Changes

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

2019 Changes

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

2018 Changes

Changes in Actuarial Assumptions:

- The single discount rate was changed from 5.96% per annum to 7.50% 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% per year to 2.00% per year.

Changes in Plan Provisions:

- 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 4.0% to 3.0%, beginning July 1, 2018.

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

- Post-retirement benefit increases were changed from 2.5% per year with a provision to reduce to 1.0% if the funding status declines to a certain level, to 100% of the Social Security Cost of Living Adjustment, not less than 1.0% and not more than 2.5%, beginning January 1, 2019. If the funding status declines to 85% for two consecutive years or 80% for one year, the maximum increase will be lowered to 1.5%.

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

2017 Changes

Changes in Actuarial Assumptions:

- 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 MP-2016).

- The combined service annuity (CSA) load was 30% for vested and nonvested, deferred members. The CSA has been changed to 35% for vested members and 1% for nonvested members.

- The Single Discount Rate was changed from 5.31% per annum to 5.96% per annum.

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

2016 Changes

Changes in Actuarial Assumptions:

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

- The assumed future salary increases, payroll growth and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

2015 Changes

Changes in Actuarial Assumptions:

- There have been no changes since the prior valuation.

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

3. Other Post Employment Benefits

The County implemented GASB Statement No. 75 in fiscal year 2018. Information provided prior to fiscal year 2018 is not available.

Assets have not been accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

The following changes of assumptions were reflected in the OPEB actuarial valuations:

2022 Changes

- The health care trend rates were changed to better anticipate short term and long-term medical increases.
- The mortality tables were updated from the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Safety) with MP-2019 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Safety) with MP-2021 Generational Improvement Scale.
- The salary increase, retirement and withdrawal rates were updated to reflect the latest experience study.
- The inflation rate was changed from 2.50% to 2.00%.
- The discount rate was changed from 2.90% to 2.00%.

2021 Changes

- There were no changes to assumptions to benefit terms in 2021.

2020 Changes

- The discount rate was changed from 3.30% to 2.90%.
- Health care trend rates were changed to better anticipate short term and long-term medical increases.
- Mortality tables were updated from RP-2014 Mortality Tables (Blue Collar for Public Safety, White Collar for Others) with MP-2017 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Safety) with MP-2019 Generational Improvement Scale.
- Salary increase rates were changed from a flat 3% per year for all employees to rates which vary by service and contract group.

2019 Changes

- There were no changes to assumptions to benefit terms in 2019.

2018 Changes

- The health care trend rates were changed to better anticipate short term and long-term medical increases.

- Mortality tables were updated from RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale (with Blue Collar adjustment for police and fire personnel) to RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale (with Blue Collar adjustment for police and fire personnel).

- The retirement and withdrawal tables for all employees were updated.

- The retirement plan participation assumption for participants was changed from 35% to 25%.

- The discount rate was changed from 3.50% to 3.30%.

SUPPLEMENTARY INFORMATION

Steele County

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

	Taxes and Penalties	State Collections	Consolidated Dispatch	Jail Canteen	Total
Assets					
Cash and investments	$ 663,449	$ 142,785	$ 1,377,211	$ 7,551	$ 2,190,996
Accounts receivable	-	291	1,125	-	1,416
Taxes receivable from other governments	796,727	-	-	-	796,727
Due from other governments	-	24	50,638	-	50,662
Prepaid items	-	-	74,769	-	74,769
Total assets	1,460,176	143,100	1,503,743	7,551	3,114,570
Liabilities					
Accounts payable	-	-	2,469	6,344	8,813
Accrued wages	-	-	66,400	-	66,400
Due to individuals and other governments	380,392	118,365	59,061	1,207	559,025
Total liabilities	380,392	118,365	127,930	7,551	634,238
Deferred Inflows of Resources					
Taxes collected in advance of levy	172,285	-	-	-	172,285
Net Position					
Restricted for individuals, organizations or other governments	$ 907,499	$ 24,735	$ 1,375,813	$ -	$ 2,308,047

Steele County

Combining Statement of Changes in Fiduciary Net Position -
Custodial Funds
Year Ended December 31, 2022

	Taxes and Penalties	State Collections	Consolidated Dispatch	Jail Canteen	Total
Additions					
Property tax collections for other governments	$ 46,983,694	$ -	$ -	$ -	$ 46,983,694
License and fees collected for state	-	1,782,517	-	-	1,782,517
Intergovernmental revenues	-	-	2,995,701	-	2,995,701
Charges for services	-	-	67,172	-	67,172
Contributions, individuals	-	-	-	261,031	261,031
Miscellaneous	-	-	20,363	-	20,363
Total additions	46,983,694	1,782,517	3,083,236	261,031	52,110,478
Deductions					
Payments of property tax to other governments	46,862,545	-	-	-	46,862,545
Payments to state	-	1,782,449	-	-	1,782,449
Public safety expenditures	-	-	2,970,165	-	2,970,165
Beneficiary payments	-	-	-	261,031	261,031
Total deductions	46,862,545	1,782,449	2,970,165	261,031	51,876,190
Change in fiduciary net position	121,149	68	113,071	-	234,288
Net Position, Beginning	786,350	24,667	1,262,742	-	2,073,759
Net Position, Ending	$ 907,499	$ 24,735	$ 1,375,813	$ -	$ 2,308,047

Steele County

Schedule of Intergovernmental Revenues
Year Ended December 31, 2022

	General Fund	Road and Bridge	Debt Service	Capital Projects	Total All Funds
Shared Revenue					
State:					
County Program Aid	$ 1,746,904	$ 205,230	$ 138,763	$ 88,915	$ 2,179,812
Local Performance Aid	5,258	-	-	-	5,258
PERA Rate Reimbursement	104,461	-	-	-	104,461
Disparity Reduction Aid	21,475	2,523	1,706	1,093	26,797
Police Aid	229,543	-	-	-	229,543
Highway Users Tax	-	6,271,563	-	-	6,271,563
Aquatic Invasive Species	17,130	-	-	-	17,130
Market Value Credit	194,294	22,562	15,255	9,774	241,885
Riparian Protection Aid	75,666	-	-	-	75,666
SCORE	109,952	-	-	-	109,952
Total shared revenue	2,504,683	6,501,878	155,724	99,782	9,262,067
Reimbursement for Services					
Local:					
MNPrairie County Alliance	45,848	-	-	-	45,848
Local, Payments in Lieu of Taxes	42,279	-	-	-	42,279
Total reimbursement for services	88,127	-	-	-	88,127
Grants					
State:					
Minnesota Department of					
Corrections	624,309	-	-	-	624,309
Health	577,601	-	-	-	577,601
Veterans Affairs	10,000	-	-	-	10,000
Water and Soil Resources	109,976	-	-	-	109,976
Public Safety	28,945	27,629	-		56,574
Amateur Sports Commission	-	-	-	42,885	42,885
Secretary of State	4,237	-	-	-	4,237
Total state	1,355,068	27,629	-	42,885	1,425,582
Federal					
U.S. Department of					
Agriculture	222,905	-	-	-	222,905
Justice	2,560	-	-	-	2,560
Education	4,766	-	-	-	4,766
Election Assistance Commission	32,342	-	-	-	32,342
Health and Human Services	491,287	-	-	-	491,287
Homeland Security	15,046	-	-	-	15,046
Transportation	-	153,495	-	-	153,495
Treasury	-	-	-	26,758	26,758
Total federal	768,906	153,495	-	26,758	949,159
Total intergovernmental revenue	$ 4,716,784	$ 6,683,002	$ 155,724	$ 169,425	$ 11,724,935