STEELE COUNTY BOARD OF COMMISSIONERS
WORK SESSION AGENDA

Administration Center - 630 Florence Avenue – Owatonna, MN 55060

Steele County's Mission:
Driven to deliver quality services in a respectful and fiscally responsible way.

TUESDAY, OCTOBER 24, 2023 AT 4:00 PM
County Boardroom, Steele County Administration Center

Agenda

1. Call to Order

2. 2022 Financial Audit Report – Finance Department – 20 Minutes (pg. 2)
   Sheanne Hediger, CPA
   Partner - Baker Tilly US, LLP

3. Community Corrections 2024 Additional Personnel Request – 15 Minutes (n/a)
   Tim Schammel

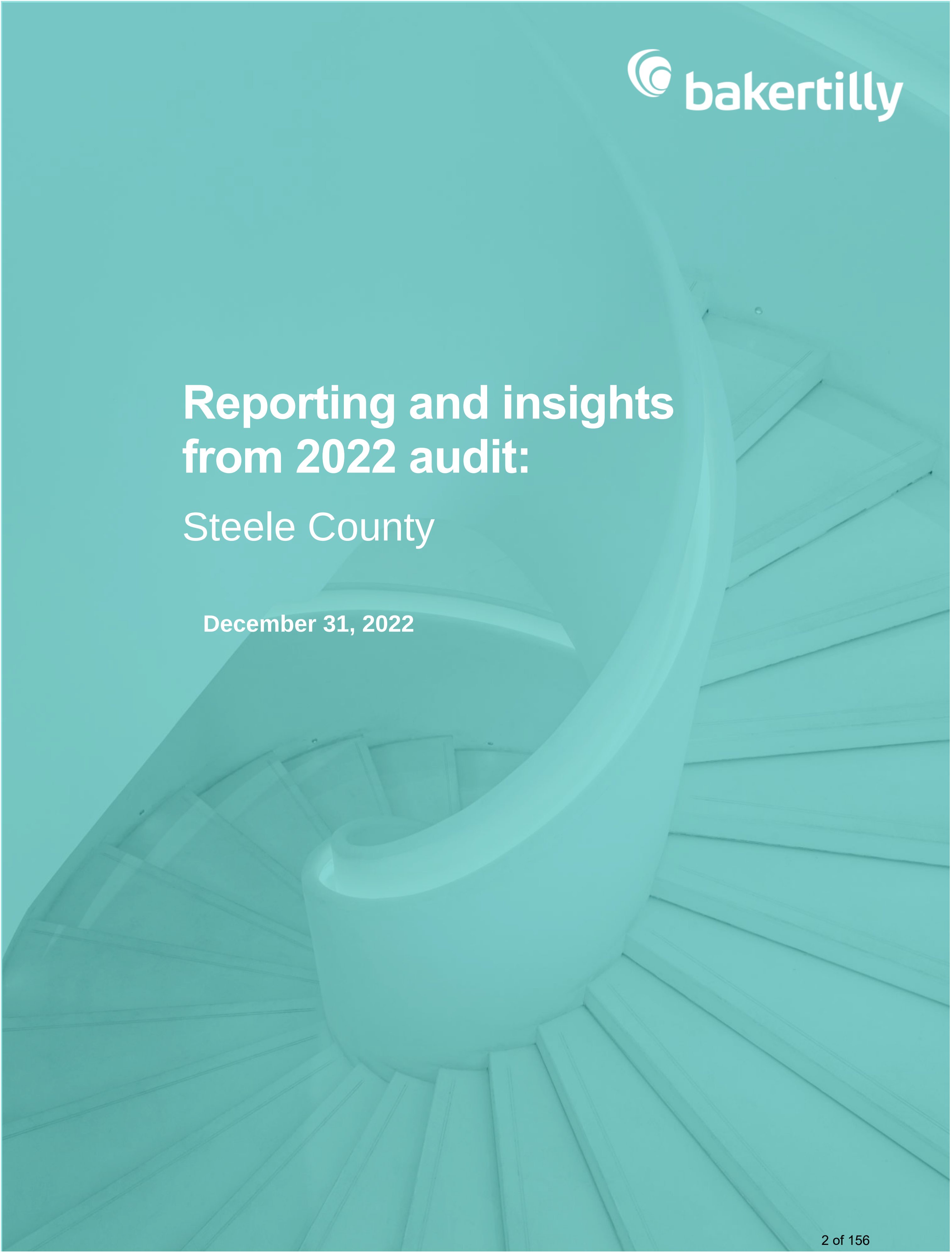
4. Public Health Body Art Ordinance #35 Amendment – 15 Minutes (pg. 138)

5. Other Business

Presentation

Adjourn

Disclaimer: This agenda has been prepared to provide information regarding an upcoming meeting of the Steele County Board of Commissioners. This document does not claim to be complete and is subject to change.



Reporting and insights from 2022 audit:

Steele County

December 31, 2022

Executive summary

September 28, 2023

To the County Board of Commissioners
Steele County
Owatonna, Minnesota

We have completed our audit of the financial statements of Steele County, Minnesota (the County) for the year ended December 31, 2022, and have issued our report thereon dated September 28, 2023. This letter presents communications required by our professional standards.

Your audit should provide you with confidence in your financial statements. The audit was performed based on information obtained from meetings with management, data from your systems, knowledge of your County's operating environment and our risk assessment procedures. We strive to provide you clear, concise communication throughout the audit process and of the final results of our audit.

Additionally, we have included information on key risk areas Steele County should be aware of in your strategic planning. We are available to discuss these risks as they relate to your organization's financial stability and future planning.

If you have questions at any point, please connect with us:

- Sheanne Hediger, Partner: sheanne.hediger@bakertilly.com or +1 (612) 876 4599
- Katie Sam, Manager: katie.sam@bakertilly.com or +1 (612) 876 4580

Sincerely,

Baker Tilly US, LLP

Sheanne Hediger

Sheanne Hediger, CPA, Partner

Responsibilities

Our responsibilities

As your independent auditor, our responsibilities include:

- Planning and performing the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. Reasonable assurance is a high level of assurance.
- Assessing the risks of material misstatement of the financial statements, whether due to fraud or error. Included in that assessment is a consideration of the County's internal control over financial reporting.
- Performing appropriate procedures based upon our risk assessment.
- Evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management.
- Forming and expressing an opinion based on our audit about whether the financial statements prepared by management, with the oversight of those charged with governance:
    - Are free from material misstatement
    - Present fairly, in all material respects and in accordance with accounting principles generally accepted in the United States of America
- Performing tests related to compliance with certain provisions of laws, regulations, contracts and grants, as required by *Government Auditing Standards*
- Considering internal control over compliance with requirements that could have a direct and material effect on major federal programs to design tests of both controls and compliance with identified requirements
- Forming and expressing an opinion based on our audit in accordance with OMB's *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance) about the entity's compliance with requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs.
- Our audit does not relieve management or those charged with governance of their responsibilities.

We are also required to communicate significant matters related to our audit that are relevant to the responsibilities of those charged with governance, including:

- Internal control matters
- Qualitative aspects of the County's accounting practice including policies, accounting estimates and financial statement disclosures
- Significant unusual transactions
- Significant difficulties encountered
- Disagreements with management
- Circumstances that affect the form and content of the auditors' report
- Audit consultations outside the engagement team
- Corrected and uncorrected misstatements
- Other audit findings or issues

Audit status

Significant changes to the audit plan

There were no significant changes made to either our planned audit strategy or to the significant risks and other areas of emphasis identified during the performance of our risk assessment procedures.

Audit approach and results

Planned scope and timing

Audit focus

Based on our understanding of the County and environment in which you operate, we focused our audit on the following key areas:

- Key transaction cycles
- Areas with significant estimates
- Implementation of new accounting standards

Our areas of audit focus were informed by, among other things, our assessment of materiality. Materiality in the context of our audit was determined based on specific qualitative and quantitative factors combined with our expectations about the County's current year results.

Implementation of GASB No. 87 Leases

During the current year, your government implemented GASB Statement No. 87 – *Leases.* This standard was issued to provide a single model for lease accounting. Your government had to identify and evaluate contracts that convey control of the right to use another entity's nonfinancial asset as specified in the contract for a period of time in an exchange or exchange-like transaction. Contracts meeting the criteria for control, term and other items within the standard resulted in recognizing a right to use asset and lease liability or a receivable and deferred inflow of resources.

Key areas of focus and significant findings

Significant risks of material misstatement

A significant risk is an identified and assessed risk of material misstatement that, in the auditor's professional judgment, requires special audit consideration. Within our audit, we focused on the following areas below.

Significant risk areas	Testing approach	Conclusion
Management override of controls	Incorporate unpredictability into audit procedures, emphasize professional skepticism and utilize audit team with industry expertise	Procedures identified provided sufficient evidence for our audit opinion
Improper revenue recognition due to fraud	Confirmation or validation of certain revenues supplemented with detailed predictive analytics based on non-financial data and substantive testing of related receivables	Procedures identified provided sufficient evidence for our audit opinion

Other areas of emphasis

We also focused on other areas that did not meet the definition of a significant risk, but were determined to require specific awareness and a unique audit response.

Other areas of emphasis		
Cash and investments	Revenues and receivables	General disbursements
Payroll	Pension and OPEB liabilities	Long-term debt
Capital assets including infrastructure	Net position and fund balance calculations	Financial reporting and required disclosures

Internal control matters

We considered the County's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing an opinion on the financial statements. We are not expressing an opinion on the effectiveness of the County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis.

A material weakness is a deficiency or combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified the following deficiency as a significant deficiency:

- **Financial statement close process**

Properly designed systems of internal control provide your organization with the ability to process and record accurate monthly and year-end transactions and annual financial reports.

Our audit includes a review and evaluation of the internal controls relating to financial reporting. Common attributes of a properly designed system of internal control for financial reporting are as follows:

- There is adequate staffing to prepare financial reports throughout the year and at year-end.
- Material misstatements are identified and corrected during the normal course of duties.
- Complete and accurate financial statements, including footnotes, are prepared.
- Financial reports are independently reviewed for completeness and accuracy.

Our evaluation of the internal controls over financial reporting has identified a control deficiency that is considered a significant deficiency surrounding the preparation of financial statements and footnotes and an independent review of financial reports.

Management has not prepared financial statements that are in conformity with generally accepted accounting principles.

Required communications

Qualitative aspect of accounting practices

- Accounting policies: Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we have advised management about the appropriateness of accounting policies and their application. The significant accounting policies used by County are described in Note 1 to the financial statements. As described in Note 1, the County changed accounting policies related to leases by adopting GASB No. 87, *Leases*, in 2022. We noted no transactions entered into by the County during the year for which accounting policies are controversial or for which there is a lack of authoritative guidance or consensus or diversity in practice.

- Accounting estimates: Accounting estimates, including fair value estimates, are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements, the degree of subjectivity involved in their development and because of the possibility that future events affecting them may differ significantly from those expected. The following estimates are of most significance to the financial statements:

Estimate	Management's process to determine	Baker Tilly's conclusions regarding reasonableness
Other postemployment benefits liability and related deferrals	Key assumptions set by management with the assistance of a third-party actuary	Reasonable in relation to the financial statements as a whole
Net pension liability and related deferrals	Evaluation of information provided by the Public Employees Retirement Association of Minnesota	Reasonable in relation to the financial statements as a whole
Landfill closure and post-closure care	Evaluation of the use of the estimated capacity of the landfill	Reasonable in relation to the financial statements as a whole
Depreciation	Evaluate estimated useful life of the asset and original acquisition value	Reasonable in relation to the financial statements as a whole

  There have been no significant changes made by management to either the processes used to develop the particularly sensitive accounting estimates, or to the significant assumptions used to develop the estimates, noted above.

- Financial statement disclosures: The disclosures in the financial statements are neutral, consistent and clear.

Significant unusual transactions

There have been no significant transactions that are outside the normal course of business for the County or that otherwise appear to be unusual due to their timing, size or nature.

Significant difficulties encountered during the audit

We encountered no significant difficulties in dealing with management and completing our audit.

Disagreements with management

Professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the basic financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Audit report

There have been no departures from the auditors' standard report.

Audit consultations outside the engagement team

We encountered no difficult or contentious matters for which we consulted outside of the engagement team.

Uncorrected misstatements and corrected misstatements

Professional standards require us to accumulate misstatements identified during the audit, other than those that are clearly trivial, and to communicate accumulated misstatements to management. The schedule within the attachments summarizes the uncorrected misstatements, other than those that are clearly trivial, that we presented to management that, in our judgment, may not have been detected except through our auditing procedures. In our judgment, neither the uncorrected misstatements nor the misstatements that management corrected, either individually or in the aggregate, indicate matters that could have had a significant effect on the County's financial reporting process.

Management has determined that the effects of the uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole. The uncorrected misstatements or the matters underlying them could potentially cause future period financial statements to be materially misstated, even though, in our judgment, such uncorrected misstatements are immaterial to the financial statements under audit.

Other audit findings or issues

We encountered no other audit findings or issues that require communication at this time.

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the County's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Management's consultations with other accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing or accounting matters.

Written communications between management and Baker Tilly

The attachments include copies of other material written communications, including a copy of the management representation letter.

Compliance with laws and regulations

We did not identify any non-compliance with laws and regulations during our audit.

We will issue a separate document which contains the results of our audit procedures to comply with the Uniform Guidance.

Fraud

We did not identify any known or suspected fraud during our audit.

Going concern

Pursuant to professional standards, we are required to communicate to you, when applicable, certain matters relating to our evaluation of the County's ability to continue as a going concern for a reasonable period of time but no less than 12 months from the date of the financial statements, including the effects on the financial statements and the adequacy of the related disclosures, and the effects on the auditor's report. No such matters or conditions have come to our attention during our engagement.

Group audits

The County's financial statements include information that was audited by other auditors as follows:

- We did not audit the financial statements of the Minnesota Prairie County Alliance or 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 revenues 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.

In addition, if we had any concerns about the quality of work of the other auditors, if there were any limitations related to the group audit or if there was any fraud or suspected from involving group management, component management, employees who have significant roles in group-wide controls or others in which material misstatement of the group financial statements has or may have resulted from fraud we would be required to report those to you. We have not identified any circumstances that are required to be reported.

Independence

We are not aware of any relationships between Baker Tilly and the County that, in our professional judgment, may reasonably be thought to bear on our independence.

Related parties

We did not have any significant findings or issues arise during the audit in connection with the County's related parties.

Other matters

We applied certain limited procedures to the required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the supplementary information which accompanies the financial statements but is not RSI. With respect to the supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Nonattest services

The following nonattest services were provided by Baker Tilly:

- Financial statement preparation
- Adjusting journal entries
- Preparation of the auditee section of the data collection form

In addition, we prepared GASB No. 34 conversion entries which are summarized in the "Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position" and the "Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities" in the financial statements.

None of these nonattest services constitute an audit under generally accepted auditing standards, including *Government Auditing Standards*.

County Board resources

Visit our resource page for regulatory updates, trending challenges and opportunities in your industry and other timely updates.

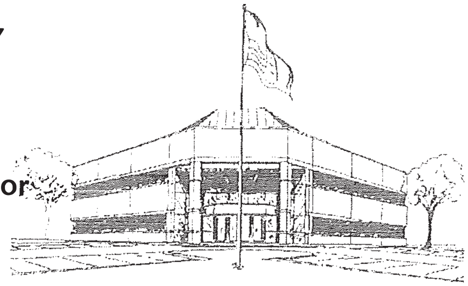
Visit the resource page at https://www.bakertilly.com/insights/audit-committee-resource-page.

Management representation letter

STEELE COUNTY AUDITOR

Brenda Blood, Interim County Auditor

Karen Winter
Christine Laue
Susan Bendorf



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Baker Tilly US, LLP
3410 Oakwood Mall Drive, Suite 200
Eau Claire, WI 54701

Dear Baker Tilly US, LLP:

We are providing this letter in connection with your audit of the financial statements of Steele County as of December 31, 2022 and for the year then ended for the purpose of expressing opinions as to whether the financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of Steele County and the respective changes in financial position and cash flows, where applicable, in conformity with accounting principles generally accepted in the United States of America. We confirm that we are responsible for the fair presentation of the previously mentioned financial statements in conformity with accounting principles generally accepted in the United States of America. We are also responsible for adopting sound accounting policies, establishing and maintaining internal control over financial reporting, and preventing and detecting fraud.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, the following representations made to you during your audit.

Financial Statements

1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter.

2) The financial statements referred to above are fairly presented in conformity with accounting principles generally accepted in the United States of America. We have engaged you to advise us in fulfilling that responsibility. The financial statements include all properly classified funds of the primary government required by accounting principles generally accepted in the United States of America to be included in the financial reporting entity.

3) We acknowledge our responsibility 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.

4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.

5) Significant assumptions we used in making accounting estimates, including those measured at fair value, if any, are reasonable.

6) All events subsequent to the date of the financial statements and for which accounting principles generally accepted in the United States of America require adjustment or disclosure have been adjusted or disclosed. No other events, including instances of noncompliance, have occurred subsequent to the financial statement date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements or in the schedule of findings and questioned costs.

7) All material transactions have been recorded in the accounting records and are reflected in the financial statements and the schedule of expenditures of federal and state awards.

8) We believe the effects of the uncorrected financial statement misstatements summarized in the attached schedule are immaterial, both individually and in the aggregate, to the basic financial statements as a whole. In addition, you have recommended adjusting journal entries, and we are in agreement with those adjustments.

9) There are no known or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements. There are no unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with accounting principles generally accepted in the United States of America.

10) Guarantees, whether written or oral, under which the County is contingently liable, if any, have been properly recorded or disclosed.

Information Provided

11) We have provided you with:

    a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as financial records and related data, documentation, and other matters and all audit or relevant monitoring reports, if any, received from funding sources.

    b) Additional information that you have requested from us for the purpose of the audit.

    c) Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

    d) Minutes of the meetings of the County Board of Commissioners or summaries of actions of recent meetings for which minutes have not yet been prepared.

12) We have disclosed to you results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

13) We have no knowledge of any fraud or suspected fraud that affects the entity and involves:

    a) Management,

    b) Employees who have significant roles in internal control, or

c) Others where the fraud could have a material effect on the financial statements.

14) We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, regulators, or others.

15) We have no knowledge of known instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.

16) There are no related parties or related party relationships and transactions, including side agreements, of which we are aware.

Other

17) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

18) We have a process to track the status of audit findings and recommendations.

19) We have identified to you any previous financial audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.

20) We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for our report.

21) The County has no plans or intentions that may materially affect the carrying value or classification of assets, deferred outflows of resources, liabilities, deferred inflows of resources or fund balance or net position.

22) We are responsible for compliance with federal, state, and local laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits, debt contracts, and IRS arbitrage regulations; and we have identified and disclosed to you all federal, state, and local laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds.

23) There are no:

    a) Violations or possible violations of budget ordinances, federal, state, and local laws or regulations (including those pertaining to adopting, approving and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, or for reporting on noncompliance, except those already disclosed in the financial statement, if any.

    b) Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by accounting principles generally accepted in the United States of America.

    c) Nonspendable, restricted, committed, or assigned fund balances that were not properly authorized and approved.

    d) Rates being charged to customers other than the rates as authorized by the applicable authoritative body.

24) In regards to the nonattest services performed by you listed below, we acknowledge our responsibility related to these nonattest services and have 1) accepted all management responsibility; 2) designated an individual with suitable skill, knowledge, or experience to oversee the services; 3) evaluated the adequacy and results of the services performed, and 4) accepted responsibility for the results of the services.

    a) Financial statement preparation

    b) Adjusting journal entries (including GASB 34 conversion entries to full accrual statements)

    c) Preparation of auditee sections of the data collection form

    None of these nonattest services constitute an audit under generally accepted auditing standards, including *Government Auditing Standards*.

25) Steele County has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.

26) Steele County has complied with all aspects of contractual agreements that would have a material effect on the financial statement in the event of noncompliance.

27) The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations, if any.

28) The financial statements include all fiduciary activities required by GASB No. 84.

29) The financial statements properly classify all funds and activities.

30) All funds that meet the quantitative criteria in GASB Statement No. 34 and No. 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.

31) Components of net position (net investment in capital assets; restricted; and unrestricted) and components of fund balance (nonspendable, restricted, committed, assigned and unassigned) are properly classified and, if applicable, approved.

32) Steele County has no derivative financial instruments such as contracts that could be assigned to someone else or net settled, interest rate swaps, collars or caps.

33) Provisions for uncollectible receivables, if any, have been properly identified and recorded.

34) Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.

35) Revenues are appropriately classified in the statement of activities within program revenues and general revenues.

36) Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.

37) Deposits and investments are properly classified, valued, and disclosed (including risk disclosures, collateralization agreements, valuation methods, and key inputs, as applicable).

38) Provision, when material, has been made to reduce excess or obsolete inventories to their estimated net realizable value.

39) Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated/amortized. Any known impairments have been recorded and disclosed.

40) We believe that the estimate made for the pollution remediation liability is in accordance with GASB 49 and reflects all known available facts at the time it was recorded.

41) Tax-exempt bonds issued have retained their tax-exempt status.

42) We have appropriately disclosed Steele County's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available and have determined that net position were properly recognized under the policy. We have also disclosed our policy regarding which resources (that is, restricted, committed, assigned or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available.

43) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.

44) With respect to the supplementary information, (SI):

    a) We acknowledge our responsibility for presenting the SI in accordance with accounting principles generally accepted in the United States of America, and we believe the SI, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the SI have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.

    b) If the SI is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditor's report thereon.

45) We assume responsibility for, and agree with, the findings of specialists in evaluating the other postemployment benefits liability and have adequately considered the qualifications of the specialists in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give or cause any instructions to be given to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had impact on the independence or objectivity of the specialists.

46) We assume responsibility for, and agree with, the information provided by the Public Employees Retirement Association of Minnesota (PERA) as audited by CliftonLarsonAllen LLP relating to the net pension liabilities and related deferred outflows and deferred inflows and have adequately considered the reasonableness of the amounts and disclosures used in the financial statements and underlying accounting records. We also assume responsibility for the census data that has been reported to the plan.

47) The financial statements properly disclose all matters we are aware of relevant on the ability to continue as a going concern for a reasonable period of time, including conditions or events and our plan to mitigate any adverse effects.

48) We have evaluated and considered all potential tax abatements and believe all material tax abatements have been properly reported and disclosed.

49) We have implemented GASB Statement No. 87, *Leases*, and believe that all required disclosures and accounting considerations have been identified and properly classified in the financial statements in compliance with the Standard.

50) We have reviewed our long-term debt agreements and believe that all terms related to significant events of default with finance-related consequences, termination events with finance-related consequences and subjective acceleration clauses have been properly identified and disclosed.

51) Unused lines of credit, collateral pledged to secure debt and direct borrowings and private placements have been properly identified and disclosed.

52) We are responsible for the estimation methods and assumptions used in measuring assets and liabilities reported or disclosed at fair value, including information obtained from brokers, pricing services or third parties. Our valuation methodologies have been consistently applied from period to period. The fair value measurements reported or disclosed represent our best estimate of fair value as the measurement date in accordance with the requirements of GASB 72 – *Fair Value Measurement*. In addition our disclosures related to fair value measurements are consistent with the objectives outlined in GASB 72. We have evaluated the fair value information provided to us by brokers, pricing services or other parties that has been used in the financial statements and believe this information to be reliable and consistent with the requirements.

53) The auditing standards define an annual report as "a document, or combination of documents, typically prepared on an annual basis by management or those charged with governance in accordance with law, regulation, or custom, the purpose of which is to provide owners (or similar stakeholders) with information on the entity's operations and the financial results and financial position as set out in the financial statements." Among other items, an annual report contains, accompanies, or incorporates by reference the financial statements and the auditors' report thereon. We confirm that we do not prepare and have no plans to prepare an annual report.

54) We are not aware of any material asset retirement obligations associated with our long lived assets (i.e., asbestos or other hazardous material removal costs) that are required to be recorded in accordance with GASB Statement No. 83.

55) With respect to federal award programs:

    a) We are responsible for understanding and complying with and have complied with the requirements of the Single Audit Act Amendments of 1996, *OMB's Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), including requirements relating to preparation of the schedule of expenditures of federal awards (SEFA).

    b) We acknowledge our responsibility for preparing and presenting the SEFA and related disclosures in accordance with the requirements of the Uniform Guidance and we believe the SEFA, including its form and content, is fairly presented in accordance with the Uniform Guidance. The methods of measurement and presentation of the SEFA have not changed from those used in the prior period and we have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the SEFA.

    c) If the SEFA is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the SEFA no later than the date we issue the SEFA and the auditors' report thereon.

d) We have identified and disclosed to you all of our government programs and related activities subject to the Uniform Guidance and included in the SEFA, expenditures made during the audit period for all awards provided by federal agencies in the form of grants, federal cost reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other direct assistance.

e) We are responsible for understanding and complying with, and have complied with the requirements of laws, regulations, and the provisions of contracts and grant agreements related to each of our federal programs and have identified and disclosed to you the requirements of laws, regulations, and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each major federal program.

f) We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance for federal programs that provide reasonable assurance that we are administering our federal awards in compliance with laws, regulations, and the provisions of contracts and grant agreements that could have a material effect on our federal programs. We believe the internal control system is adequate and is functioning as intended. Also, no changes have been made in the internal control over compliance or other factors to the date of this letter that might significantly affect internal control, including any corrective action taken with regard to control deficiencies reported in the schedule of findings and questioned costs.

g) We have made available to you all contracts and grant agreements (including amendments, if any) and any other correspondence with federal agencies or pass-through entities relevant to the programs and related activities.

h) We have received no requests from a federal agency to audit one or more specific programs as a major program.

i) We have complied with the direct and material compliance requirements including when applicable, those set forth in the OMB Compliance Supplement relating to federal awards.

j) We have disclosed any communications from grantors and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditors' report.

k) Amounts claimed or used for matching were determined in accordance with relevant guidelines in the Uniform Guidance.

l) We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.

m) We have made available to you all documentation related to the compliance with the direct and material compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.

n) We have disclosed to you the nature of any subsequent events that provide additional evidence about conditions that existed at the end of the reporting period affecting noncompliance during the reporting period.

o) We are not aware of any instances of noncompliance with direct and material compliance requirements that occurred subsequent to the period covered by the auditors' report.

p) No changes have been made in internal control over compliance or other factors that might significantly affect internal control, including any corrective action we have taken regarding significant deficiencies or material weaknesses in internal control over compliance, subsequent to the date as of which compliance was audited.

q) Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the financial statements have been prepared.

r) The copies of federal program financial reports provided you are true copies of the reports submitted, or electronically transmitted, to the respective federal agency or pass-through entity, as applicable.

s) We have monitored subrecipients, if any, to determine that they have expended pass-through assistance in accordance with applicable laws and regulations and have met the requirements of the Uniform Guidance.

t) We have taken appropriate action, including issuing management decisions, on a timely basis after receipt of subrecipients' auditors' reports that identified noncompliance with laws, regulations, or the provisions of contracts or grant agreements to ensure that subrecipients have taken the appropriate and timely corrective action on findings.

u) We have considered the results of subrecipient audits and made any necessary adjustments to our books and records.

v) We have charged costs to federal awards in accordance with applicable cost principles.

w) We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by the Uniform Guidance and we have provided you with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.

x) We are responsible for and have ensured the reporting package does not contain protected personally identifiable information.

y) We are responsible for and have accurately prepared the auditee section of the Data Collection Form as required by the Uniform Guidance.

Sincerely,

Steele County

Signed: ____________________

Brenda Blood

Signed: Catherine Piepho

Dated: 9/28/2023

STEELE COUNTY
SUMMARY OF UNCORRECTED FINANCIAL STATEMENT MISSTATEMENTS

December 31, 2022

	Financial Statements Effect - Debit (Credit) to Financial Statement Total					
	Total Assets/ Deferred Outflows	Total Liabilities/ Deferred Inflows	Total Net Position/ Fund Balances	Total Revenues	Total Expenses/ Expenditures	Change in Net Position/ Fund Balances
Governmental Activities	2,450,160	-	-	2,450,160	-	2,450,160
Major Fund - General Fund	2,450,160	2,450,160	-	-	-	-

Accounting changes relevant to Steele County

Future accounting standards update

GASB Statement Number	Description	Potentially Impacts you	Effective Date
94	Public-Private and Public-Public Partnerships and Availability Payment Arrangements	✓	12/31/23
96	Subscription-Based Information Technology Arrangements	✓	12/31/23
99	Omnibus 2022	✓	12/31/23
100	Accounting Changes and Error Corrections	✓	12/31/24
101	Compensated Absences	✓	12/31/24

Further information on upcoming GASB pronouncements.

Determining if GASB 94 applies for your organization

GASB 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* provides guidance related to public-private and public-public partnerships (PPP) and availability payment arrangements (APA).

A PPP is an arrangement in which an entity contracts with an operator to provide public services by conveying control of the right to operate or use infrastructure or other capital asset. A common example of PPP is a service concession arrangement.

An APA is an arrangement in which an entity compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an asset.

The County should start to identify any contracts that could meet either definition to ensure they are reviewed for applicability and accounted for correctly when the standard is effective. Initial steps include reviewing contracts that didn’t meet the definition of a lease under GASB 87 and identifying any other agreements where the organization contracts with or partners with another entity to provide services.

Future accounting for subscription-based IT arrangements

Subscription-based IT arrangements include contracts that convey control of the right to use another party's IT software. It would not include any licensing arrangements that provide a perpetual license, which would still be accounted for as an intangible asset. Subscription-based IT arrangements are becoming more and more popular with IT vendors. This standard mirrors the new lease standard. The County will be able to utilize the systems put into place to implement the lease standard to properly account for these contracts. Common examples of these contracts in the utility industry include:

- Leasing space in the cloud
- GIS systems
- SCADA systems
- Some work order or inventory systems as well as some general ledger or billing systems

The County should work with its IT department and department managers to determine a population listing of contracts that would fall under this standard to determine the potential future impact to financial reporting.

Two-way audit communications

As part of our audit of your financial statements, we are providing communications to you throughout the audit process. Auditing requirements provide for two-way communication and are important in assisting the auditor and you with more information relevant to the audit.

As this past audit is concluded, we use what we have learned to begin the planning process for next year's audit. It is important that you understand the following points about the scope and timing of our next audit:

a. We address the significant risks of material misstatement, whether due to fraud or error, through our detailed audit procedures.

b. We will obtain an understanding of the five components of internal control sufficient to assess the risk of material misstatement of the financial statements whether due to error or fraud, and to design the nature, timing and extent of further audit procedures. We will obtain a sufficient understanding by performing risk assessment procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they have been implemented. We will use such knowledge to:

   - Identify types of potential misstatements.
   - Consider factors that affect the risks of material misstatement.
   - Design tests of controls, when applicable, and substantive procedures.

c. We will not express an opinion on the effectiveness of internal control over financial reporting or compliance with laws, regulations and provisions of contracts or grant programs. For audits performed in accordance with *Government Auditing Standards*, our report will include a paragraph that states that the purpose of the report is solely to describe the scope of testing of internal control over financial reporting and compliance and the result of that testing and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance and that the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering internal control over financial reporting and compliance. The paragraph will also state that the report is not suitable for any other purpose.

d. The concept of materiality recognizes that some matters, either individually or in the aggregate, are important for fair presentation of financial statements in conformity with generally accepted accounting principles while other matters are not important. In performing the audit, we are concerned with matters that, either individually or in the aggregate, could be material to the financial statements. Our responsibility is to plan and perform the audit to obtain reasonable assurance that material misstatements, whether caused by errors or fraud, are detected.

Our audit will be performed in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards* and *OMB's Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

We will not express an opinion on the effectiveness of internal control over financial reporting or compliance with laws, regulations, and provisions of contracts or grant programs. For audits done in accordance with *Government Auditing Standards* and the Uniform Guidance our report will include a paragraph that states that the purpose of the report is solely to describe (a) the scope of testing of internal control over financial reporting and compliance and the result of that testing and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance, (b) the scope of testing internal control over compliance for major programs and major program compliance and the result of that testing and to provide an opinion on compliance but not to provide an opinion on the effectiveness of internal control over compliance and, (c) that the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering internal control over financial reporting and compliance and the Uniform Guidance, in considering internal control over compliance and major program compliance. The paragraph will also state that the report is not suitable for any other purpose.

e. In connection with our audit, we intend to place reliance on the audit of the financial statements of Minnesota Prairie County Alliance and South Country Health Alliance, in which Steele County has equity interests, as of December 31, 2023 and for the year then ended completed by the State of Minnesota Office of the State Auditor and CliftonLarsonAllen LLP, respectively. All necessary conditions have been met to allow us to make reference to the component auditors.

We are very interested in your views regarding certain matters. Those matters are listed here:

a. We typically will communicate with your top level of management unless you tell us otherwise.
b. We understand that the governing board has the responsibility to oversee the strategic direction of your organization, as well as the overall accountability of the entity. Management has the responsibility for achieving the objectives of the entity.
c. We need to know your views about your organization's objectives and strategies, and the related business risks that may result in material misstatements.
d. We anticipate that the County will receive an unmodified opinion on its financial statements.
e. Which matters do you consider warrant particular attention during the audit, and are there any areas where you request additional procedures to be undertaken?
f. Have you had any significant communications with regulators or grantor agencies?
g. Are there other matters that you believe are relevant to the audit of the financial statements?

Also, is there anything that we need to know about the attitudes, awareness and actions of the governing body concerning:

a. The entity's internal control and its importance in the entity, including how those charged with governance oversee the effectiveness of internal control?
b. The detection or the possibility of fraud?

We also need to know if you have taken actions in response to developments in financial reporting, laws, accounting standards, governance practices, or other related matters, or in response to previous communications with us.

With regard to the timing of our audit, here is some general information. If necessary, we may do preliminary financial audit work during the months of December or January. Our final financial fieldwork is scheduled during May or June to best coincide with your readiness and report deadlines. After fieldwork, we wrap up our financial audit procedures at our office and may issue drafts of our report for your review. Final copies of our report and other communications are issued after approval by your staff. This is typically 6-12 weeks after final fieldwork, but may vary depending on a number of factors.

Keep in mind that while this communication may assist us with planning the scope and timing of the audit, it does not change the auditor's sole responsibility to determine the overall audit strategy and the audit plan, including the nature, timing and extent of procedures necessary to obtain sufficient appropriate audit evidence.

We realize that you may have questions on what this all means, or wish to provide other feedback. We welcome the opportunity to hear from you.

Steele County

Financial Statements and
Supplementary Information

December 31, 2022

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

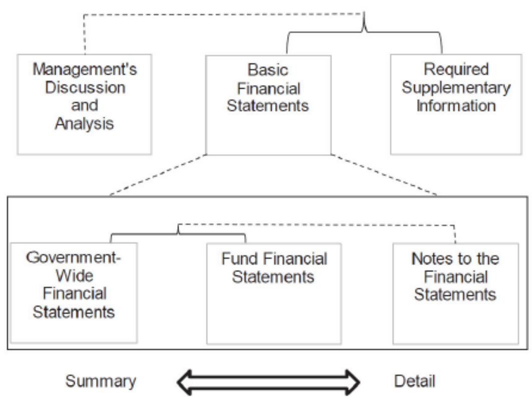
Key financial highlights for 2022 include the following:

- 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.

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

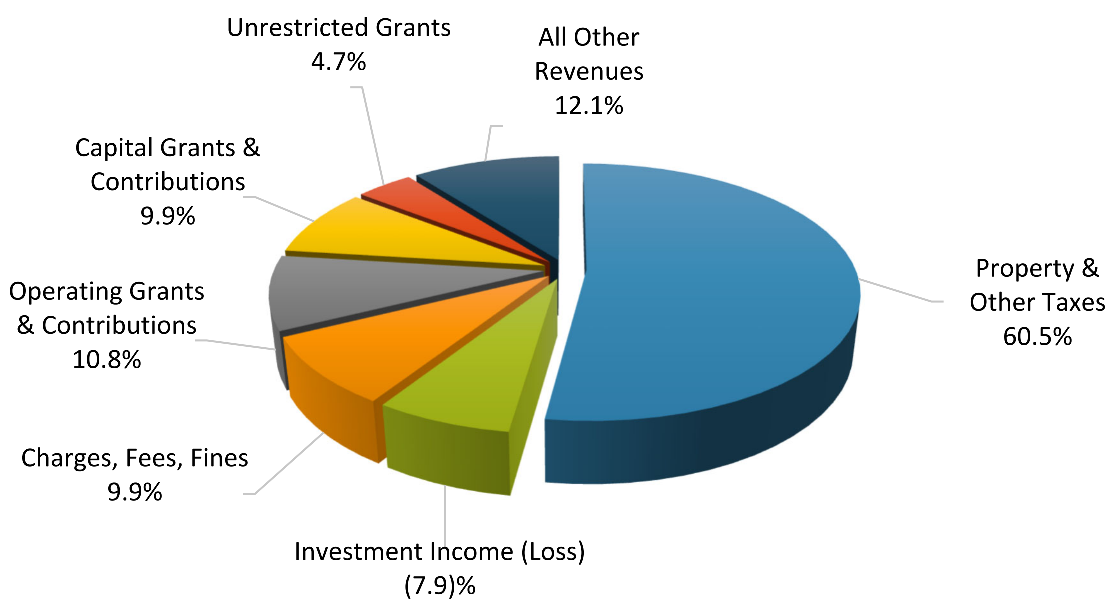


Figure A-4
Governmental Activities Expenditures by Function

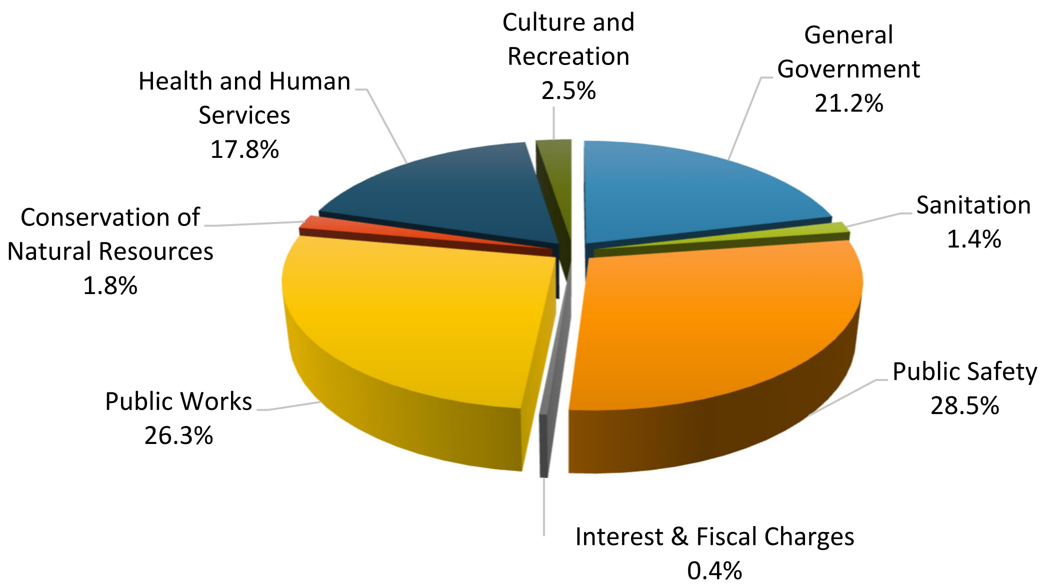


Table A-3 presents the cost of each County function, as well as each function's net cost (total cost, less revenues generated by that activity). The net cost of a County function shows the amount of general revenue (property taxes, investment income, or unrestricted grants) that were needed to fund each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

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

Steele County

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

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

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

	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

Steele County

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%.

S U P P L E M E N T A R Y   I N F O R M A T I O N

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

Steele County

Report on Federal Awards

December 31, 2022

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

Independent Auditors' Report

To the County Board of Commissioners of
Steele County

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Steele County, (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, and have issued our report thereon dated September 28, 2023. Our report includes a reference to other auditors who audited the financial statements of the Minnesota Prairie County Alliance and the South Country Health Alliance, in which Steele County has equity interests, as described in our report on the County's financial statements. The financial statements of South Country Health Alliance were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or compliance and other matters associated with South Country Health Alliance or that are reported on separately by those auditors who audited the financial statements of the South Country Health Alliance.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2022-001, that we consider to be a significant deficiency.

Report on Compliance and Other Matters

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

Minnesota Legal Compliance

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

The County's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the County's response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. The County's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

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

Baker Tilly US, LLP

Eau Claire, Wisconsin
September 28, 2023

Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

Independent Auditors' Report

To the County Board of Commissioners of
Steele County

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Steele County's (the County) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2022. The County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

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

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

Report on Internal Control Over Compliance

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

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

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

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of 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. We issued our report thereon dated September 28, 2023, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. Our report includes a reference to other auditors who audited the financial statements of the Minnesota Prairie County Alliance and the South Country Health Alliance, in which Steele County has equity interests, as described in our report on the County's financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Baker Tilly US, LLP

Eau Claire, Wisconsin
September 28, 2023

Federal Grantor/ Grant Program Title	Assistance Listing Number	Pass-Through Agency	Pass-Through Agency Grant Number	Expenditures
U.S. Department of Agriculture				
WIC Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	Dodge County	222MN004W1003	$ 222,905
Total U.S. Department of Agriculture				222,905
U.S. Department of Justice				
Bulletproof Vest Partnership Program	16.607	N/A	N/A	2,560
Total U.S. Department of Justice				2,560
U.S. Department of Transportation				
Highway Planning and Construction Cluster				
Highway Planning and Construction	20.205	MN Dept of Transportation	074-070-005	83,591
COVID-19 Highway Planning and Construction	20.205	MN Dept of Transportation	074-901-001 CRRSAA	69,904
Total ALN 20.205 & Highway Planning and Construction Cluster				153,495
Total U.S. Department of Transportation				153,495
U.S. Department of Treasury				
COVID-19 Coronavirus State & Local Fiscal Recovery Funds	21.027	N/A	N/A	26,758
Total U.S. Department of Treasury				26,758
U.S. Department of Education				
Special Education - Grants for Infants and Families	84.181	Dodge County	BO4MC32551	4,766
Total U.S. Department of Education				4,766
U.S. Election Assistance Commission				
HAVA Election Security Grants	90.404	MN Secretary of State	208860/P03814	8,359
Total U.S. Election Assistance Commission				8,359
U.S. Department of Health and Human Services				
Public Health Emergency Preparedness	93.069	Dodge County	NU90TP922026	34,864
Early Hearing Detection and Intervention	93.251	Dodge County	H61MC00035	225
Immunization Cooperative Agreements	93.268	Dodge County	NH23IP922628	85,001
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	Dodge County	NH23IP922628	84,574
Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response	93.354	Dodge County	NU90TP922188	17,789
COVID-19 Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response	93.354	Dodge County	NU90TP922188	23,893
Total ALN 93.354				41,682
COVID-19 Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution	93.498	United Healthcare	N/A	108,375
Temporary Assistance for Needy Families	93.558	Dodge County	1801MNTANF	29,490
Maternal and Child Health Services Block Grant to the States	93.994	Dodge County	BO4MC32551	39,745
Total U.S. Department of Health and Human Services				423,956
U.S. Department of Homeland Security				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	MN Dept. of Public Safety	DR4290/PW54	2,046
Emergency Management Performance Grants	97.042	MN Dept. of Public Safety	A-EMPG-2020-STEELECO-100	13,000
Total U.S. Department of Homeland Security				15,046
Total federal programs				$ 857,845

See notes to schedule of expenditures of federal awards

1. Reporting Entity

The schedule of expenditures of federal awards (the Schedule) presents the activities of federal award programs expended by Steele County (the County). The County's reporting entity is defined in Note 1 to the financial statements.

2. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal award activity of Steele County under programs of the federal government for the year ended December 31, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Steele County, it is not intended to and does not present the financial position, changes in net position or cash flows of Steele County.

3. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

4. Indirect Cost Rate

Steele County has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

5. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	$ 949,159
Grants received more than 45 days after year-end, unavailable revenue in 2022	23,893
Grant received but not all spent in 2022	(23,983)
Charges for contracted services not recognized as expenditures on the SEFA	(91,224)
Expenditures per schedule of expenditures of federal awards	$ 857,845

Section I - Summary of Auditors' Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	___	yes	X	no
Significant deficiency(ies) identified?	X	yes	___	none reported

Noncompliance material to financial statements noted?	___	yes	X	no

Federal Awards

Internal control over major programs:

Material weakness(es) identified?	___	yes	X	no
Significant deficiency(ies) identified?	___	yes	X	none reported

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

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a) of the Uniform Guidance?	___	yes	X	no
Auditee qualified as low-risk auditee?	___	yes	X	no

Identification of major federal programs:

Assistance Listing Number	Name of Federal Program or Cluster
10.557	Supplemental Nutrition Program for Women, Infants and Children (WIC)
20.205	Highway Planning and Construction Cluster

Dollar threshold used to distinguish between type A and type B programs: $ 750,000

Section II - Financial Statement Findings Required to be Reported in Accordance with *Government Auditing Standards*

Finding 2022-001: Significant Deficiency - Internal Control Over Financial Reporting

Repeat of Prior Year Finding 2021-001

Criteria: County staff should present the auditor with a set of complete financial statements, including the schedule of expenditures of federal awards (SEFA), in such a condition that the auditor is not able to identify any material changes as a result of the audit. The County should also present the books and records to the auditor in such a condition that the auditor is not able to identify any material journal entries as a result of the audit procedures.

Condition: The County relies on its external auditors to draft the financial statements. Additionally, changes to the SEFA were proposed during the audit.

Cause: The County has chosen to have the auditors prepare its annual financial statements and certain year-end entries.

Effect: Because of the lack of controls over year-end financial reporting, your financial statements, including the SEFA, may not contain all of the required disclosures and account balances. In addition, significant errors could go undetected.

Recommendation: The County should develop an action plan to ensure all year-end adjustments are recorded by County staff prior to audit fieldwork. The County should consider whether preparation of the complete set of financial statements by County staff is cost effective.

Views of Responsible Officials: The County will create an audit group involving employees in the Auditor's Office, the Highway accountant and Finance to review audit adjustments, propose and make adjustments for next audit year to ensure all year-end adjustments are recorded by the County staff prior to audit fieldwork. The Finance Office will prepare draft financial statements for the auditor's review.

Section III - Federal Awards Findings and Questioned Costs

None noted.

Section IV - Minnesota Legal Compliance Findings

None noted.

Steele County Agenda Item

Subject: Steele County Body Art Ordinance #35 Amendment

Department: Public Health

Work Session Meeting Date: October 24th, 2023

Board Meeting Date: October 24, 2023

Consent Agenda: ☐ Yes ☐ No **Resolution:** ☐ Yes ☐ No

Recommendation:

Review amended Steele County Body Art Ordinance No. 35 and set a public hearing date

Background *(Including Budget Impact)*:

Steele County's current Body Art Ordinance was adopted by the board of commissioners of Steele County on November 23rd, 2010. There have been several changes in Chapter 146B requirements since that time. Steele County's ordinance must meet or exceed Chapter 146B requirements. Updates have been made to the ordinance to meet these requirements. All changes or additions are in red color within the ordinance.

Attachments:

Steele County Body Art Ordinance No. 35 amendment

Steele County Body Art Ordinance

Ordinance No. 35

Table of Contents

The Steele County Board of Commissioners does ordain as follows:

SECTION 1: PURPOSE.

Subdivision 1 Purpose. This ordinance is enacted to establish standards to protect health, safety and general welfare of the people of Steele County through regulation of the persons owning body art establishments, the individuals performing body art procedures, and the establishments where body art procedures are performed.

Subd. 2 Objectives. The principal objectives of this ordinance are:

A. To prevent disease transmission; and
B. To correct and prevent conditions that may adversely affect persons utilizing body art establishments; and
C. To provide standards for the design, construction, operation, and maintenance of body art establishments.

SECTION 2: GENERAL PROVISIONS.

Subd. 1 Scope. This ordinance shall apply to all individuals performing body art procedures and all body art establishments where tattooing and body piercing are conducted. Individuals performing body art procedures shall obtain a technician license from the Minnesota Department of Health and body art establishments shall obtain a license from the County.

Subd. 2 Prohibitions.

(a) A technician may perform body piercings on an individual under the age of 18 if the individual's parent or legal guardian is present and a consent form and the authorization form under section 8, subdivision 1, paragraph (b) is signed by the parent or legal guardian in the presence of the technician, and the piercing is not prohibited under paragraph (c) or (d).
(b) No technician shall tattoo any individual under the age of 18 regardless of parental or guardian consent.
(c) No nipple or genital piercing, subdermal implantation, or microdermal shall be performed by any technician on any individual under the age of 18 regardless of parental or guardian consent.
(d) No branding, scarification, suspension, or tongue bifurcation shall be performed by any technician on another individual of any age.
(e) No technician shall perform body art procedures on any individual who appears to be under the influence of alcohol, controlled substances as defined in Minnesota Statutes, chapter 152.01, subdivision 4, or hazardous substances as defined in rules adopted under chapter 182.
(f) No technician shall perform body art procedures while under the influence of alcohol, controlled substances as defined under section 152.01, subdivision 4, or hazardous substances as defined in the rules adopted under chapter 182.
(g) No technician shall administer anesthetic injections or other medications.
(h) No individual shall operate a body art establishment or perform body art procedures as described in this ordinance without a license.

Subd. 3 Jurisdiction. This ordinance shall apply to all body art establishments located in Steele County. This ordinance is not intended to preempt any municipal zoning or health ordinances applicable to body art establishments.

SECTION 3: DEFINITIONS.

Subdivision 1. **Scope.** The terms defined in this section apply to this ordinance.

Subd. 2. **Aftercare.** "Aftercare" means written instructions given to a client, specific to the procedure rendered, on caring for the body art and surrounding area. These instructions must include information on when to seek medical treatment.

Subd. 3. **Antiseptic.** "Antiseptic" means an agent that destroys disease-causing microorganisms on human skin or mucosa.

Subd. 4. **Body art; body art procedures.** "Body art" or "body art procedures" means physical body adornment using, but not limited to, tattooing and body piercing. Body art does not include practices and procedures that are performed by a licensed medical or dental professional if the procedure is within the professional's scope of practice.

Subd. 5. **Body art establishment; establishment.** "Body art establishment" or "establishment" means any structure or venue, whether permanent, temporary, or mobile, where body art is performed. Mobile establishments include vehicle-mounted units, either motorized or trailered, and readily movable without dissembling and where body art procedures are regularly performed in more than one geographic location.

Subd. 6. **Body piercing.** "Body piercing" means the penetration or puncturing of the skin by any method for the purpose of inserting jewelry or other objects in or through the body. Body piercing also includes branding, scarification, suspension, subdermal implantation, microdermal, and tongue bifurcation. Body piercing does not include the piercing of the outer perimeter or the lobe of the ear using a presterilized single-use stud-and-clasp ear-piercing system.

Subd. 7. **Branding.** "Branding" means an indelible mark burned into the skin using instruments of thermal cautery, radio hyfrecation, and strike branding.

Subd. 8. **Commissioner.** "Commissioner" means the commissioner of health.

Subd. 9. **Contaminated waste.** "Contaminated waste" means any liquid or semiliquid blood or other potentially infectious materials; contaminated items that would release blood or other potentially infectious materials in a liquid or semiliquid state if compressed; items that are caked with dried blood or other potentially infectious materials and are capable of releasing these materials during handling; and sharps and any wastes containing blood and other potentially infectious materials, as defined in

Code of Federal Regulations, title 29, section 1910.1030, known as "Occupational Exposure to Bloodborne Pathogens."

Subd. 10. **County.** “County” means Steele County, its designated employees, or other designated agents.

Subd. 11. **Equipment.** "Equipment" means all machinery, including fixtures, containers, vessels, tools, devices, implements, furniture, display and storage areas, sinks, and all other apparatus and appurtenances used in the operation of a body art establishment.

Subd. 12. **Guest artist.** "Guest artist" means an individual who performs body art procedures according to the requirements under section 6.

Subd. 13. **Hand sink.** "Hand sink" means a sink equipped with potable hot and cold water held under pressure, used for washing hands, wrists, arms, or other portions of the body.

Subd. 14. **Hot water.** "Hot water" means water at a temperature of at least 110 degrees Fahrenheit.

Subd. 15. **Jewelry.** "Jewelry" means any ornament inserted into a pierced area.

Subd. 16. **Liquid chemical germicide.** "Liquid chemical germicide" means a tuberculocidal disinfectant or sanitizer registered with the Environmental Protection Agency.

Subd. 17. **Microdermal.** "Microdermal" means a single-point perforation of any body part other than an earlobe for the purpose of inserting an anchor with a step either protruding from or flush with the skin.

Subd. 18. **Micropigmentation or cosmetic tattooing.** "Micropigmentation or cosmetic tattooing" means the use of tattoos for permanent makeup or to hide or neutralize skin discolorations.

Subd. 19. **Operator.** "Operator" means any person who controls, operates, or manages body art activities at a body art establishment and who is responsible for the establishment's compliance with these regulations, whether or not the person actually performs body art activities.

Subd. 20. **Procedure area.** "Procedure area" means the physical space or room used for conducting body art procedures.

Subd. 21. **Procedure surface.** "Procedure surface" means the surface area of furniture or accessories that may come into contact with the client's clothed or unclothed body during a body art procedure and the area of the client's skin where the body art procedure is to be performed and the surrounding area, or any other associated work area requiring sanitizing.

Subd. 22. **Scarification.** "Scarification" means an indelible mark fixed on the body by the production of scars.

Subd. 23. **Sharps.** "Sharps" means any object, sterile or contaminated, that may purposefully or accidentally cut or penetrate the skin or mucosa including, but not limited to, presterilized single-use needles, scalpel blades, and razor blades.

Subd. 24. **Sharps container.** "Sharps container" means a closed, puncture-resistant, leak-proof container, labeled with the international biohazard symbol, that is used for handling, storage, transportation, and disposal.

Subd. 25. **Single use.** "Single use" means products or items intended for onetime use which are disposed of after use on a client. This definition includes, but is not limited to, cotton swabs or balls, tissues or paper products, paper or plastic cups, gauze and sanitary coverings, disposable razors, piercing needles, tattoo needles, scalpel blades, stencils, ink cups, and protective gloves.

Subd. 26. **Sterilization.** "Sterilization" means a process resulting in the destruction of all forms of microbial life, including highly resistant bacterial spores.

Subd. 27. **Subdermal implantation.** "Subdermal implantation" means the implantation of an object entirely below the dermis.

Subd. 28. **Supervision.** "Supervision" means the physical presence of a technician licensed under state law while a body art procedure is being performed and includes:
(1) "direct supervision" where a licensed technician is physically present in the establishment, and is within five feet and is in the line of sight of the temporary licensee who is performing a body art procedure while the procedure is being performed; and
(2) "indirect supervision" where a licensed technician is physically present in the establishment while a body art procedure is being performed by the temporary licensee.

Subd. 29. **Suspension.** "Suspension" means the suspension of the body from affixed hooks placed through temporary piercings.

Subd. 30. **Tattooing.** "Tattooing" means any method of placing indelible ink or other pigments into or under the skin or mucosa with needles or any other instruments used to puncture the skin, resulting in permanent coloration of the skin or mucosa. Tattooing also includes micropigmentation and cosmetic tattooing.

Subd. 31. **Technician.** "Technician" or "body art technician" means any individual who is licensed under state law as a tattoo technician or as a body piercing technician or as both.

Subd. 32. **Temporary body art establishment.** "Temporary body art establishment" means any place or premise operating at a fixed location where an operator performs body art procedures for no more than 21 days in conjunction with a single event or celebration.

Subd. 33. **Tongue bifurcation.** "Tongue bifurcation" means the cutting of the tongue from the tip to the base, forking at the end.

SECTION 4: ESTABLISHMENT LICENSE PROCEDURES.

Subdivision 1. **General.** No person acting individually or jointly with any other person may maintain, own, or operate a body art establishment in Steele County without an establishment license issued by Steele County in accordance with this ordinance, except as permitted under subdivision 8 or 9.

Subd. 2. **Requirements and term of license.**
(a) Each application for an initial mobile or fixed-site establishment license and for renewal must be submitted to the County on a form provided by the County and accompanied with the applicable fee required under section 11. The application must contain:

(1) the name(s) of the owner(s) and operator(s) of the establishment;
(2) the location of the establishment;
(3) verification of compliance with all applicable local and state codes;
(4) a description of the general nature of the business; and
(5) any other relevant information deemed necessary by the County.

(b) If the information submitted is complete and complies with the requirements of this ordinance, the County shall issue a provisional establishment license. The provisional license is effective until the County determines, after inspection, that the applicant has met the requirements of this ordinance. Upon approval, the County shall issue a body art establishment license.
(c) An establishment license must be renewed every two years.

Subd. 3. **Inspection.**
(a) The County must inspect an establishment issued a provisional license within one year of the date the license was issued. Thereafter at least one time during each annual licensure period, the County shall conduct an inspection of the body art establishment and a review of any records necessary to ensure that the standards required under this ordinance are met.
(b) The County shall have the authority to enter a premises to make an inspection. Refusal to permit an inspection constitutes valid grounds for licensure denial or revocation.
(c) If the establishment seeking licensure is new construction or if a licensed establishment is remodeling, the establishment must meet all local building and zoning codes.

Subd. 4. **Location restricted.** No person may perform a body art procedure at any location other than a body art establishment licensed under this ordinance except as permitted under subdivisions 8 and 9.

Subd. 5. **Transfer of ownership, relocation, and display of license.**
(a) A body art establishment license must be issued to a specific person and location and is not transferable. A license must be prominently displayed in a public area of the establishment.
(b) An owner who has purchased a body art establishment licensed under the previous owner must submit an application to license the establishment within two weeks of the date of sale. Notwithstanding subdivision 1, the new owner may continue to operate for 60 days after the sale while waiting for a new license to be issued.
(c) An owner of a licensed body art establishment who is relocating the establishment must submit an application for the new location. The owner may request that the new application become effective at a specified date in the future. If the relocation is not accomplished by the date expected, and the license at the existing location expires, the owner may apply for a temporary event permit to continue to operate at the old location. The owner may apply for no more than four temporary event permits to continue operating at the old location.

Subd. 6. **Establishment information.** The following information must be kept on file for three years on the premises of the establishment and must be made available for inspection upon request by the County:

(1) a description of all body art procedures performed by the establishment;
(2) copies of the spore tests conducted on each sterilizer; and
(3) the following information for each technician or guest artist employed or performing body art procedures in the establishment:
  (i) name;
  (ii) home address;
  (iii) home telephone number;
  (iv) date of birth;
  (v) copy of an identification photo; and
  (vi) license number or guest artist license number.

Subd. 7. **Establishments located in a private residence.** If the body art establishment is located within a private residence, the space where the body art procedures are performed must:

(1) be completely partitioned off;
(2) be exclusively used for body art procedures, except for licensed practices under MN Statutes chapter 155A (Cosmetology) which must be performed in compliance with the health and safety standards in this ordinance;
(3) be separate from the residential living, eating, and bathroom areas;
(4) have a separate and secure entrance accessible without entering the residential living, eating, and bathroom areas;
(5) meet the standards of this ordinance; and
(6) be made available for inspection upon the request of the County.

Subd. 8. **Temporary event permit.**

(a) An applicant for a permit to hold a temporary body art event shall submit an application to the County. The application must be received at least 14 days before the start of the event. The application must include the specific days and hours of operation. An applicant issued a temporary event permit shall comply with the requirements of this ordinance.

(b) Applications received less than 14 days prior to the start of the event may be processed if the County determines it is possible to conduct all required work, including an inspection.

(c) The temporary event permit must be prominently displayed in a public area at the location. The location may be inspected prior to start of event.

(d) The temporary event permit, if approved, is valid for the specified dates and hours listed on the application. No temporary events permit shall be issued for longer than a 21-day period, and may not be extended.

(e) No individual who does not hold a current body art establishment license may be issued a temporary event permit more than four times within the same calendar year.

(f) No individual who has been disciplined for a serious violation of this ordinance within three years preceding the intended start date of a temporary event may be issued a license for a temporary event. Violations that preclude issuance of a temporary event permit include unlicensed practice; practice in an unlicensed location; any of the conditions listed in section 6, subdivision 1, clauses (1) to (8), (12), or (13); section 9, subdivision 3, clauses (4), (5), and (10) to (12); or any other violation that places the health or safety of a client at risk.

Subd. 9. **Exception.**

(a) Any body art establishment located within a county or municipal jurisdiction that has enacted an ordinance that establishes licensure for body art establishments operating within the jurisdiction shall be exempt from this ordinance if the provisions of the ordinance meet or exceed the provisions of this ordinance. Any county or municipal jurisdiction that maintains an ordinance that meets this exception may limit the types of body art procedures that may be performed in body art establishments located within its jurisdiction.

(b) Any individual performing body art procedures in an establishment that meets an exception under this subdivision must be licensed as a body art technician under state law.

Subd. 10. **Licensure precluded.**

(a) The County may choose to deny a body art establishment license to an applicant who has been disciplined for a serious violation under this ordinance. Violations that constitute grounds for denial of license are any of the conditions listed in section 6, subdivision 1, clauses (1) to (8), (12), or (13); section 9, subdivision 3, clauses (4), (5), or (10) to (12); or any other violation that places the health or safety of a client at risk.

(b) In considering whether to grant a license to an applicant who has been disciplined for a violation described in this subdivision, the County shall consider evidence of rehabilitation, including the nature and seriousness of the violation, circumstances relative to the violation, the length of time elapsed since the violation, and evidence that demonstrates that the applicant has maintained safe, ethical, and responsible body art practice since the time of the most recent violation.

Subd. 11. **Penalties.** Any person who violates the provisions of subdivision 1 or who performs body art in an unlicensed location is guilty of a gross misdemeanor.

SECTION 5: LICENSURE FOR BODY ART TECHNICIANS.

Subdivision 1. **Licensure required.**
(a) No individual may perform tattooing unless the individual holds a valid tattoo technician license issued by the commissioner under state law.
(b) No individual may perform body piercing unless the individual holds a valid body piercing technician license issued by the commissioner under state law.
(c) If an individual performs both tattooing and body piercing, the individual must hold a valid dual body art technician license.

Subd. 2. **Designation.**
(a) No individual may use the title of "tattooist," "tattoo artist," "tattoo technician," "body art practitioner," "body art technician," or other letters, words, or titles in connection with that individual's name which in any way represents that the individual is engaged in the practice of tattooing or authorized to do so, unless the individual is licensed and authorized to perform tattooing under state law.
(b) No individual may use the title "body piercer," "body piercing artist," "body art practitioner," "body art technician," or other letters, words, or titles in connection with that individual's name which in any way represents that the individual is engaged in the practice of body piercing or authorized to do so, unless the individual is licensed and authorized to perform body piercing under state law.
(c) Any representation made to the public by a licensed technician must specify the types of body art procedures the technician is licensed to perform.

SECTION 6: GROUNDS FOR DENIAL OF AN ESTABLISHMENT LICENSE OR EMERGENCY CLOSURE.

Subdivision 1. **General.** If any of the following conditions exist, the owner or operator of a licensed establishment may be ordered by the County to discontinue all operations of a licensed body art establishment or the County may refuse to grant or renew, suspend, or revoke licensure:

(1) evidence of a sewage backup in an area of the body art establishment where body art activities are conducted;

(2) lack of potable, plumbed, or hot or cold water to the extent that handwashing or toilet facilities are not operational;

(3) lack of electricity or gas service to the extent that handwashing, lighting, or toilet facilities are not operational;

(4) significant damage to the body art establishment due to tornado, fire, flood, or another disaster;

(5) evidence of an infestation of rodents or other vermin;
(6) evidence of any individual performing a body art procedure without a license as required under state law;
(7) evidence of existence of a public health nuisance;
(8) use of instruments or jewelry that are not sterile;
(9) failure to maintain required records;
(10) failure to use gloves as required;
(11) failure to properly dispose of sharps, blood or body fluids, or items contaminated by blood or body fluids;
(12) failure to properly report complaints of potential bloodborne pathogen transmission to the County; or
(13) evidence of a positive spore test on the sterilizer if there is no other working sterilizer with a negative spore test in the establishment.

Subd. 2. **Licensure or reopening requirements.** Prior to license approval or renewal or the reopening of the establishment, the establishment shall submit to the County satisfactory proof that the problem condition causing the need for the licensure action or emergency closure has been corrected or removed by the operator of the establishment. A body art establishment may not reopen without the written approval of the County and a valid establishment license.

SECTION 7: HEALTH AND SAFETY STANDARDS.

Subdivision 1. **Establishment standards.**

(a) The body art establishment must meet the health and safety standards in this subdivision before a licensed technician may conduct body art procedures at the establishment.
(b) The procedure area must be separated from any other area that may cause potential contamination of work surfaces.
(c) For clients requesting privacy, at a minimum, a divider, curtain, or partition must be provided to separate multiple procedure areas.
(d) All procedure surfaces must be smooth, nonabsorbent, and easily cleanable.
(e) The establishment must have an accessible hand sink equipped with:
(1) liquid hand soap;
(2) single-use paper towels or a mechanical hand drier or blower; and
(3) a nonporous washable garbage receptacle with a foot-operated lid or with no lid and a removable liner.
(f) All ceilings in the body art establishment must be in good condition.
(g) All walls and floors must be free of open holes or cracks and be washable and no carpeting may be in areas used for body art procedures unless the carpeting is entirely covered with a rigid, nonporous, easily cleanable material.
(h) All facilities within the establishment must be maintained in a clean and sanitary condition and in good working order.
(i) No animals may be present during a body art procedure, unless the animal is a service animal.

Subd. 2. **Standards for equipment, instruments, and supplies.**

(a) Equipment, instruments, and supplies must comply with the health and safety standards in this subdivision before a licensed technician may conduct body art procedures.

(b) Jewelry used as part of a body art procedure must be made of surgical implant-grade stainless steel, solid 14-karat or 18-karat white or yellow gold, niobium, titanium, or platinum, or a dense low-porosity plastic. Use of jewelry that is constructed of wood, bone, or other porous material is prohibited.

(c) Jewelry used as part of a body art procedure must be free of nicks, scratches, or irregular surfaces and must be properly sterilized before use.

(d) Reusable instruments must be thoroughly washed to remove all organic matter, rinsed, and sterilized before and after use.

(e) Needles must be single-use needles and sterilized before use.

(f) Sterilization must be conducted using steam heat or chemical vapor.

(g) All sterilization units must be operated according to the manufacturer's specifications.

(h) At least once a month, but not to exceed 30 days between tests, a spore test must be conducted on each sterilizer used to ensure proper functioning. If a positive spore test result is received, the sterilizer at issue may not be used until a negative result is obtained.

(i) All inks and other pigments used in a body art procedure must be specifically manufactured for tattoo procedures.

(j) Immediately before applying a tattoo, the ink needed must be transferred from the ink bottle and placed into single-use paper or plastic cups. Upon completion of the tattoo, the single-use cups and their contents must be discarded.

(k) All tables, chairs, furniture, or other procedure surfaces that may be exposed to blood or body fluids during the body art procedure must be cleanable and must be sanitized after each client with a liquid chemical germicide.

(l) Single-use towels or wipes must be provided to the client. These towels must be dispensed in a manner that precludes contamination and disposed of in a nonporous washable garbage receptacle with a foot-operated lid or with no lid and a removal liner.

(m) All bandages and surgical dressings used must be sterile or bulk-packaged clean and stored in a clean, closed nonporous container.

(n) All equipment and instruments must be maintained in good working order and in a clean and sanitary condition.

(o) All instruments and supplies must be stored clean and dry in covered containers.

(p) Single-use disposable barriers or a chemical germicide must be used on all equipment that cannot be sterilized as part of the procedure as required under this section including, but not limited to, spray bottles, procedure light fixture handles, and tattoo machines.

Subd. 3. **Standards for body art procedures.**

(a) All body art procedures must comply with the health and safety standards in this subdivision.

(b) The skin area subject to a body art procedure must be thoroughly cleaned with soap and water, rinsed thoroughly, and swabbed with an antiseptic solution. Only single-use towels or wipes may be used to clean the skin.

(c) Whenever it is necessary to shave the skin, a new disposable razor or a stainless steel straight edge must be used. The disposable razor must be discarded after use. The

stainless steel straight edge must be thoroughly washed to remove all organic matter and sterilized before use on another client.
(d) No body art procedure may be performed on any area of the skin where there is an evident infection, irritation, or open wound.
(e) Single-use nonabsorbent gloves of adequate size and quality to preserve dexterity must be used for touching clients, for handling sterile instruments, or for handling blood or body fluids. Nonlatex gloves must be used with clients or employees who request them or when petroleum products are used. Gloves must be changed if a glove becomes damaged or comes in contact with any nonclean surface or objects or with a third person. At a minimum, gloves must be discarded after the completion of a procedure on a client. Upon leaving the procedure area, hands and wrists must be washed before putting on a clean pair of gloves and after removing a pair of gloves. Protective eyewear and masks may be used as indicated.

Subd. 4. **Standards for technicians.**
(a) Technicians must comply with the health and safety standards in this subdivision.
(b) Technicians must scrub their hands and wrists thoroughly before and after performing a body art procedure, after contact with the client receiving the procedure, and after contact with potentially contaminated materials, after removal of gloves.
(c) A technician may not smoke, eat, or drink while performing body art procedures.
(d) A technician may not perform a body art procedure if the technician has any open sores visible or in a location that may come in contact with the client. A technician must utilize personal protective equipment as indicated.

Subd. 5. **Contamination standards.**
(a) Infectious waste and sharps must be managed according to MN Statutes chapters 116.76 to 116.83 and must be disposed of by an approved infectious waste hauler at a site permitted to accept the waste, according to Minnesota Rules, parts 7035.9100 to 7035.9150. Sharps ready for disposal must be disposed of in an approved sharps container.
(b) Contaminated waste that may release liquid blood or body fluids when compressed or that may release dried blood or body fluids when handled must be placed in an approved red bag that is marked with the international biohazard symbol.
(c) Contaminated waste that does not release liquid blood or body fluids when compressed or handled may be placed in a covered receptacle and disposed of through normal approved disposal methods.
(d) Storage of contaminated waste on site must not exceed the overflow level of any container.

SECTION 8: PROFESSIONAL STANDARDS.

Subdivision 1.**Proof of age.**
(a) A technician shall require proof of age from clients who state they are 18 years of age or older before performing any body art procedure on a client. Proof of age must be established by one of the following methods:

(1) a valid driver's license or identification card issued by the state of Minnesota or another state that includes a photograph and date of birth of the individual;

(2) a valid military identification card issued by the United States Department of Defense;

(3) a valid passport;

(4) a resident alien card; or

(5) a tribal identification card.

(b) Before performing any body art procedure, the technician must provide the client with a disclosure and authorization form that indicates whether the client has:

(1) diabetes;

(2) a history of hemophilia;

(3) a history of skin diseases, skin lesions, or skin sensitivities to soap or disinfectants;

(4) a history of epilepsy, seizures, fainting, or narcolepsy;

(5) any condition that requires the client to take medications such as anticoagulants that thin the blood or interfere with blood clotting; or

(6) any other information that would aid the technician in the body art procedure process evaluation.

(c) The form must include a statement informing the client that the technician shall not perform a body art procedure if the client fails to complete or sign the disclosure and authorization form, and the technician may decline to perform a body art procedure if the client has any identified health conditions.

(d) The technician shall ask the client to sign and date the disclosure and authorization form confirming that the information listed on the form is accurate.

(e) Before performing any body art procedure, the technician shall offer and make available to the client personal draping, as appropriate.

Subd. 2. **Parent or legal guardian consent; prohibitions.**

(a) A technician may perform body piercings on an individual under the age of 18 if:

(1) the individual's parent or legal guardian is present;

(2) the individual's parent or legal guardian provides personal identification by using one of the methods described in subdivision 1, paragraph (a), clauses (1) to (5), and provides documentation that reasonably establishes that the individual is the parent or legal guardian of the individual who is seeking the body piercing;

(3) the individual seeking the body piercing provides proof of identification by using one of the methods described in subdivision 1, paragraph (a), clauses (1) to (5), a current student identification, or another official source that includes the name and a photograph of the individual;

(4) a consent form and the authorization form under subdivision 1, paragraph (b) is signed by the parent or legal guardian in the presence of the technician; and

(5) the piercing is not prohibited under paragraph (c).

(b) Tattooing an individual under the age of 18 is a gross misdemeanor, regardless of parental or guardian consent.

(c) No nipple or genital piercing, branding, scarification, suspension, subdermal implantation, microdermal, or tongue bifurcation shall be performed by any technician on any individual under the age of 18 regardless of parental or guardian consent.

(d) No technician shall perform body art procedures on any individual who appears to be under the influence of alcohol, controlled substances as defined in MN Statutes

chapter 152.01, subdivision 4, or hazardous substances as defined in rules adopted under chapter 182.
(e) No technician shall perform body art procedures while under the influence of alcohol, controlled substances as defined under MN Statutes chapter 152.01, subdivision 4, or hazardous substances as defined in the rules adopted under chapter 182.
(f) No technician shall administer anesthetic injections or other medications.

Subd. 3. **Informed consent.** Before performing a body art procedure, the technician shall obtain from the client a signed and dated informed consent form. The consent form must disclose:
(1) that a tattoo is considered permanent and may only be removed with a surgical procedure and that any effective removal may leave scarring; or
(2) that body piercing may leave scarring.

Subd. 4. **Client record maintenance.** For each client, the body art establishment operator shall maintain proper records of each procedure. The records of the procedure must be kept for three years and must be available for inspection by the County upon request. The record must include the following:

(1) the date of the procedure;

(2) the information on the required picture identification showing the name, age, and current address of the client;

(3) a copy of the authorization form signed and dated by the client required under subdivision 1, paragraph (b);

(4) a description of the body art procedure performed;

(5) the name and license number of the technician performing the procedure;

(6) a copy of the consent form required under subdivision 3; and

(7) if the client is under the age of 18 years, a copy of the consent form signed by the parent or legal guardian as required under subdivision 2.

Subd. 5. **Aftercare.** A technician shall provide each client with verbal and written instructions for the care of the tattooed or pierced site upon the completion of the procedure. The written instructions must advise the client of the difference between normal skin or tissue irritation and infection and to consult a health care professional upon indication of infection of the skin or tissue.

Subd. 6.**State and local public health regulations.** An operator and technician shall comply with all applicable state, county, and municipal requirements regarding public health.

Subd. 7.**Notification.** The operator of the body art establishment shall immediately notify the County and local health authority of any reports they receive of a potential bloodborne pathogen transmission.

SECTION 9: INVESTIGATION AND GROUNDS FOR DISCIPLINARY ACTION.

Subdivision 1. **Investigations of complaints.** The County may initiate an investigation upon receiving a signed complaint or other signed written communication that alleges or implies that an individual or establishment has violated this ordinance. According to MN Statutes chapter 214.13, subdivision 6, in the receipt, investigation, and hearing of a complaint that alleges or implies an individual or establishment has violated this ordinance, the County shall follow the procedures in MN Statutes chapter 214.10.

Subd. 2. **Grounds for disciplinary action.** The County may take any of the disciplinary actions listed in subdivision 4 on proof that a technician or an operator of an establishment has:

(1) intentionally submitted false or misleading information to the County;

(2) failed, within 30 days, to provide information in response to a written request by the County;

(3) violated any provision of this ordinance;

(4) failed to perform services with reasonable judgment, skill, or safety due to the use of alcohol or drugs, or other physical or mental impairment;

(5) aided or abetted another person in violating any provision of this ordinance;

(6) been or is being disciplined by another jurisdiction, if any of the grounds for the discipline are the same or substantially equivalent to those under this ordinance;

(7) not cooperated with the County in an investigation conducted according to subdivision 1;

(8) advertised in a manner that is false or misleading;

(9) engaged in conduct likely to deceive, defraud, or harm the public;

(10) demonstrated a willful or careless disregard for the health, welfare, or safety of a client;

(11) obtained money, property, or services from a client through the use of undue influence, harassment, duress, deception, or fraud;

(12) failed to refer a client to a health care professional for medical evaluation or care when appropriate; or

(13) been convicted of a felony-level criminal sexual conduct offense. "Conviction" means a plea of guilty, a verdict of guilty by a jury, or a finding of guilty by a court.

Subd. 3. **Disciplinary actions.** If the County finds that a technician or an operator of an establishment should be disciplined according to subdivision 3, the County may take any one or more of the following actions:

(1) refuse to grant or renew licensure;

(2) suspend licensure for a period not exceeding one year;

(3) revoke licensure;

(4) take any reasonable lesser action against an individual upon proof that the individual has violated this ordinance; or

(5) impose, for each violation, a civil penalty not exceeding $10,000 that deprives the licensee of any economic advantage gained by the violation and that reimburses the department for costs of the investigation and proceedings resulting in disciplinary action, including the amount paid for services of the Office of Administrative Hearings, the amount paid for services of the Office of the Attorney General, attorney fees, court

reporters, witnesses, reproduction of records, department staff time, and expenses incurred by department staff.

Subd. 4. **Consequences of disciplinary actions.** Upon the suspension or revocation of licensure, the establishment shall cease to:

(1) perform body art procedures;

(2) use titles protected under this ordinance; and

(3) represent to the public that the technician or establishment is licensed by the County.

SECTION 10: COUNTY OR MUNICIPAL REGULATION.

Nothing in this ordinance preempts or supersedes any county or municipal ordinance relating to land use, building and construction requirements, nuisance control, or the licensing of commercial enterprises in general.

SECTION 11: FEES.

Subd. **1 Licensing fees.**

(a) The amount of the license fees for body art establishments shall be set by the Steele County Board of Commissioners by resolution.

(b) The County shall prorate the body art establishment license fee based on the number of months in the licensure period.

SECTION 12: ENFORCEMENT

Any knowing violation of the provisions of this ordinance are a crime punishable by a maximum of 90 days in jail, a $1,000 fine, or both.

SECTION 13: EFFECTIVE DATE.

This ordinance shall be in full force and effect on January 1, 2011.

Adopted by the Board of Commissioners of Steele County, Minnesota, on the 23rd day of November, 2010.

Published in the County's official newspaper on the 7th day of December, 2010.

Filed with the County Recorder on the _________day of ____________________, 2011 as Document No.___________________

THIS INSTRUMENT DRAFTED BY:
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