LINCOLN COUNTY
IVANHOE, MINNESOTA

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

YEAR ENDED DECEMBER 31, 2022

LINCOLN COUNTY
TABLE OF CONTENTS
YEAR ENDED DECEMBER 31, 2022

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INDEPENDENT AUDITORS' REPORT

Board of County Commissioners
Lincoln County
Ivanhoe, Minnesota

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lincoln 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 Lincoln County's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Lincoln County as of December 31, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards),* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of Lincoln 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.

Emphasis-of-Matters

As discussed in Note 1 to the financial statements, effective January 1, 2022, Lincoln County adopted new accounting guidance for leases. The guidance requires lessees to recognize a right-to-use lease asset and corresponding lease liability, and lessors to recognize a lease receivable and corresponding deferred inflow of resources for all leases with lease terms greater than twelve months. Our opinions are not modified with respect to this matter.

As described in Note 3.D. to the financial statements, the County restated beginning fund balance in the Debt Service Fund to correct errors in the previously issued financial statements. 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 Lincoln 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 Lincoln 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 Lincoln County's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in the total OPEB liability, related ratios and notes, the schedule of the County's proportionate share of the net pension liability (asset), the schedule of the County contributions, and the notes to the required supplementary information, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, 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 Lincoln County's basic financial statements. The budgetary comparison schedule – debt service fund, the combining statement of fiduciary net position – custodial funds, the combining statement of changes in fiduciary net position – custodial funds, schedule of intergovernmental revenues, and the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Feral Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the budgetary comparison schedule – debt service fund, the combining statement of fiduciary net position – custodial funds, the combining statement of changes in fiduciary net position – custodial funds, the schedule of intergovernmental revenues, and the schedule of expenditures of federal awards are 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 15, 2023, on our consideration of Lincoln 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 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 Lincoln County's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Brainerd, Minnesota
September 15, 2023

As management of Lincoln County (the County), Minnesota, we offer the readers of the Lincoln County financial statements this narrative overview and analysis of its financial activities for the fiscal year ended December 31, 2022. We encourage readers to consider the information presented here in conjunction with the basic financial statements that follow this section. All amounts, unless otherwise indicated, are expressed in whole dollars.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2022 include the following:

- The assets and deferred outflows of resources of Lincoln County exceeded its liabilities and deferred inflows of resources on December 31, 2022, by $71,860,072 (net position). Of this amount, $15,876,975 (unrestricted net position) may be used to meet the County's ongoing obligations to citizens and creditors.
- Lincoln County's total net position increased by $6,195,210 in 2022.
- As of the close of 2022, Lincoln County's governmental funds reported combined ending fund balances of $25,232,723 an increase of $3,615,137 in comparison with 2021. Of this fund balance amount, $7,166,000 is reported as unassigned by Lincoln County and, thus, available for spending at the County's discretion.
- At the end of 2022, unassigned fund balance for the General Fund was $8,172,352.
- Lincoln County's total long-term liabilities increased by $5,200,243 during 2022.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Lincoln County basic financial statements. Lincoln County's financial statements are composed of three components: (1) government-wide financial statements, (2) fund level financial statements, and (3) notes to the financial statements. This report also contains other supplementary information.

Government-wide financial statements are designed to provide readers with a broad overview of Lincoln County's finances in a manner similar to a private-sector business.

The statement of net position presents information on all of Lincoln County's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference being reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of Lincoln County is improving or deteriorating.

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. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows only in future fiscal periods (for example, uncollected taxes and earned but unused vacation leave).

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Lincoln County's government-wide financial statements report functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of Lincoln County include general government, public safety, highways and streets, sanitation, human services, health, culture and recreation, conservation of natural resources, and economic development. Lincoln County has no business-type activities.

Fund Level Statements

A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. Lincoln County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with financial-related legal requirements. All of the funds of Lincoln County can be divided into two categories: governmental funds and fiduciary funds.

Governmental Funds - are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating Lincoln County's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of Lincoln County's near-term financial decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Lincoln County adopts an annual appropriated budget for its General Fund, Road and Bridge Special Revenue Fund, Human Services Special Revenue Fund, Ditch Special Revenue Fund, and the Debt Service Fund. Supplementary budgetary comparison schedules have been provided for these funds to demonstrate compliance with the budget. The basic governmental fund financial statements can be found on pages 13 through 20 of this report.

Fiduciary Funds - are used to account for resources held for the benefit of parties outside of Lincoln County. Fiduciary funds are not reflected in the government-wide statements because the resources of those funds are not available to support Lincoln County's own programs or activities. The accounting for fiduciary funds is much like that used for business-type funds.

Notes to the Financial Statements

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 23 through 67 of this report.

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Other Information

Other information is provided in addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information. The budgetary comparison for the Debt Service Fund, combining statements referred to earlier in connection with fiduciary funds, and information regarding Lincoln County's intergovernmental revenues are presented.

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

Net Position

Over time, net position serves as a useful indicator of the County's financial position. Lincoln County's assets and deferred outflows exceeded liabilities and deferred inflows by $71,860,072 at the close of 2022. The largest portion of Lincoln County's net position reflects the County's investment in capital assets (for example, land, buildings, equipment, and infrastructure such as roads and bridges), less any related debt used to acquire those assets (that is still outstanding). However, it should be noted that these assets are not available for future spending or for liquidating any remaining debt.

	Governmental Activities		Percent
	2022	2021	Change
Current and Other Assets	$ 32,856,563	$ 26,170,437	25.5 %
Capital Assets	53,973,121	52,442,135	2.9
Right-to-Use Assets	32,033	-	100.0
Total Assets	86,861,717	78,612,572	10.5
Deferred Outflows of Resources	2,505,107	1,818,709	37.7
Current Liabilities	738,138	1,117,780	(34.0)
Long-Term Liabilities	16,486,940	11,286,697	46.1
Total Liabilities	17,225,078	12,404,477	38.9
Deferred Inflows of Resources	281,674	2,361,942	(88.1)
Net Position:			
Net Investment in Capital Assets	45,332,042	43,160,840	5.0
Restricted	10,651,055	7,516,346	41.7
Unrestricted	15,876,975	14,987,676	5.9
Total Net Position	$ 71,860,072	$ 65,664,862	9.4

The unrestricted net position amount of $15,876,975 as of December 31, 2022, may be used to meet the County's ongoing obligations to citizens and creditors.

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE (CONTINUED)

Governmental Activities

Lincoln County's 2022 governmental activities increased its net position by $6,195,210. Property taxes and operating grants and contributions make up 73% of total governmental activities and the general government, public safety and highways and streets functions account for 74% of governmental activities expenses. Key elements of this increase in net position are as follows:

	Governmental Activities 2022	Governmental Activities 2021	Percent Change
REVENUES			
Program Revenues:			
Charges for Services	$ 1,952,516	$ 1,845,881	5.8 %
Operating Grants and Contributions	7,233,246	5,320,557	35.9
General Revenues:			
Property Taxes	6,885,306	5,942,397	15.9
Other	3,053,827	3,287,015	(7.1)
Total Revenues	19,124,895	16,395,850	16.6
EXPENSES			
General Government	3,393,374	2,682,892	26.5
Public Safety	1,723,863	1,644,736	4.8
Highways and Streets	4,377,747	5,073,731	(13.7)
Sanitation	393,132	401,373	(2.1)
Human Services	1,034,666	1,024,829	1.0
Health	84,018	84,018	-
Culture and Recreation	319,555	367,027	(12.9)
Conservation of Natural Resources	1,142,561	1,191,231	(4.1)
Economic Development	93,166	88,865	4.8
Interest	367,603	271,155	35.6
Total Expenses	12,929,685	12,829,857	0.8
CHANGE IN NET POSITION	6,195,210	3,565,993	73.7
Net Position - Beginning of Year	65,664,862	62,098,869	5.7
NET POSITION - END OF YEAR	$ 71,860,072	$ 65,664,862	9.4

As noted earlier, Lincoln County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the County's governmental funds is to provide information on short-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a County's net resources available for spending at the end of the fiscal year.

FINANCIAL ANALYSIS OF THE COUNTY AT THE FUND LEVEL (CONTINUED)

Governmental Funds (Continued)

As of the end of the current fiscal year, Lincoln County's governmental funds reported combined ending fund balances of $25,232,723, an increase of $3,615,137 in comparison with the prior year. Of the ending fund balance, $7,166,000 represents unassigned fund balance, which is available for spending at the County's discretion. The remainder of fund balance is nonspendable, restricted, committed or assigned to indicate that it is not available for new spending because it has already been set aside for various reasons.

The General Fund is the chief operating fund for Lincoln County. At the end of the current fiscal year, it had an unassigned fund balance of $8,172,352. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to total expenditures. The General Fund's unassigned fund balance represents 127.70% of total General Fund expenditures. In 2022, fund balance in the General Fund increased by $2,646,288.

The Road and Bridge Fund has a total fund balance of $8,216,087. Of this total fund balance, $7,521,925 has been assigned for highway projects.

The Human Services Fund expenditures were over budget during 2022 by $6,024. As all human services functions of the County are performed by Southwest Health and Human Services, the County maintains no fund balance in the Human Services Fund.

The Ditch Special Revenue Fund had a negative ending fund balance of $1,006,352. This negative ending balance represents a $45,731 increase in fund balance from the prior year. The remaining deficit is expected to be extinguished with future assessments.

The Debt Service Fund decreased its fund balance by $162,484 from 2021, which is due to recognizing Lincoln Pipestone Rural Water debt in 2022, which was not budgeted for.

The Opioid Response Fund was created in 2021 and will be used to account for the financial activity related to the County's share of the national opioid settlement agreement. The amounts due to the County total $178,038.

General Fund Budgetary Highlights

Actual General Fund final revenues were over budgeted amounts by $1,729,908, primarily due to higher than anticipated intergovernmental revenues. The County spent the ARPA funding that was received in previous years which resulted in revenue being recognized on the fund level.

Final General Fund expenditures were less than budgeted expenditures by $926,495. The less than expected expenditures reflect lower than anticipated sheriff expenditures for public safety.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Lincoln County's total capital assets for its governmental activities at December 31, 2022, totaled $53,973,121 (net of accumulated depreciation). This investment in capital assets includes land improvements, buildings, equipment, and infrastructure. The County's investment in capital assets increased $1,530,986 from the previous year.

	2022	2021	Percent Change
Capital Assets Not Being Depreciated:			
Land	$ 1,261,517	$ 1,242,962	1.5 %
Right-of-Way	638,745	638,745	-
Construction in Progress	783,355	311,096	151.8
Capital Assets Being Depreciated:			
Land Improvements	1,787,329	1,761,229	1.5
Buildings	4,814,012	4,667,071	3.1
Machinery and Equipment	7,368,357	7,448,283	(1.1)
Infrastructure	69,098,854	66,313,140	4.2
Less: Accumulated Depreciation	(31,779,048)	(29,940,391)	6.1
Total	$ 53,973,121	$ 52,442,135	2.9

Additional information on the County's capital assets can be found in Note 3.A.3 in the notes to the financial statements.

CAPITAL ASSETS AND DEBT ADMINISTRATION (CONTINUED)

Long-Term Debt

At the end of the current fiscal year, the County had net outstanding debt of $16,486,940 for governmental activities. Other liabilities and contingencies are described in the notes to the financial statements.

	2022	2021	Percent Change
General Obligation Bonds, Net	$ 10,100,100	$ 8,152,327	23.9 %
Leases Payable	19,156	25,409	(24.6)
CWP Loans Payable	4,115	13,498	(69.5)
AgBMP Loans Payable	390,911	491,504	(20.5)
MPCA Loans Payable	630,544	417,871	50.9
Other Postemployment Benefits	186,642	248,673	(24.9)
Compensated Absences	277,076	273,743	1.2
Net Pension Liabilities	4,878,396	1,663,672	193.2
Total	$ 16,486,940	$ 11,286,697	46.1

The County's net debt obligations increased $5,200,243. This is primarily due to changes in assumptions for the net pension liability.

Minnesota Statutes limit the amount of debt a county may levy to 3% of its total market value of $1,804,218,900. At the end of 2022, Lincoln County's debt was less than 1% of its total market value.

Additional information on the County's long-term debt can be found in the notes to the financial statements of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The unemployment rate for Lincoln County at the end of 2022 was 2.7%. This is less than the state unemployment rate of 2.9% and shows a decrease from the 2.5% rate of one year ago.

On December 21, 2022, the Lincoln County Board of Commissioners approved the 2023 budget and adopted a property tax levy of $6,057,186, which represents a 1.5% increase over the 2022 property tax levy of $5,952,646.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of Lincoln County's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to Deb Vierhuf, Lincoln County Auditor, 319 North Rebecca Street, Ivanhoe, Minnesota 56142.

BASIC FINANCIAL STATEMENTS

LINCOLN COUNTY
STATEMENT OF NET POSITION
DECEMBER 31, 2022

	Governmental Activities
ASSETS	
Cash and Pooled Investments	$ 22,058,270
Receivables	10,199,014
Prepaid Items	541,679
Lease Receivable - Short Term	32,918
Lease Receivable	24,682
Capital Assets:	
Capital Assets - Nondepreciable	2,683,617
Depreciable Capital Assets - Net of Depreciation	51,289,504
Right to Use Asset - Net of Amortization	32,033
Total Assets	86,861,717
DEFERRED OUTFLOWS OF RESOURCES	
Pension Related	2,486,611
OPEB Related	18,496
Total Deferred Outflows of Resources	2,505,107
LIABILITIES	
Accounts Payable and Other Current Liabilities	612,996
Accrued Interest Payable	121,086
Petitioner Deposits	4,056
Other Postemployment Benefits - Due Within One Year	18,496
Long-Term Liabilities:	
Due Within One Year	1,071,521
Due in More than One Year	10,350,381
Net Pension Liability - Due in More than One Year	4,878,396
Other Postemployment Benefits - Due in More than One Year	168,146
Total Liabilities	17,225,078
DEFERRED INFLOWS OF RESOURCES	
Lease Related	57,578
Pension Related	133,558
OPEB Related	90,538
Total Deferred Inflows of Resources	281,674
NET POSITION	
Net Investment in Capital Assets	45,332,042
Restricted for:	
General Government	115,709
Debt Service	4,686,916
Public Safety	619,133
Highways and Streets	4,642,824
Conservation of Natural Resources	400,604
Opioid Epidemic Response	185,869
Unrestricted	15,876,975
Total Net Position	$ 71,860,072

See accompanying Notes to Basic Financial Statements.

LINCOLN COUNTY
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2022

		Program Revenues			Net (Expense) Revenue and Changes in Net Position
					Primary Government
Functions/Programs	Expenses	Fees, Charges, Fines and Other	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
PRIMARY GOVERNMENT					
GOVERNMENTAL ACTIVITIES					
General Government	$ 3,393,374	$ 242,278	$ 1,418,714	$ -	$ (1,732,382)
Public Safety	1,723,863	250,771	260,174	-	(1,212,918)
Highways and Streets	4,377,747	354,572	5,311,900	-	1,288,725
Sanitation	393,132	363,309	72,440	-	42,617
Human Services	1,034,666	-	-	-	(1,034,666)
Health	84,018	-	(56,551)	-	(140,569)
Culture and Recreation	319,555	188,080	-	-	(131,475)
Conservation of Natural Resources	1,142,561	553,506	226,569	-	(362,486)
Economic Development	93,166	-	-	-	(93,166)
Interest	367,603	-	-	-	(367,603)
Total Primary Government	$ 12,929,685	$ 1,952,516	$ 7,233,246	$ -	(3,743,923)
	GENERAL REVENUES				
	Property Taxes				6,885,306
	Mortgage Registry and Deed Tax				7,448
	Wind Production Tax				2,095,157
	Wheelage Tax				80,080
	Payments in Lieu of Tax				227,752
	Grants and Contributions not Restricted for Particular Programs				823,430
	Investment Earnings				(272,504)
	Miscellaneous				92,464
	Total General Revenues				9,939,133
	CHANGE IN NET POSITION				6,195,210
	Net Position - Beginning of Year				65,664,862
	NET POSITION - END OF YEAR				$ 71,860,072

See accompanying Notes to Basic Financial Statements.

LINCOLN COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2022

	General	Road and Bridge	Human Services	Ditch
ASSETS				
Cash and Pooled Investments	$ 12,085,742	$ 7,764,809	$ -	$ 119,297
Undistributed Cash in Custodial Funds	56,607	24,063	17,088	7,995
Petty Cash and Change Funds	600	-	-	-
Taxes Receivable:				
Delinquent	26,904	13,149	9,328	-
Special Assessments Receivable:				
Delinquent	18,222	-	-	9,572
Noncurrent	827,233	-	-	1,243,125
Accounts Receivable	358	375	-	-
Accrued Interest Receivable	14,658	-	-	-
Due from Other Funds	132,264	-	-	-
Due from Other Governments	67,913	4,937,119	-	-
Prepaid Items	46,517	495,162	-	-
Advance to Other Funds	938,407	-	-	-
Lease Receivable	-	57,600	-	-
Total Assets	$ 14,215,425	$ 13,292,277	$ 26,416	$ 1,379,989
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts Payable	$ 50,415	$ 29,200	$ -	$ 57,317
Salaries Payable	41,687	24,818	-	-
Contracts Payable	-	314,286	-	-
Due to Other Funds	-	-	-	132,264
Due to Other Governments	53,301	-	21,116	1,600
Advance from Other Funds	-	-	-	938,407
Petitioner Deposits	-	-	-	4,056
Total Liabilities	145,403	368,304	21,116	1,133,644
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Taxes	15,136	7,484	5,300	-
Unavailable Revenue - Specials	845,456	-	-	1,252,697
Unavailable Revenue - Grants and Other	-	4,642,824	-	-
Unavailable Revenue - Leases	-	57,578	-	-
Total Deferred Inflows of Resources	860,592	4,707,886	5,300	1,252,697

See accompanying Notes to Basic Financial Statements.

LINCOLN COUNTY
BALANCE SHEET (CONTINUED)
GOVERNMENTAL FUNDS
DECEMBER 31, 2022

	Opioid Response	Debt Service	Total Governmental Funds
ASSETS			
Cash and Pooled Investments	$ 7,831	$ 1,966,837	$ 21,944,516
Undistributed Cash in Custodial Funds	-	7,401	113,154
Petty Cash and Change Funds	-	-	600
Taxes Receivable:			
Delinquent	-	3,915	53,296
Special Assessments Receivable:			
Delinquent	-	-	27,794
Noncurrent	-	-	2,070,358
Accounts Receivable	-	420	1,153
Accrued Interest Receivable	-	-	14,658
Due from Other Funds	-	-	132,264
Due from Other Governments	178,038	2,848,685	8,031,755
Prepaid Items	-	-	541,679
Advance to Other Funds	-	-	938,407
Lease Receivable	-	-	57,600
Total Assets	$ 185,869	$ 4,827,258	$ 33,927,234
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Accounts Payable	$ -	$ 19,256	$ 156,188
Salaries Payable	-	-	66,505
Contracts Payable	-	-	314,286
Due to Other Funds	-	-	132,264
Due to Other Governments	-	-	76,017
Advance from Other Funds	-	-	938,407
Petitioner Deposits	-	-	4,056
Total Liabilities	-	19,256	1,687,723
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Taxes	-	2,275	30,195
Unavailable Revenue - Specials	-	-	2,098,153
Unavailable Revenue - Grants and Other	178,038	-	4,820,862
Unavailable Revenue - Leases	-	-	57,578
Total Deferred Inflows of Resources	178,038	2,275	7,006,788

See accompanying Notes to Basic Financial Statements.

LINCOLN COUNTY
BALANCE SHEET (CONTINUED)
GOVERNMENTAL FUNDS
DECEMBER 31, 2022

	General	Road and Bridge	Human Services	Ditch
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (CONTINUED)				
FUND BALANCES				
Nonspendable:				
Prepaid Items	$ 46,517	$ 495,162	$ -	$ -
Advances	938,407	-	-	-
Restricted:				
Recorder's Equipment Fund	2,009	-	-	-
Compliance	113,700	-	-	-
E-911 Enhancement	501,925	-	-	-
Sheriff's Contingency	1,698	-	-	-
Adult Probation Programming	40,483	-	-	-
ISTS Projects	227,450	-	-	-
Gun Permit To Carry	65,311	-	-	-
Attorney's Forfeiture Funds	9,395	-	-	-
Safe and Sober Grant	321	-	-	-
Recycling/SCORE	25,146	-	-	-
Aquatic Invasive Species	41,637	-	-	-
Buffer Aid	104,070	-	-	-
Feedlot	2,301	-	-	-
Debt Service	-	-	-	-
Opioid Response	-	-	-	-
Committed:				
Tyler Shop Building	-	35,000	-	-
Equipment	-	164,000	-	-
Assigned:				
Capital Improvements	2,395,371	-	-	-
Technology/Communications	51,908	-	-	-
Highway Projects	-	7,521,925	-	-
Prime West	450,000	-	-	-
Solid Waste	19,429	-	-	-
Unassigned	8,172,352	-	-	(1,006,352)
Total Fund Balances (Deficit)	13,209,430	8,216,087	-	(1,006,352)
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 14,215,425	$ 13,292,277	$ 26,416	$ 1,379,989

See accompanying Notes to Basic Financial Statements.

LINCOLN COUNTY
BALANCE SHEET (CONTINUED)
GOVERNMENTAL FUNDS
DECEMBER 31, 2022

	Opioid Response	Debt Service	Total Governmental Funds
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (CONTINUED)			
FUND BALANCES			
Nonspendable:			
Prepaid Items	$ -	$ -	$ 541,679
Advances	-	-	938,407
Restricted:			
Recorder's Equipment Fund	-	-	2,009
Compliance	-	-	113,700
E-911 Enhancement	-	-	501,925
Sheriff's Contingency	-	-	1,698
Adult Probation Programming	-	-	40,483
ISTS Projects	-	-	227,450
Gun Permit To Carry	-	-	65,311
Attorney's Forfeiture Funds	-	-	9,395
Safe and Sober Grant	-	-	321
Recycling/SCORE	-	-	25,146
Aquatic Invasive Species	-	-	41,637
Buffer Aid	-	-	104,070
Feedlot	-	-	2,301
Debt Service	-	4,805,727	4,805,727
Opioid Response	7,831	-	7,831
Committed:			
Tyler Shop Building	-	-	35,000
Equipment	-	-	164,000
Assigned:			
Capital Improvements	-	-	2,395,371
Technology/Communications	-	-	51,908
Highway Projects	-	-	7,521,925
Prime West	-	-	450,000
Solid Waste	-	-	19,429
Unassigned	-	-	7,166,000
Total Fund Balances (Deficit)	7,831	4,805,727	25,232,723
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 185,869	$ 4,827,258	$ 33,927,234

See accompanying Notes to Basic Financial Statements.

LINCOLN COUNTY
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2022

FUND BALANCES - TOTAL GOVERNMENTAL FUNDS		$ 25,232,723
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.		53,973,121
Right-to-Use assets, net of accumulated amortization, used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.		32,033
Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as deferred inflows of resources in the governmental funds.		6,949,210
The net pension liability, net pension asset, and related inflows and outflows of resources are recorded only on the statement of net position. Balances at year-end are:		
Net Pension Liability		(4,878,396)
Deferred Outflows of Resources Related to Pensions		2,486,611
Deferred Inflows of Resources Related to Pensions		(133,558)
The OPEB liability and related inflows and outflows of resources are recorded only on the statement of net position. Balances at year-end are:		
Deferred Outflows of Resources Related to OPEB		18,496
Deferred Inflows of Resources Related to OPEB		(90,538)
Other Postemployment Benefit Liability		(186,642)
Long-term liabilities and related items are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
General Obligation Bonds	$ (10,096,000)	
Lease Liability	(19,156)	
Loans Payable	(1,025,570)	
Compensated Absences	(277,076)	
Accrued Interest Payable	(121,086)	
Unamortized Discount on General Obligation Bonds	28,281	
Unamortized Premium on General Obligation Bonds	(32,381)	(11,542,988)
NET POSITION OF GOVERNMENTAL ACTIVITIES		$ 71,860,072

See accompanying Notes to Basic Financial Statements.

LINCOLN COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2022

	General	Road and Bridge	Human Services	Ditch
REVENUES				
Taxes	$ 5,905,947	$ 1,475,306	$ 992,222	$ -
Special Assessments	377,343	-	-	483,411
Licenses and Permits	25,858	46,800	-	-
Intergovernmental	2,880,601	5,265,941	42,444	-
Charges for Services	560,338	104,740	-	-
Fines and Forfeits	2,582	-	-	-
Gifts and Contributions	250	-	-	-
Interest on Investments	(278,375)	5,871	-	-
Miscellaneous	300,844	204,599	-	5,001
Total Revenues	9,775,388	7,103,257	1,034,666	488,412
EXPENDITURES				
Current:				
General Government	3,335,006	-	-	-
Public Safety	1,359,589	-	-	-
Highways and Streets	-	6,055,114	-	-
Sanitation	390,281	-	-	-
Culture and Recreation	331,227	-	-	-
Conservation of Natural Resources	691,848	-	-	424,174
Economic Development	93,166	-	-	-
Intergovernmental	84,018	-	1,034,666	-
Debt Service:				
Principal	114,502	23,908	-	15,000
Interest	223	19	-	3,507
Administrative (Fiscal) Fees	-	-	-	-
Total Expenditures	6,399,860	6,079,041	1,034,666	442,681
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	3,375,528	1,024,216	-	45,731
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	-	-
Transfers Out	(742,729)	-	-	-
Lease Proceeds	-	23,655	-	-
Sale of Capital Assets	13,489	29,900	-	-
Loans Issued	-	-	-	-
Total Other Financing Sources (Uses)	(729,240)	53,555	-	-
NET CHANGE IN FUND BALANCE	2,646,288	1,077,771	-	45,731
Fund Balance (Deficit) - Beginning of Year	10,563,142	7,138,316	-	(1,052,083)
Prior Period Adjustment	-	-	-	-
Fund Balance (Deficit) - Beginning of Year, as Restated	10,563,142	7,138,316	-	(1,052,083)
FUND BALANCE (DEFICIT) - END OF YEAR	$ 13,209,430	$ 8,216,087	$ -	$ (1,006,352)

See accompanying Notes to Basic Financial Statements.

LINCOLN COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (CONTINUED)
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2022

	Opioid Response	Debt Service	Total Governmental Funds
REVENUES			
Taxes	$ -	$ 400,969	$ 8,774,444
Special Assessments	-	41,655	902,409
Licenses and Permits	-	-	72,658
Intergovernmental	-	17,336	8,206,322
Charges for Services	-	-	665,078
Fines and Forfeits	-	-	2,582
Gifts and Contributions	-	-	250
Interest on Investments	-	-	(272,504)
Miscellaneous	7,831	3,257	521,532
Total Revenues	7,831	463,217	18,872,771
EXPENDITURES			
Current:			
General Government	-	-	3,335,006
Public Safety	-	-	1,359,589
Highways and Streets	-	-	6,055,114
Sanitation	-	-	390,281
Culture and Recreation	-	-	331,227
Conservation of Natural Resources	-	-	1,116,022
Economic Development	-	-	93,166
Intergovernmental	-	-	1,118,684
Debt Service:			
Principal	-	1,207,000	1,360,410
Interest	-	151,604	155,353
Administrative (Fiscal) Fees	-	222,499	222,499
Total Expenditures	-	1,581,103	15,537,351
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	7,831	(1,117,886)	3,335,420
OTHER FINANCING SOURCES (USES)			
Transfers In	-	742,729	742,729
Transfers Out	-	-	(742,729)
Lease Proceeds	-	-	23,655
Sale of Capital Assets	-	-	43,389
Loans Issued	-	212,673	212,673
Total Other Financing Sources (Uses)	-	955,402	279,717
NET CHANGE IN FUND BALANCE	7,831	(162,484)	3,615,137
Fund Balance (Deficit) - Beginning of Year	-	1,727,055	18,376,430
Prior Period Adjustment	-	3,241,156	3,241,156
Fund Balance (Deficit) - Beginning of Year, as Restated	-	4,968,211	21,617,586
FUND BALANCE (DEFICIT) - END OF YEAR	$ 7,831	$ 4,805,727	$ 25,232,723

See accompanying Notes to Basic Financial Statements.

LINCOLN COUNTY
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL ACTIVITIES
YEAR ENDED DECEMBER 31, 2022

CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS		$ 3,615,137
Amounts reported for governmental activities in the statement of activities are different because:		
In the funds, under the modified accrual basis, receivables not available for expenditures are reported as deferred inflows of resources. In the statement of activities, those revenues are recognized when earned. The adjustment to revenues between the fund statements and the statement of activities is the increase or decrease in revenues reported as unavailable.		
Deferred Inflows of Resources - December 31, 2022	$ 6,949,210	
Deferred Inflows of Resources - January 1, 2022	(6,710,238)	238,972
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over the estimated useful lives and reported as depreciation expense.		
Expenditures for General Capital Assets, Including Infrastructure	3,697,639	
Current Year Depreciation	(2,063,759)	
Expenditures for Right-to-Use Assets	23,655	
Current Year Amortization	(15,549)	
Net Book Value of Assets Disposed of	(77,493)	1,564,493
Governmental funds report pension contribution as expenditures when made. However, in the statement of activities, pension expense is the cost of the benefits earned, adjusted for member contributions, the recognition of changes in deferred outflows and inflows of resources related to pensions, and the investment experience.		
Difference between Pension Expense and Contributions		(354,612)
Governmental funds report OPEB contribution as expenditures when made. However, in the statement of activities, OPEB expense is the cost of benefits earned, adjusted for member contributions, the recognition of changes in deferred outflows and inflows of resources related to OPEB, and the investment experience.		
Difference between OPEB Expense and Contributions		(4,098)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
Principal Repayments:		
General Obligation Bonds	1,222,000	
Loans Payable	109,976	
Lease Liability	28,434	1,360,410
Debt issuance proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. The net proceeds for debt issuance are:		
Proceeds from Lease Liability	(23,655)	
MPCA Loans	(212,673)	(236,328)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Change in Accrued Interest Payable	11,342	
Amortization of Discounts and Premiums	3,227	
Change in Compensated Absences	(3,333)	11,236
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES		$ 6,195,210

See accompanying Notes to Basic Financial Statements.

LINCOLN COUNTY
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2022

	Custodial Funds
ASSETS	
Cash and Pooled Investments	$ 485,718
Taxes Receivable For Other Governments	102,892
Total Assets	$ 588,610
LIABILITIES	
Due to Other Governments	$ 236,284
NET POSITION	
Restricted for:	
Individuals, Organizations, and Other Governments	$ 352,326

See accompanying Notes to Basic Financial Statements.

LINCOLN COUNTY
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED DECEMBER 31, 2022

	Custodial Funds
ADDITIONS	
Contributions - Individuals	$ 3,399
Taxes and Assessments Collected for Others	8,365,745
Charges for Services	1,151,519
Total Additions	9,520,663
DEDUCTIONS	
Property Tax Allocation	8,314,873
Miscellaneous Allocations	3,413
Payments to Other Entities	1,159,686
Total Deductions	9,477,972
NET INCREASE (DECREASE) IN FIDUCIARY NET POSITION	42,691
Fiduciary Net Position - Beginning of Year	309,635
FIDUCIARY NET POSITION - END OF YEAR	$ 352,326

See accompanying Notes to Basic Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Lincoln County's (the County) financial statements are prepared in accordance with generally accepted accounting principles (GAAP). Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). More significant accounting policies established in GAAP and used by the County are discussed below.

A. Financial Reporting Entity

Lincoln County was established March 6, 1873, and is an organized county having the powers, duties, and privileges granted counties by Minnesota Statutes ch. 373. As required by accounting principles generally accepted in the United States of America, these financial statements present Lincoln County (Primary Government), and its component units for which the County is financially accountable. There is financial accountability if the Primary Government appoints a voting majority of an organization's governing body and has the ability to impose its will on that governing body; or there is a potential for the organization to provide specific financial benefits or to impose specific financial burden on the Primary Government. Based on the criteria for determining component units, the County reports Lake Benton Lake Improvement District and Lake Shaokatan Lake Improvement District as fiduciary component units within the County's Custodial Funds. Separate financial statements are not issued for these districts. 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.

<u>Other Organizations</u>
The County participates in several joint ventures described in Note 5.C. The County also participates in jointly-governed organizations and a related organization described in Note 5.D and Note 5.E, respectively.

B. Basic Financial Statements

1. Government-Wide Statements

The government-wide financial statements (the statement of net position and the statement of activities) display information about the Primary Government. These statements include the financial activities of the overall County government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities normally are supported by taxes and intergovernmental revenues.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basic Financial Statements (Continued)

1. Government-Wide Statements (Continued)

In the government-wide statement of net position, the governmental activities are presented on a consolidated basis and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The County's net position is reported in three parts: (1) net investment in capital assets, (2) restricted net position; and (3) unrestricted net position.

The statement of activities demonstrates the degree to which the direct expenses of each function of the County's governmental activities are offset by program revenues. Direct expenses are those clearly identifiable with a specific function or activity. Program revenues include: (1) fees, fines, and charges paid by the recipients of goods, services, or privileges provided by a given function or activity; and (2) grants and contributions restricted to meeting the operational or capital requirements of a particular function or activity. Revenues not classified as program revenues, including all taxes, are presented as general revenues.

2. Fund Financial Statements

The fund financial statements provide information about the County's funds, including its fiduciary funds. Separate statements for each fund category-governmental and fiduciary-are presented. The emphasis of governmental fund financial statements is on major individual governmental funds, with each displayed as a separate column in the fund financial statements. The County reports all of its governmental funds as major funds.

The County reports the following major funds:

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

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

The Human Services Special Revenue Fund is used to account for economic assistance and community social services programs. These programs are funded primarily by property taxes through the Board approved levy, and restricted intergovernmental revenues.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basic Financial Statements (Continued)

2. Fund Financial Statements (Continued)

The Ditch Special Revenue Fund is used to account for the repair, maintenance, and construction of ditches within the County. Special assessment revenues are the primary revenue source restricted for this purpose.

The Opioid Response Special Revenue Fund is used to account for the County's portion of the national opioid epidemic settlement the County will be receiving over the next 17 years. These programs will be funded primarily through intergovernmental revenues.

The Debt Service Fund is used to account for the payment of principal and interest payments on long-term debt which are financed by property tax revenue restricted through bond documents.

The County reports no proprietary funds.

Additionally, the County reports the following fund type:

Fiduciary:

Custodial Funds are custodial in nature. These funds are used: to account for the collection and disbursement of taxes on behalf of local governments within the County; as an agent for state revenue payments, for Lincoln County jail inmates, for Lake Benton Lake Improvement District, for Lake Shaokatan Lake Improvement District, and for the Southwest Regional Solid Waste Commission.

C. Measurement Focus and Basis of Accounting

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

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

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

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Fund Balance

1. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Auditor-Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at fair value at December 31, 2022, based on market prices. Pursuant to Minnesota Statutes §385.07, investment earnings on cash and pooled investments are credited to the General Fund. Other funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants. Pooled investment earnings (losses), net of unrealized gains and losses for 2022, were $(272,504).

2. Receivables and Payables

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

Advances between funds, as reported in the fund financial statements, are classified as nonspendable fund balance in the general fund to indicate that they are not available for appropriation and are not expendable available financial resources.

Property taxes are levied as of January 1 on property values assessed as of the same date. The tax levy notice is mailed in March with the first half payment due May 15 and the second half payment due October 15. Unpaid taxes at December 31 become liens on the respective property and are classified in the financial statements as delinquent taxes receivable.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

2. Receivables and Payables (Continued)

Special assessments receivable consist of delinquent special assessments and unavailable special assessments. All special assessments receivable are shown net of any allowance for uncollectibles, as applicable. No provision has been made for an estimated uncollectible amount.

3. Prepaid Items

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.

4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (i.e., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental activities column in the government-wide financial statements. In the case of the initial capitalization of infrastructure, the County retroactively implemented the reporting of this item when GASB Statement No. 34 was implemented. Capital assets are defined by the government as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

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

Right-to-use assets are amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset.

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

Buildings	25 to 40 Years
Improvements to Land	10 to 35 Years
Public Domain Infrastructure	15 to 70 Years
Machinery and Equipment	3 to 20 Years

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

5. Leases

For lease contracts for which the County is the lessor, the County determines if an arrangement is a lease at inception.
Leases in excess of 12 months are included in lease receivables and deferred inflows of resources in the statement of net position when the County is the lessor, and as right-to-use assets and lease liabilities when the County is the lessee.

Lessor
Lease receivables represent the County's claim to receive lease payments over the lease term, as specified in the contract, in an exchange or exchange-like transaction. Lease receivables are recognized at commencement date based on the present value of expected lease payments over the least term, reduced by any provision for estimated uncollectible amounts. Interest revenue is recognized ratably over the contract term.

Deferred inflows of resources related to leases are recognized at the commencement date based on the initial measurement of the lease receivable, plus any payments received from the lessee at or before the commencement of the lease term that relate to future periods, less any lease incentives paid to, or on behalf of, the lessee at or before the commencement of the lease term. The deferred inflows related to leases are recognized as lease revenue in a systematic and rational manner over the lease term. Amounts to be received under residual value guarantees that are not fixed in substance are recognized as a receivable and an inflow of resources if (a) a guarantee payment is required, and (b) the amount can be reasonable estimated. Amounts received for the exercise price of a purchase option or penalty for lease termination are recognized as a receivable and an inflow of resources when those options are exercised.

Lessee
Right-to-use assets represent the County's control of the right to use an underlying asset for the lease term, as specified in the contract, in an exchange or exchange-like transaction. Right-to-use assets are recognized at the commencement date based on the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the least term and certain direct costs. Right-to-use assets are amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset.

Lease liabilities represent the County's obligation to make lease payments arising from the lease. Lease liabilities are recognized at the commencement date based on the present value of expected lease payments over the lease term, less any lease incentives. Interest expense is recognized ratably over the contract term. The lease term may include options to extend or terminate the lease when it is reasonably certain that the County will exercise that option.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

5. Leases (Continued)

Lessee (Continued)

The County accounts for contracts containing both lease and nonlease components as separate contracts when possible. In cases where the contract does not provide separate price information for lease and nonlease components, and it is impractical to eliminate the price of such components, the County treats the components as a single lease unit.

6. Deferred Outflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate section represents a consumption of net position that applies to a future period. The County will not recognize the related outflow until a future event occurs. More detailed information about pension related deferred outflows of resources can be found in Note 4 to the financial statements and more information about other postemployment benefit related deferred outflows of resources can also be found in Note 4 to the financial statements.

7. Pensions

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. 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.

8. Compensated Absences

The liability for compensated absences reported in financial statements consists of unpaid, accumulated annual and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. Compensated absences are accrued when incurred in the government-wide fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

9. Deferred Inflows of Resources

The County's financial statements report a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net position or fund balance that applies to a future period. The County will not recognize the related revenue until a future event occurs. The County has four types of items which occur relating to revenue recognition: unavailable revenues, pension related and OPEB related. The unavailable revenues (collected later than 60 days after the end of the County's year-end) occur because governmental fund revenues are not recognized until available under the modified accrual basis of accounting. The second type relates to pension liabilities. The third type relates to OPEB liabilities. The fourth type relates to lease receivables. The pension and OPEB deferred inflows arise only under the full accrual basis of accounting and, accordingly, are reported only in the statement of net position.

10. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations (including AgBMP, CWP, and MPCA loans) are reported as liabilities in the statement of net position. Bond premiums and discounts are amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, during the current period. The face amount of the debt issued is reported as another financing source. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses.

11. Fund Balance and Net Position

In the fund financial statements, governmental funds report nonspendable, restricted, committed, assigned, and unassigned fund balances. Nonspendable portions of fund balance relate to prepaids, inventories, and long-term receivables, as applicable. Restricted funds are constrained from outside parties (statute, grantors, bond agreements, etc.). Committed fund balances are established and modified by a resolution approved by the Board of Commissioners. The Board passed a resolution authorizing the County Auditor-Treasurer to assign fund balances and their intended uses. Unassigned fund balance is the residual classification for the County's general fund and includes all spendable amounts not contained in other classifications. Any deficit fund balance within the other governmental fund types is reported as unassigned.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

11. Fund Balance and Net Position (Continued)

It is the County's Policy that at the end of each fiscal year, the County will maintain unassigned portion of fund balance for cash flow in a range of 40-60% of the General Fund's operating expenditures.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, it is the County's policy to use restricted first, then unrestricted fund balance. When an expenditure is incurred for purposes for which committed, assigned, and unassigned amounts are available, it is the County's policy to use committed first, then assigned, and finally unassigned amounts.

In the government-wide statement of net position equity is presented in three components. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitation imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. All other net position is presented as unrestricted.

12. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities 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.

13. Adoption of New Accounting Standards

In June 2017, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 87, *Leases*. This standard requires the recognition of certain lease asset and liabilities for leases that were previously classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. It 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 this standard, a lessee is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The County adopted the requirements of the guidance effective January 1, 2022, and has applied the provisions of this standard to the beginning of the period of adoption.

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Expenditures in Excess of Budget

The following funds had expenditures in excess of budget at the fund level for the year ended December 31, 2022:

	Final Budget	Actual	Excess
Human Services Fund	$ 1,028,642	$ 1,034,666	$ 6,024
Ditch Fund	370,364	442,681	72,317
Debt Service Fund	1,185,379	1,581,103	395,724

These over expenditures were funded with greater than anticipated revenues.

B. Deficit Fund Balance

At December 31, 2022, the Ditch Fund had deficit fund balance of $1,006,352. This deficit is anticipated to be corrected by future special assessments and decreased spending.

NOTE 3 DETAILED NOTES ON ALL FUNDS

A. Assets

1. Deposits and Investments

Reconciliation of the County’s total deposits, cash on hand, and investments to the basic financial statements follows:

Government-Wide Statement of Net Position	
Primary Government:	
Cash and Pooled Investments	$ 22,058,270
Custodial Funds	
Cash and Pooled Investments	485,718
Total Cash and Investments	$ 22,543,988
Deposits:	
Checking, Money Market, Savings	$ 16,762,531
Certificates of Deposit	179,769
Invested in U.S. Government Agency Securities	885,001
Invested in Negotiable Certificates of Deposit	4,716,087
Petty Cash and Change Funds	600
Total Deposits, Cash on Hand, and Investments	$ 22,543,988

NOTE 3 DETAILED NOTES ON ALL FUNDS

A. Assets (Continued)

1. Deposits and Investments (Continued)

a. Deposits

Minnesota Statutes §§ 118A.02 and 118A.04 authorize the County to designate a depository for public funds and to invest in certificates of deposit. Minnesota Statutes §118A.03 requires that all County deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged shall be at least 10% more than the amount on deposit plus accrued interest at the close of the financial institution's banking day, not covered by insurance or bonds.

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

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits may not be returned to it. The County does not have a deposit policy for custodial credit risk. As of December 31, 2022, the County's deposits were not exposed to custodial credit risk.

b. Investments

Minnesota Statutes §§ 118A.04 and 118A.05 generally authorize the following types of investments as available to the County:

(1) Securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as "high risk" by Minnesota Statutes §118A.04, subd. 6;
(2) Mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;
(3) General obligations of the state of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;
(4) Bankers' acceptances of United States banks;

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

b. Investments (Continued)

(5) Commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less; and
(6) With certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. The County's investment policy is to invest in both short-term and long-term investments to limit exposure to interest rate risk.

Credit Risk

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

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities in the possession of an outside party. The County does not have an investment policy for custodial credit risk. At December 31, 2022, none of the investments held by brokers was subject to custodial credit risk due to being insured.

Concentration of Credit Risk

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

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

b. Investments (Continued)

The following table presents the County's cash and investment balances at December 31, 2022, and information relating to potential investment risks:

Investment Type	Concentration Risk Over 5% of Portfolio	Interest Rate Risk Maturity Date	Carrying Value
Negotiable Certificates of Deposit:			
American Express National Bank		5/27/2025	$ 183,603
Capital One National Association		3/18/2024	96,455
Morgan Stanley Bank		10/14/2027	196,339
Texas Exchange BK		12/18/2023	95,955
Merrick BK		5/9/2024	189,142
Eaglemark Savings Bank		7/7/2026	175,978
Goldman Sachs Bank		6/2/2023	98,309
WebBank		11/29/2023	192,794
Texas Exchange BK		1/8/2024	47,834
Comenity Bank		4/29/2024	187,976
UBS Bank		6/24/2024	230,006
Investors BK		6/28/2024	197,270
Synchrony Bank		9/24/2024	186,948
Texas Exchange BK		5/21/2025	90,969
BMO Harris Bank		4/13/2026	218,378
State Bank India		4/29/2026	178,100
Jonesboro State Bank		6/11/2026	206,584
JP Morgan Chase Bank		9/30/2026	121,724
The Bank of Princeton		7/28/2026	212,841
BMW Bank of North America		7/16/2024	230,104
First National Bank of America		6/30/2025	221,365
Industrial and Commercial Bank of China		7/21/2023	239,475
Live Oak Bank		7/15/2026	126,856
Luana Savings Bank		7/1/2024	224,921
Medallion Bank Utah		6/4/2025	221,899
New York Community Bank		7/1/2026	39,470
Ponce De Leon Federal Savings Bank		6/27/2025	97,602
Sallie Mae Bank		7/8/2026	39,809
State Bank India		2/25/2026	123,390
State Bank India		7/21/2023	43,990
Total Negotiable Certificates of Deposit			4,716,087

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

b. Investments (Continued)

Investment Type	Concentration Risk Over 5% of Portfolio	Interest Rate Risk Maturity Date	Carrying Value
U.S. Government Agency Securities:			
Federal Home Loan Mortgage Corporation		1/21/2025	$ 120,936
Federal Home Loan Mortgage Corporation		11/25/2025	178,998
Federal Home Loan Mortgage Corporation		4/29/2026	364,464
Federal Home Loan Mortgage Corporation		5/12/2026	220,603
Total U.S. Government Agency Securities	15.8%		885,001
Total Investments			5,601,088
Checking, Money Market, Savings			16,762,531
Certificates of Deposit			179,769
Petty Cash			600
Total Cash and Investments			$ 22,543,988

The Negotiable Certificates of Deposit are not rated. The Federal Home Loan Mortgage Corporation securities are rated AAA by Moody's.

c. Fair Value Measurements

The County uses fair value measurements to record fair value adjustments to certain assets and to determine fair value disclosures.

The County follows an accounting standard that defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and requires expanded disclosures about fair value measurements. In accordance with this standard, the County has categorized its investments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

c. Fair Value Measurements (Continued)

Financial assets recorded on the combined statements of financial position are categorized based on the inputs to the valuation techniques as follows:

- *Level 1* – Financial assets are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities. The inputs include those traded on an active exchange, such as the New York Stock Exchange, as well as U.S. Treasury and other U.S. government and agency mortgage-backed securities that are traded by dealers or brokers in active over-the-counter markets.
- *Level 2* – Financial assets are valued based on quoted prices for similar assets, or inputs that are observable, either directly or indirectly for substantially the full term through corroboration with observable market data.
- *Level 3* – Financial assets are valued using pricing inputs which are unobservable for the asset, inputs that reflect the reporting entity's own assumptions about the assumptions market participants and would use in pricing the asset.

Assets measured at fair value on a recurring basis:

Type	Level 1	Level 2	Level 3	Total
Negotiable Certificates of Deposit	$ -	$ 4,716,087	$ -	$ 4,716,087
U.S. Government Agency Securities	-	885,001	-	885,001
Total	$ -	$ 5,601,088	$ -	$ 5,601,088

2. Receivables

Receivables as of December 31, 2022, for the County's governmental activities are as follows:

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental Activities:		
Taxes	$ 53,296	$ -
Special Assessments	2,098,152	1,639,591
Accounts	1,153	-
Interest	14,658	-
Due from Other Governments	8,031,755	-
Total Governmental Activities	$ 10,199,014	$ 1,639,591

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

3. Capital Assets

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

	Beginning Balance, as Restated *	Increase	Decrease	Ending Balance
Capital Assets Not Being Depreciated				
Land	$ 1,242,962	$ 18,555	$ -	$ 1,261,517
Right-of-Way	638,745	-	-	638,745
Construction in Progress	311,096	3,257,973	2,785,714	783,355
Total Capital Assets Not Being Depreciated	2,192,803	3,276,528	2,785,714	2,683,617
Capital Assets Being Depreciated				
Land Improvements	1,761,229	26,100	-	1,787,329
Buildings	4,667,071	146,941	-	4,814,012
Machinery and Equipment	7,448,283	222,669	302,595	7,368,357
Infrastructure	66,313,140	2,785,714	-	69,098,854
Total Capital Assets Being Depreciated	80,189,723	3,181,424	302,595	83,068,552
Less: Accumulated Depreciation for				
Land Improvements	1,210,219	107,719	-	1,317,938
Buildings	2,205,719	112,519	-	2,318,238
Machinery and Equipment	5,531,294	517,257	225,102	5,823,449
Infrastructure	20,993,159	1,326,264	-	22,319,423
Total Accumulated Depreciation	29,940,391	2,063,759	225,102	31,779,048
Total Capital Assets, Being Depreciated, Net	50,249,332	1,117,665	77,493	51,289,504
Intangible Right-to-Use Assets:				
Leased Equipment	44,174	23,655	-	67,829
Less: Accumulated Amortization	20,247	15,549	-	35,796
Net intangible Right-to-Use Assets	23,927	8,106	-	32,033
Governmental Activities Capital Assets, Net	$ 52,466,062	$ 4,402,299	$ 2,863,207	$ 54,005,154

* The beginning balance was restated to record right-to-use asset and related accumulated amortization due to the implementation of GASB Statement No. 87.

Depreciation expense was charged to functions of the Primary Government as follows:

Depreciation Expense:	
General Government	$ 145,843
Public Safety	160,911
Highway and Streets, Including Depreciation of Infrastructure Assets	1,701,917
Culture and Recreation	28,161
Conservation of Natural Resources	26,927
Total Depreciation Expense - Governmental Activities	2,063,759
Amortization Expense:	
General Government	4,506
Highways and Streets	11,043
Total Amortization Expense - Governmental Activities	15,549
Total Depreciation and Amortization Expense - Governmental Activities	$ 2,079,308

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

4. Lease Receivable

Lincoln County, acting as lessor, leases farmland under long-term, noncancelable lease agreements. The leases expire at various dates through 2025. During the year ended December 31, 2022, the County recognized $29,716 in lease revenue and $44 in interest revenue pursuant to these contracts.

Total future minimum lease payments to be received under lease agreements are as follows:

Year Ending December 31,	Principal	Interest	Total
2023	$ 32,198	$ 28	$ 32,226
2024	21,483	8	21,491
2025	3,919	-	3,919
Total	$ 57,600	$ 36	$ 57,636

Changes in the lease receivable for the year is as follows:

	Beginning Balance, as Restated	Additions	Reductions	Ending Balance
Lease Receivable	* $ 29,761	$ 57,541	$ 29,702	$ 57,600

* The beginning balance was restated to record lease receivable due to the implementation of GASB Statement No. 87.

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2022, is as follows:

Advances To/ Advances From

Receivable Fund	Payable Fund	Amount
General Fund	Ditch Fund	$ 132,264

The outstanding balance is for cash flow purposes to the Ditch Fund. The balance is expected to be liquidated with special assessments over the next 15 years.

Due To/From Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Ditch Fund	$ 938,407

The outstanding balance is for cash flow purposes to the Ditch Fund.

Transfers To/From Other Funds

Recipient Fund	Paying Fund	Amount
Debt Service Fund	General Fund	$ 742,729

The transfer to the Debt Service Fund from the General Fund was to pay for debt obligations.

C. Liabilities

1. Accounts Payable and Other Current Liabilities

Accounts payable and other current liabilities at December 31, 2022, were as follows:

	Governmental Activities
Accounts	$ 156,188
Salaries	66,505
Contracts	314,286
Due to Other Governments	76,017
Total	$ 612,996

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities

2. Long-Term Debt

Type of Indebtedness	Final Maturity	Installment Amounts	Average Interest Rates (%)	Original Issue Amount	Outstanding Balance December 31, 2022
General Obligation Bonds:					
2015 G.O. Ditch Bonds	2031	$5,000 - $15,000	3.00 - 4.00%	$ 195,000	$ 105,000
2012A G.O. Road Construction Bonds	2029	$125,000 - $420,000	2.00 - 2.25	4,300,000	2,740,000
2016B G.O. Water System Revenue Note	2056	$51,000 - $118,000	2.25	3,108,000	2,786,000
2020A Taxable G.O Tax Abatement Revenue Bonds	2031	$460,000 - $535,000	1.40 - 2.20	4,925,000	4,465,000
Plus: Unamortized Premium					32,381
Less: Unamortized Discount					(28,281)
Total General Obligation Bonds, Net					10,100,100
Loan Agreements - Direct Borrowing:					
CWP Loans	2025	$2,289 - $178,282	0.00 - 2.00	2,245,181	4,115
AgBMP Loans	2030	$4,763 - $102,883	0.00	699,295	390,911
MPCA Loans	2032	$25,000 - $50,000	0.00	500,000	630,544
Total Loan Agreements - Direct Borrowing					1,025,570
Total Long-Term Debt					$ 11,125,670

In 2019, the County entered into a loan agreement with the Minnesota Pollution Control Agency (MPCA) for financing of the Minnesota Clean Water Partnership Project. These loans are secured by special assessments placed on the individual parcels requesting repair of a failing septic system. According to the agreement, the County can borrow as much as $650,000. As of December 31, 2022, the total amount borrowed was $630,544. Final repayment schedules are not currently available for the 2019 loan but the estimated repayment schedules for the full $500,000 loan have been included in the debt service requirements. The outstanding balance as of December 31, 2022 totals 630,544.

In 2012 and 2016 the County agreed to act as loan and project sponsor for a project loan agreement made under the Clean Water Partnership Law (CWP) with the state of Minnesota and the Minnesota Department of Agriculture. The County is required to repay the funds. All loans are secured by special assessments placed on individual parcels requesting repair of a failing system. Loan payments are reported in the General Fund. The outstanding balance as of December 31, 2022 totals $4,115.

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities (Continued)

2. Long-Term Debt (Continued)

The outstanding AgBMP loans contain a provision that if the County fails to comply with Minnesota Statute 17.117 or the terms of the loan agreement, the State Department of Agriculture may require immediate repayment of the outstanding principal balance. All loans are secured by special assessments placed on the individual parcels. The outstanding balance as of December 31, 2022 totals $390,911.

In 2016, the County approved the sale of General Obligation Water Revenue Notes, Series 2016B, for $3,108,000, to finance the construction of facilities and improvements for Lincoln Pipestone Rural Water System. The bonds are considered general obligations of Lincoln County, which has pledged its full faith, credit, and taxing powers for these notes. The Lincoln Pipestone Rural Water System is responsible for making the payments on the 2016B notes. The outstanding balance as of December 31, 2022 totals $2,740,000.

The Debt Service Fund is used to report the 2012A, 2016B and 2020A general obligation bond payments. The ditch fund is used to report the 2015 general obligation ditch bond payments.

3. Debt Service Requirements

Debt service requirements at December 31, 2022, were as follows:

Year Ending	General Obligation Bonds		CWP Loans Payable-Direct Borrowing	
December 31,	Principal	Interest	Principal	Interest
2023	$ 903,000	$ 117,860	$ 1,335	$ 75
2024	924,000	108,630	1,362	48
2025	940,000	99,153	1,418	21
2026	957,000	89,503	-	-
2027	963,000	79,833	-	-
2028-2032	3,264,000	284,557	-	-
2033-2037	378,000	224,685		
2038-2042	422,000	180,180		
2043-2047	471,000	130,614		
2048-2052	527,000	75,128		
2052-2056	347,000	15,727	-	-
Total	$ 10,096,000	$ 1,405,870	$ 4,115	$ 144

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities (Continued)

3. Debt Service Requirements (Continued)

Year Ending	AgBMP Loans Payable-Direct Borrowing		MPCA Loans Payable-Direct Borrowing	
December 31,	Principal	Interest	Principal	Interest
2023	$ 96,058	$ 4,213	$ 32,500	$ -
2024	76,812	2,517	65,000	-
2025	65,614	2,386	65,000	-
2026	55,961	1,078	65,000	-
2027	46,663	1,110	65,000	-
2028-2032	49,803	1,738	325,000	-
2033	-	-	32,500	-
Total	$ 390,911	$ 13,042	$ 650,000	$ -

Year Ending	Lease Liability	
December 31,	Principal	Interest
2023	$ 4,502	$ 12
2024	4,505	9
2025	4,509	5
2026	4,512	2
2027	1,128	-
Total	$ 19,156	$ 28

The amounts for the MPCA Loans Payable include the full $650,000 of debt funding authorized by PFA agreements. Of this $650,000, $630,544 has been drawn by the County as of December 31, 2022 and $19,456 is left to be drawn.

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities (Continued)

4. Change in Long-Term Liabilities

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

	Beginning Balance, as Restated *	Additions	Reductions	Ending Balance	Due Within One Year
General Obligation Bonds	$ 11,318,000	$ -	$ 1,222,000	$ 10,096,000	$ 903,000
Plus: Premiums	41,525	-	9,144	32,381	-
Less: Discounts	(34,198)	-	(5,917)	(28,281)	-
Direct Borrowing:					
CWP Loans Payable	13,498	-	9,383	4,115	1,335
AgBMP Loans Payable	491,504	-	100,593	390,911	96,058
MPCA Loans Payable	417,871	212,673	-	630,544	32,500
Other Liabilities:					
Lease Liability	23,935	23,655	28,434	19,156	4,502
Compensated Absences	273,743	363,550	360,217	277,076	34,126
Governmental Activities Long-Term Liabilities	$ 12,545,878	$ 599,878	$ 1,723,854	$ 11,421,902	$ 1,071,521

* The beginning balance was restated to record lease liability due to the implementation of GASB Statement No. 87.

For governmental activities, compensated absences are generally liquidated by the General Fund and Road and Bridge Fund.

5. Lease Liabilities

On November 16, 2021, the County entered into a 63-month lease for the use of a postage machine. The lease agreement requires monthly payments of $376 which includes interest at 3.75%.

At December 31, 2022, the County had $67,829 of assets under leases with related accumulated amortization of $35,796.

D. Prior Period Adjustment

In prior years, the County issued debt on behalf of Lincoln Pipestone Rural Water System (LPRW), a joint venture of the County and the debt was recognized by LPRW. The liability was not recognized by the Lincoln County governmental activities, and the receivable for the debt payments was not included in the Debt Service fund for the repayment from LPRW. In accordance with the GASB Comprehensive Implementation Guide, debt issued by a government that is fully backed by that government should be reported.

To correct this error, beginning fund balance of the Debt Service fund was restated by $3,241,156 to include the amount due from LPRW to repay the debt recognized by the County.

NOTE 4 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS

A. Plan Description

The County participates in the following 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.

1. 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.

2. 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.

3. 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.

B. 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.

1. 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.

NOTE 4 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)

B. Benefits Provided (Continued)

1. General Employees Plan Benefits (Continued)

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 percent and a maximum of 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

2. 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 percent after ten 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 ten 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 percent. 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.

NOTE 4 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)

B. Benefits Provided (Continued)

3. 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 ten 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.

C. Contributions

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

1. 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's contributions to the General Employees Fund for the year ended December 31, 2022, were $176,216. The County's contributions were equal to the required contributions as set by state statute.

2. Police and Fire Fund Contributions

Police and Fire member 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's contributions to the Police and Fire Fund for the year ended December 31, 2022, were $90,581. The County's contributions were equal to the required contributions as set by state statute.

NOTE 4 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)

C. Contributions (Continued)

3. 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's contributions to the Correctional Fund for the year ended December 31, 2022, were $37,295. The County's contributions were equal to the required contributions as set by state statute.

D. Pension Costs

1. General Employees Fund Pension Costs

At December 31, 2022, the County reported a liability of $2,471,050 for its proportionate share of the General Employees Fund's net pension liability. The County's 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 $72,411.

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's 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 0.0312% at the end of the measurement period and 0.0318% for the beginning of the period.

County's Proportionate Share of the Net Pension Liability	$	2,471,050
State's Proportionate Share of the Net Pension Liability		72,411
Total	$	2,543,461

There were no provision changes during the current measurement period.

For the year ended December 31, 2022, the County recognized pension expense of $323,836 for its proportionate share of the General Employees Plan's pension expense. In addition, the County recognized $10,820 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.

NOTE 4 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

1. General Employees Fund Pension Costs (Continued)

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:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	$ 20,640	$ 26,397
Changes in Actuarial Assumptions	559,244	10,050
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	42,862	-
Changes in Proportion	39,534	47,318
County Contributions Subsequent to the Measurement Date	95,754	-
Total	$ 758,034	$ 83,765

The $95,754 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:

Year Ending December 31,	Pension Expense
2023	$ 205,103
2024	237,029
2025	(87,087)
2026	223,470

2. Police and Fire Fund Pension Costs

At December 31, 2022, the County reported a liability of $1,775,455 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 the County's 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 0.0408% at the end of the measurement period and 0.0396% for the beginning of the period.

NOTE 4 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

2. Police and Fire Fund Pension Costs (Continued)

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 meets the definition of a special funding situation and $9 million in supplemental state aid that does not meet the definition of a special funding situation. 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's proportionate share of the net pension liability associated with the County totaled $77,594.

County's Proportionate Share of the Net Pension Liability	$	1,775,455
State's Proportionate Share of the Net Pension Liability		77,594
Total	$	1,853,049

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 $144,480 for its proportionate share of the Police and Fire Plan's pension expense. The County also recognized $15,051 as grant revenue and pension expense 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 $3,672 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.

There were no provision changes during the measurement period.

NOTE 4 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

2. Police and Fire Fund Pension Costs (Continued)

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:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	$ 108,442	$ -
Changes in Actuarial Assumptions	1,045,129	10,673
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	23,797	
Changes in Proportion	48,945	14,577
County Contributions Subsequent to the Measurement Date	49,558	-
Total	$ 1,275,871	$ 25,250

The $49,558 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:

Year Ending December 31,	Pension Expense
2023	$ 238,593
2024	237,386
2025	203,080
2026	371,506
2027	150,498

NOTE 4 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

3. Correctional Plan Pension Costs

At December 31, 2022, the County reported a liability of $631,891 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's 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 0.190% at the end of the measurement period and 0.184% for the beginning of the period.

There were no provision changes during the measurement period.

For the year ended December 31, 2022 the County recognized pension expense of $217,661 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:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	$ -	$ 20,833
Changes in Actuarial Assumptions	409,232	936
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	17,470	-
Changes in Proportion	5,686	2,774
County Contributions Subsequent to the Measurement Date	20,318	-
Total	$ 452,706	$ 24,543

NOTE 4 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

3. Correctional Plan Pension Costs (Continued)

The $20,318 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 or an increase in 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:

Year Ending December 31,	Pension Expense
2023	$ 186,167
2024	187,944
2025	(17,043)
2026	50,777

4. Summary

	General Employee Fund	Police and Fire Fund	Correctional Fund	Total
Net Pension Liability	$ 2,471,050	$ 1,775,455	$ 631,891	$ 4,878,396
Deferred Outflows of Resources Related to Pension	758,034	1,275,871	452,706	2,486,611
Deferred Inflows of Resources Related to Pension	83,765	25,250	24,543	133,558
Pension Expense	334,656	163,203	217,661	715,520

NOTE 4 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)

E. 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	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	33.5 %	5.10 %
Private Markets	25.0	5.90
Fixed Income	25.0	0.75
International Equity	16.5	5.30
Totals	100.0 %	

F. 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 6.50%. 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 6.50% 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 2.00% for the Correction Plan through December 31, 2054, and 1.50% thereafter. The Police and Fire Plan benefit increase is fixed at 1.00% 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 3.00% after 27 years of service. In the Police and Fire Plan, salary growth assumptions range from 11.75% after one year of service to 3.00% after 24 years of service. In the Correctional Plan, salary growth assumptions range from 11.00% at age 20 to 3.00% at age 60.

NOTE 4 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)

F. Actuarial Methods and Assumptions (Continued)

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 5.42%.
- The benefit increase assumption was changed 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.

NOTE 4 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)

G. Discount Rate

The discount rate for the General Employees Plan 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 position of the General Employees Fund was 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.

H. 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 one percentage point lower or one percentage point higher than the current discount rate:

	General Employees Fund		Police and Fire Fund		Correctional Fund	
1% Lower	5.50%	$ 3,903,153	4.40%	$ 2,686,923	4.42%	$ 1,113,047
Current Discount Rate	6.50%	2,471,050	5.40%	1,775,455	5.42%	631,891
1% Higher	7.50%	1,296,505	6.40%	1,038,587	6.42%	253,597

I. 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.

NOTE 4 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)

J. Defined Contribution Plans

One Board member is covered by the Defined Contribution Plan, a multiple-employer deferred compensation plan administered by PERA. The Defined Contribution Plan is a tax qualified plan under Section 401(a) of the Internal Revenue Code and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. *Minnesota Statutes*, Chapter 353D.03, specifies plan provisions, including the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes 5% of salary which is matched by the elected official's employer. Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2% of employer contributions and 25 hundredths of 1% (0.25%) of the assets in each member's account annually.

Total contributions by dollar amount and percentage of covered payroll made by the County during fiscal year 2022 were:

	Employee	Employer
Contribution Amount	$ 2,955	$ 2,955
Percentage of Covered Payroll	5.00%	5.00%

NOTE 4 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)

K. OPEB Disclosure

The County provides health insurance benefits for certain retired employees under a single employer defined benefit plan. The County provides benefits for retirees as required by Minnesota Statutes §471.61 subdivision 2b. Benefit terms were established and may be amended only by Board approval. Active employees who retire from the County when eligible to receive a retirement benefit from the Public Employees Retirement Association (PERA) of Minnesota (or similar plan) 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 spouse/partner under the County's health benefits program. Pursuant to the provisions of the plan, retirees are required to pay the full amount of the total premium cost.

As of December 31, 2022, there are 59 active employees on the County's health plan, and one retiree receiving health benefits from the plan. There are no inactive employees entitled to, but not yet receiving benefit payments.

1. Funding Policy

The County's OPEB plan is financed on a pay-as-you-go basis and currently has no assets that have been deposited into an irrevocable trust for future health benefits. Therefore, the actuarial value of assets is zero.

2. Actuarial Methods and Assumptions

The County's OPEB liability of $186,642 was measured as of January 1, 2022:

Inflation	2.0%
Salary	Variable
Health Care Trend Rates	6.50% Decreasing to 5.00% over 6 years, then to 4.00% over the next 48 years

Mortality rates were based on the Pub 2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Safety) with MP-2021 Generational Improvement Scale. The rates were based on the four-year experience study for the Public Employees Retirement Association of Minnesota Police and Fire Plan completed in 2020 and the four-year experience study for the Public Employees Retirement Association of Minnesota General Employees Plan completed in 2019 and a review of the inflation assumption.

The discount rate used to measure the total OPEB liability was 2.00%. The discount rate is equal to the 20-Year Municipal Bond Yield.

The actuarial assumptions used in the January 1, 2022 valuation were based on the results of an actuarial experience study for the period of January 1, 2021 to December 31, 2021.

NOTE 4 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)

K. OPEB Disclosure (Continued)

2. Actuarial Methods and Assumptions (Continued)

Active employees without coverage are assumed not to elect retiree health coverage.

Since the most recent valuation, the following assumption changes have been made:

- The healthcare 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 rates were updated to reflect the latest experience study.
- The 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%.

3. Changes in Total OPEB Liability

The County’s total OPEB liability was measured as of January 1, 2022 and was determined by an actuarial valuation as of January 1, 2022. The following table shows the County’s total OPEB liability for the year ended December 31, 2022:

	Total OPEB Liability
Balance - January 1, 2022	$ 248,673
Changes for the Year:	
Service Cost	19,612
Interest	7,526
Changes in Assumptions	11,202
Differences between Expected and Actual Experience	(82,735)
Benefit Payments	(17,636)
Net Change in Total OPEB Liability	(62,031)
Balance - December 31, 2022	$ 186,642

NOTE 4 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)

K. OPEB Disclosure (Continued)

3. Changes in Total OPEB Liability (Continued)

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 one percentage point lower or one percentage point higher than the current discount rate:

Discount Rate	1% Decrease (1.00%)	Discount Rate (2.00%)	1% Increase (3.00%)
Total OPEB Liability	$ 202,026	$ 186,642	$ 171,995

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% lower (5.50% decreasing to 4.00% over six years, then to 3.00% over 48 years) or 1% higher (7.50% decreasing to 6.00% over six years, then to 5.00% over 48 years) than the current healthcare costs trend rates:

Medical Trend Rate	1% Decrease (5.50% Decreasing to 4.00% over 6 years, then to 3.00% over 48 years)	Current Trend Rates (6.50% Decreasing to 5.00% over 6 years, then to 4.00% over 48 years)	1% Increase (7.50% Decreasing to 6.00% over 6 years, then to 5.00% over 48 years)
Total OPEB Liability	$ 162,373	$ 186,642	$ 215,623

For the year ended December 31, 2022, the County recognized OPEB expense of $4,098. The County recognized the following deferred inflows of resources and deferred outflows of resources related to OPEB:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	$ 9,601	$ 3,045
Difference Between Expected and Actual Experience	-	87,493
Benefit Payments Made Subsequent to the Measurement Date	8,895	-
Total	$ 18,496	$ 90,538

NOTE 4 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)

K. OPEB Disclosure (Continued)

3. Changes in Total OPEB Liability (Continued)

The $8,895 in deferred outflows of resources resulting from County benefit payments made subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended December 31, 2023. The remaining deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending December 31,	OPEB Expense
2023	$ (14,145)
2024	(14,145)
2025	(14,145)
2026	(14,145)
2027	(14,138)
2028	(10,219)

NOTE 5 SUMMARY OF SIGNIFICANT CONTINGENCIES AND OTHER ITEMS

A. Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters for which the County carries commercial insurance. The County has entered into a joint powers agreement with other Minnesota counties to form the Minnesota Counties Intergovernmental Trust (MCIT). The County is a member of both the MCIT Workers' Compensation and Property and Casualty Divisions. For other risk, the County carries commercial insurance. There were no significant reductions in insurance from the prior year. The amount of settlements did not exceed insurance coverage for the past three fiscal years.

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at $500,000 per claim in 2022. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

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

NOTE 5 SUMMARY OF SIGNIFICANT CONTINGENCIES AND OTHER ITEMS (CONTINUED)

A. Risk Management (Continued)

For 2022, the County retained the risk of loss after the $500 initial employee deductible through the first $5,000 of claims for the coverage of each employee. The County has contracted with Thrive to administer the County's health claims for which the risk has been retained by the County. Claims are recognized as they are paid. The amount of claims incurred at the balance sheet date which have not been accrued in the financial statements is immaterial.

B. Contingent Liabilities

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

<u>Lincoln-Pipestone Rural Water System</u>
At December 31, 2021 (the most recent available information), the Lincoln-Pipestone Rural Water System had $33,107,000 of general obligation bonds outstanding through 2059. The bonds were issued by some of the participating counties in the Rural Water System to finance the construction of water system expansions and improvements.

The debt is paid by the Lincoln-Pipestone Rural Water System from special assessments levied against property specially benefited by the applicable expansion, extension, or enlargement of the system and from the net revenues from time to time received in excess of the current costs of operating and maintaining the system. The bonds are general obligations of the issuing counties for which their full faith, credit, and unlimited taxing powers are pledged. The participating counties (Lac qui Parle, Lincoln, Lyon, Murray, Nobles, Pipestone, Redwood, Rock, and Yellow Medicine) have adopted board resolutions and have signed joint powers agreements to define their liability for a proportional share of the debt should the issuing counties make any debt service payments. In such a situation, each of the other counties will promptly reimburse the paying counties in proportion to the percentage of Lincoln-Pipestone Rural Water System customers located in such county, in accordance with Minnesota Statutes § 116A.24, subd. 3. The outstanding bonds are reported as liabilities in the annual financial statements of the Lincoln-Pipestone Rural Water System and are also reported as liabilities in the financial statements for the County that issued the bonds.

NOTE 5 SUMMARY OF SIGNIFICANT CONTINGENCIES AND OTHER ITEMS (CONTINUED)

C. Joint Ventures

Southwest Health and Human Services

Southwest Health and Human Services (SWHHS) was formed pursuant to Minnesota Statutes §471.591 by Lincoln, Lyon, Murray and Pipestone Counties in 2011. Rock County was admitted in 2012. Redwood County and Pipestone County were admitted in 2013. The Human Services Board and the Public Health Board started operations on January 1, 2011, and performs welfare and public health functions. There is no significant accumulation of resources or fiscal stress related to this entity.

SWHHS is governed by two County Commissioners, one commissioner serving on the Community Health Board and one on the Human Services Board, from each of the participating counties, who are chosen by their respective County Boards. Financing is provided by state grants, charges for services, and appropriations from member counties. Lincoln County's contribution in 2022 was $1,030,054.

The Southwest Health and Human Services 2021 financial report (the most recent available) shows total net position of $231,121, including unrestricted net position of negative $338,406. The increase in net position for the year ended December 31, 2021, was $3,060,064. Complete financial statements of the Southwest Health and Human Services can be obtained at 607 West Main Street, Suite 100, Marshall, Minnesota 56258.

Lincoln-Pipestone Rural Water System

Lincoln County, along with Jackson, Lac qui Parle, Lyon, Murray, Nobles, Pipestone, Redwood, Rock, and Yellow Medicine Counties, jointly established the Lincoln-Pipestone Rural Water System pursuant to Minnesota Statutes ch. 116A. The system is responsible for storing, treating, and distributing water for domestic, commercial, and industrial use within the area it serves. The cost of providing these services is recovered through user charges. The Lincoln-Pipestone Rural Water System is governed by the District Court. The Water System's Board is solely responsible for the budgeting and financing of the Water System. There is no significant accumulation of resources or fiscal stress related to this entity and the County did not contribute to the system in 2022.

Bonds were issued by Lincoln County, Nobles County, and Yellow Medicine County to finance the construction of the Rural Water System. Costs assessed to municipalities and special assessments levied against benefited properties pay approximately 85% of the amount necessary to retire principal and interest on the bonds. The remainder of the funds necessary to retire the outstanding bonds and interest will be provided by appropriations from the Lincoln-Pipestone Rural Water System.

The Lincoln-Pipestone Rural Water System's 2021 financial report (the most recent available) shows total net position of $58,302,179, including unrestricted net position of $11,028,377. The increase in net position for the year ended December 31, 2021, was $819,959.

NOTE 5 SUMMARY OF SIGNIFICANT CONTINGENCIES AND OTHER ITEMS (CONTINUED)

C. Joint Ventures (Continued)

Complete financial statements of the Lincoln-Pipestone Rural Water System can be obtained at East Highway 14, P. O. Box 188, Lake Benton, Minnesota 56149-0188.

Plum Creek Library System

Lincoln County, along with 19 cities and 8 other counties participate in the Plum Creek Library System. The Plum Creek Library System was created as a public library service on May 29, 1974, by the act of contracting with various public libraries in its region to provide expanded library service, with the additional purpose of furthering the public interest by providing the potential for extending public library services into areas without such services. The Plum Creek Library System is governed by a board of trustees which consists of two representatives from each county. One is appointed by the County Commissioners, the second from the board of participating libraries. Lincoln County's contribution in 2022 was $3,250. Plum Creek Library System is not accumulating significant financial resources or experiencing fiscal distress.

Complete financial statements of the Plum Creek Library System can be obtained at 290 South Lake Street, P.O. Box 697, Worthington, Minnesota 56187.

Southwest Minnesota Regional Emergency Communications Board

The Southwest Minnesota Regional Emergency Communications Joint Powers Board was established April 22, 2008 between Lincoln County, the City of Marshall, the City of Worthington, and twelve other counties under authority of Minnesota Statutes §§ 471.59 and 403.39. The purpose of the agreement is to formulate a regional radio board to provide for regional administration of enhancements to the Statewide Public Safety Radio and Communication System (ARMER.) There is no significant accumulation of resources or fiscal stress related to this entity.

Control is vested in a Joint Powers Board consisting of one County Commissioner and one City Council member for each party to the agreement. The members representing counties and cities shall be appointed by their respective governing bodies for the membership of that governing body. In addition, voting members of the board include a member of the Southwest Minnesota Regional Advisory Committee, a member of the Southwest Minnesota Regional Radio System User Committee, and a member of the Southwest Minnesota Owners and Operators Committee.

Financing is provided by the appropriations from member parties and by state and federal grants. During 2022, Lincoln County contributed $2,100 to the Joint Powers Board.

Separate financial information for Southwest Minnesota Regional Emergency Communication Board can be obtained at 611 W. Main St, Marshall, MN 56258.

NOTE 5 SUMMARY OF SIGNIFICANT CONTINGENCIES AND OTHER ITEMS (CONTINUED)

C. Joint Ventures (Continued)

Counties Providing Technology

In 2018, 23 counties created a joint powers organization named Counties Providing Technology (CPT) for the purpose of purchasing their former software vendor, Computer Professionals Unlimited, Inc. (CPUI) and then provide for the development, operation and maintenance of technology applications and systems, and the support and management of such systems for the use and benefit of the members and other governmental units. There is no significant accumulation of resources or fiscal stress related to this entity.

In 2022, the County contributed $53,808 to Counties Providing Technology. Complete financial information can be obtained from Counties Providing Technology office at 400 Colorado Avenue, Suite 303, Morris, MN 56267.

Advocate, Connect, Educate (A.C.E.) of Southwest Minnesota

Lincoln County, in conjunction with Cottonwood, Lyon, Murray, Nobles, Redwood and Rock Counties, and the Southwest Regional Development Commission, pursuant to Minn. Stat. § 471.59, have formed an agreement to coordinate the delivery of volunteer services to nonprofit community service entities and local units of government meeting the guidelines for receiving volunteer services under the authority of the counties. The entity known as Retired and Senior Volunteer Program of Southwest Minnesota (RSVP of Southwest Minnesota) changed its name to A.C.E. of Southwest Minnesota as of January 1, 2014. The board comprises of one voting member from each participating County and one voting member of the A.C.E of Southwest Minnesota Advisory Council. There is no significant accumulation of resources or fiscal stress related to this entity.

In 2022, Lincoln County contributed $15,436 to the A.C.E. of Southwest Minnesota.

Southwest Minnesota Private Industry Council, Inc.

The Southwest Minnesota Private Industry Council, Inc., (SW MN PIC) is a private nonprofit corporation, which was created through a joint powers agreement on October 1, 1983, and began operations in 1985 under the Job Training Partnership Act (JTPA) authorized by Congress to administer and operate job training programs in a 14-county area of Southwestern Minnesota. These counties include Big Stone, Chippewa, Cottonwood, Jackson, Lac qui Parle, Lincoln, Lyon, Murray, Nobles, Pipestone, Redwood, Rock, Swift, and Yellow Medicine.

SW MN PIC is governed by the Chief Elected Official Board, which is composed of one representative from each member county.

Lincoln County provided $500 to this organization in 2022. Separate financial information can be obtained from the Lyon County Government Center, 607 West Main Street, Marshall, Minnesota 56258.

NOTE 5 SUMMARY OF SIGNIFICANT CONTINGENCIES AND OTHER ITEMS (CONTINUED)

D. Jointly Governed Organizations

Lincoln 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.

- The Minnesota River Basin provides programs for flood reduction measures to the area between the Cities of Ortonville and Mankato. During the year, the County did not contribute to the project.
- The County Board is responsible for appointing two members of the Board of Managers for the Yellow Medicine River Watershed District, but the County's responsibility does not extend beyond making the appointments.
- The County Board is responsible for appointing one member of the Board of Managers for the Lac qui Parle-Yellow Bank Watershed District. During 2022, the County contributed $13,564.
- The County Board is responsible for appointing one member of the Board of Managers for the Redwood-Cottonwood Rivers Control Area. During 2022, the County contributed $5,520 to this organization.
- The County Board is responsible for appointing one member of the Board of Managers for the Area II Minnesota River Basin Projects, Inc. During 2022, the County contributed $5,027.

E. Related Organization

Housing and Redevelopment Authority of Lincoln County

The five-member governing body of the Housing and Redevelopment Authority of Lincoln County is appointed by Lincoln County. Lincoln County is not financially responsible for the Authority. During 2022, there were six related-party transactions totaling $227,819 between Lincoln County and the Housing and Redevelopment Authority of Lincoln County.

F. Agriculture Best Management Loan Program

The County has entered into an agreement with the Minnesota Department of Agriculture and local lending institutions to jointly administer a loan program to individuals to implement projects that prevent or mitigate nonpoint source water pollution. The County does have certain administrative responsibilities under this agreement. These loans will be paid off in 2030 but they can be paid off sooner if Lincoln County chose to do so.

NOTE 5 SUMMARY OF SIGNIFICANT CONTINGENCIES AND OTHER ITEMS (CONTINUED)

G. Construction Commitments

The County has active construction projects and outstanding contracts as of December 31, 2022. The commitments include the following:

Description	Remaining Balance	Original Contract Amount	Change Orders	Total Contract Amount
Contract 04-2019	$ 28,825	$ 590,919	$ -	$ 590,919
Contract 03-2020	6,425	679,560	-	679,560
Contract 04-2020	80,572	1,575,575	35,882	1,611,457
Contract 01-2021	14,969	612,098	-	612,098
Contract 01-2022	138,927	2,718,776	59,764	2,778,540
Project 041-607-045	42,911	920,945	-	920,945

REQUIRED SUPPLEMENTARY INFORMATION

LINCOLN COUNTY
SCHEDULE OF THE COUNTY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)
LAST TEN MEASUREMENT PERIODS

	Measurement Date June 30, 2022	2021	2020	2019
General Employees Plan:				
County's Proportion of the Net Pension Liability	0.0312%	0.0318%	0.0305%	0.0319%
County's Proportionate Share of the Net Pension Liability	$ 2,471,050	$ 1,358,002	$ 1,828,614	$ 1,763,680
State's Proportionate Share of the Net Pension Liability Associated with the County	72,411	41,381	56,315	54,831
County's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability	$ 2,543,461	$ 1,399,383	$ 1,884,929	$ 1,818,511
County's Covered Payroll	$ 2,334,554	$ 2,284,783	$ 2,175,217	$ 2,261,058
County's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	105.85%	59.44%	84.07%	78.00%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	76.67%	87.00%	79.10%	80.20%
Police and Fire Plan:				
County's Proportion of the Net Pension Liability	0.0408%	0.0396%	0.0386%	0.0403%
County's Proportionate Share of the Net Pension Liability	$ 1,775,455	$ 305,670	$ 508,789	$ 429,034
State's Proportionate Share of the Net Pension Liability Associated with the County	77,594	13,715	11,983	-
County's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability	$ 1,853,049	$ 319,385	$ 520,772	$ 429,034
County's Covered Payroll	$ 495,844	$ 470,563	$ 435,484	$ 424,976
County's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	358.07%	64.96%	116.83%	100.95%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.53%	93.70%	87.20%	89.30%
Correctional Plan:				
County's Proportion of the Net Pension Liability	0.1900%	0.1842%	0.1906%	0.1790%
County's Proportionate Share of the Net Pension Liability	$ 631,891	$ (99,977)	$ 51,718	$ 24,741
County's Covered Payroll	$ 417,563	$ 407,250	$ 414,653	$ 381,263
County's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	151.33%	(24.55%)	12.47%	6.49%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.58%	101.60%	96.70%	98.20%

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

See accompanying Notes to Required Supplementary Information.

LINCOLN COUNTY
SCHEDULE OF THE COUNTY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)
LAST TEN MEASUREMENT PERIODS

	Measurement Date June 30, 2018	2017	2016	2015
General Employees Plan:				
County's Proportion of the Net Pension Liability	0.0313%	0.0308%	0.0324%	0.0343%
County's Proportionate Share of the Net Pension Liability	$ 1,736,396	$ 1,966,252	$ 2,630,719	$ 1,777,604
State's Proportionate Share of the Net Pension Liability Associated with the County	57,086	24,724	34,334	-
County's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability	$ 1,793,482	$ 1,990,976	$ 2,665,053	$ 1,777,604
County's Covered Payroll	$ 2,106,927	$ 1,984,243	$ 2,009,914	$ 2,013,044
County's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	82.41%	99.09%	130.89%	88.30%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.90%	75.90%	68.90%	78.20%
Police and Fire Plan:				
County's Proportion of the Net Pension Liability	0.0364%	0.0360%	0.0370%	0.0330%
County's Proportionate Share of the Net Pension Liability	$ 387,987	$ 486,043	$ 1,484,874	$ 374,957
State's Proportionate Share of the Net Pension Liability Associated with the County	-	-	-	-
County's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability	$ 387,987	$ 486,043	$ 1,484,874	$ 374,957
County's Covered Payroll	$ 383,772	$ 366,811	$ 357,936	$ 304,286
County's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	101.10%	132.51%	414.84%	123.23%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	88.80%	85.43%	63.90%	86.60%
Correctional Plan:				
County's Proportion of the Net Pension Liability	0.1910%	0.2300%	0.1900%	0.2000%
County's Proportionate Share of the Net Pension Liability	$ 31,479	$ 655,502	$ 694,097	$ 30,920
County's Covered Payroll	$ 390,840	$ 382,281	$ 348,864	$ 359,347
County's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	8.05%	171.47%	198.96%	8.60%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	97.60%	67.90%	58.20%	96.90%

See accompanying Notes to Required Supplementary Information.

LINCOLN COUNTY
SCHEDULE OF THE COUNTY CONTRIBUTIONS
LAST TEN FISCAL YEARS

	2022	2021	2020	2019	2018
General Employees Plan:					
Contractually Required Contribution	$ 176,216	$ 174,301	$ 173,564	$ 167,064	$ 163,773
Contributions in Relation to the Contractually Required Contribution	(176,216)	(174,301)	(173,564)	(167,064)	(163,773)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
County's Covered Payroll	$ 2,349,547	$ 2,324,013	$ 2,314,187	$ 2,227,520	$ 2,183,884
Contributions as a Percentage of Covered Payroll	7.50%	7.50%	7.50%	7.50%	7.50%
Police and Fire Plan:					
Contractually Required Contribution	$ 90,581	$ 81,934	$ 83,133	$ 73,386	$ 64,218
Contributions in Relation to the Contractually Required Contribution	(90,581)	(81,934)	(83,133)	(73,386)	(64,218)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
County's Covered Payroll	$ 506,040	$ 457,732	$ 464,430	$ 432,957	$ 396,407
Contributions as a Percentage of Covered Payroll	17.90%	17.90%	17.90%	16.95%	16.20%
Correctional Plan:					
Contractually Required Contribution	$ 37,295	$ 35,832	$ 38,481	$ 34,288	$ 33,920
Contributions in Relation to the Contractually Required Contribution	(37,295)	(35,832)	(38,481)	(34,288)	(33,920)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
County's Covered Payroll	$ 426,231	$ 409,509	$ 439,783	$ 391,863	$ 387,652
Contributions as a Percentage of Covered Payroll	8.75%	8.75%	8.75%	8.75%	8.75%

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

See accompanying Notes to Required Supplementary Information.

LINCOLN COUNTY
SCHEDULE OF THE COUNTY CONTRIBUTIONS
LAST TEN FISCAL YEARS

	2017	2016	2015	2014
General Employees Plan:				
Contractually Required Contribution	$ 151,320	$ 148,446	$ 151,447	$ 144,945
Contributions in Relation to the Contractually Required Contribution	(151,320)	(148,446)	(151,447)	(144,945)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
County's Covered Payroll	$ 2,018,204	$ 1,979,281	$ 2,021,167	$ 1,999,243
Contributions as a Percentage of Covered Payroll	7.50%	7.50%	7.50%	7.25%
Police and Fire Plan:				
Contractually Required Contribution	$ 60,914	$ 58,865	$ 54,752	$ 50,191
Contributions in Relation to the Contractually Required Contribution	(60,914)	(58,865)	(54,752)	(50,191)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
County's Covered Payroll	$ 375,992	$ 363,365	$ 337,973	$ 327,916
Contributions as a Percentage of Covered Payroll	16.20%	16.20%	16.20%	15.30%
Correctional Plan:				
Contractually Required Contribution	$ 33,201	$ 32,954	$ 30,930	$ 34,725
Contributions in Relation to the Contractually Required Contribution	(33,201)	(32,954)	(30,930)	(34,725)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
County's Covered Payroll	$ 379,443	$ 376,611	$ 353,485	$ 396,858
Contributions as a Percentage of Covered Payroll	8.75%	8.75%	8.75%	8.75%

See accompanying Notes to Required Supplementary Information.

LINCOLN COUNTY
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY, RELATED RATIOS, AND NOTES
LAST TEN MEASUREMENT PERIODS

	Measurement Date - January 1,				
	2022	2021	2020	2019	2018
Total OPEB Liability:					
Service Cost	$ 19,612	$ 23,739	$ 23,048	$ 19,801	$ 19,224
Interest	7,526	7,184	8,450	7,574	6,880
Changes of Assumptions	11,202	-	(4,875)	-	-
Differences Between Expected and Actual Experience	(82,735)	-	(26,526)	-	-
Benefit Payments	(17,636)	(12,366)	(5,929)	(2,251)	(8,992)
Net Change in Total OPEB Liability	(62,031)	18,557	(5,832)	25,124	17,112
Total OPEB Liability - Beginning of Year	248,673	230,116	235,948	210,824	193,712
Total OPEB Liability - End of Year	$ 186,642	$ 248,673	$ 230,116	$ 235,948	$ 210,824
Covered-Employee Payroll	$ 3,181,132	$ 3,026,184	$ 2,938,043	$ 2,899,838	$ 2,815,377
County's Total OPEB Liability as a Percentage of Covered-Employee Payroll	5.9%	8.2%	7.8%	8.1%	7.5%

NOTE 1: The County implemented GASB Statement No. 75 in 2018. The above table will be expanded to ten years of information as the information becomes available.

NOTE 2: No assets are accumulated in a trust.

See accompanying Notes to Required Supplementary Information.

LINCOLN COUNTY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED DECEMBER 31, 2022

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES				
Taxes	$ 5,478,818	$ 5,478,818	$ 5,905,947	$ 427,129
Special Assessments	402,735	402,735	377,343	(25,392)
Licenses and Permits	2,350	2,350	25,858	23,508
Intergovernmental	1,393,577	1,393,577	2,880,601	1,487,024
Charges for Services	419,800	419,800	560,338	140,538
Fines and Forfeits	-	-	2,582	2,582
Gifts and Contributions	-	-	250	250
Investment Earnings	96,000	96,000	(278,375)	(374,375)
Miscellaneous	252,200	252,200	300,844	48,644
Total Revenues	8,045,480	8,045,480	9,775,388	1,729,908
EXPENDITURES				
Current:				
General Government:				
Commissioners	184,550	184,550	184,856	(306)
Courts	27,100	27,100	14,696	12,404
County Administration	184,308	184,308	1,588,345	(1,404,037)
Auditor	458,378	458,378	305,724	152,654
Drivers License	30,000	30,000	42,966	(12,966)
Assessor	255,408	255,408	119,763	135,645
Elections	38,700	38,700	36,500	2,200
Data Processing	105,000	105,000	98,306	6,694
Attorney	198,560	198,560	189,190	9,370
Recorder	316,313	316,313	166,807	149,506
Buildings and Plant	264,350	264,350	177,383	86,967
Veterans Service Officer	39,102	39,102	25,018	14,084
Transportation	45,000	45,000	-	45,000
Safety Officer	20,358	20,358	9,759	10,599
Other General Government	895,200	895,200	375,693	519,507
Total General Government	3,062,327	3,062,327	3,335,006	(272,679)

See accompanying Notes to Required Supplementary Information.

LINCOLN COUNTY
BUDGETARY COMPARISON SCHEDULE (CONTINUED)
GENERAL FUND
YEAR ENDED DECEMBER 31, 2022

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
EXPENDITURES (CONTINUED)				
Current (Continued):				
Public Safety:				
Sheriff	$ 1,970,216	$ 1,970,216	$ 1,089,360	$ 880,856
Boat and Water Safety	9,866	9,866	8,619	1,247
Coroner	19,000	19,000	24,135	(5,135)
E-911 System	225,000	225,000	53,212	171,788
Probation and Parole	51,217	51,217	71,940	(20,723)
Civil Defense	121,220	121,220	112,323	8,897
Total Public Safety	2,396,519	2,396,519	1,359,589	1,036,930
Sanitation:				
Solid Waste	404,817	404,817	390,281	14,536
Culture and Recreation:				
Historical Society	10,000	10,000	10,000	-
Minnesota Trails	28,000	28,000	14,611	13,389
Parks	367,317	367,317	241,266	126,051
Library	64,850	64,850	64,850	-
Other	500	500	500	-
Total Culture and Recreation	470,667	470,667	331,227	139,440
Conservation of Natural Resources:				
Extension	130,376	130,376	94,791	35,585
ISTS Projects	34,871	34,871	83,686	(48,815)
Water Planning	18,843	18,843	34,331	(15,488)
Environmental Officer	306,117	306,117	255,863	50,254
Wetland Challenge	8,778	8,778	17,556	(8,778)
Other	205,621	205,621	205,621	-
Total Conservation of Natural Resources	704,606	704,606	691,848	12,758

See accompanying Notes to Required Supplementary Information.

LINCOLN COUNTY
BUDGETARY COMPARISON SCHEDULE (CONTINUED)
GENERAL FUND
YEAR ENDED DECEMBER 31, 2022

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget
EXPENDITURES (CONTINUED)				
Current (Continued):				
Economic Development:				
Community Development	$ 64,260	$ 64,260	$ 64,260	$ -
Tourism	3,500	3,500	3,500	-
Other	25,406	25,406	25,406	-
Total Economic Development	93,166	93,166	93,166	-
Intergovernmental:				
Health	84,018	84,018	84,018	-
Debt Service:				
Principal	110,010	110,010	114,502	(4,492)
Interest	225	225	223	2
Total Debt Service	110,235	110,235	114,725	(4,490)
Total Expenditures	7,326,355	7,326,355	6,399,860	926,495
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	719,125	719,125	3,375,528	2,656,403
OTHER FINANCING SOURCES (USES)				
Transfers In	849,104	849,104	-	(849,104)
Transfers Out	(1,571,729)	(1,571,729)	(742,729)	829,000
Sale of Capital Assets	3,500	3,500	13,489	9,989
Total Other Financing Sources (Uses)	(719,125)	(719,125)	(729,240)	(10,115)
NET CHANGE IN FUND BALANCE	$ -	$ -	2,646,288	$ 2,646,288
Fund Balance - Beginning of Year			10,563,142	
FUND BALANCE - END OF YEAR			$ 13,209,430	

See accompanying Notes to Required Supplementary Information.

LINCOLN COUNTY
BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
YEAR ENDED DECEMBER 31, 2022

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES				
Taxes	$ 1,521,477	$ 1,521,477	$ 1,475,306	$ (46,171)
Licenses and Permits	7,500	7,500	46,800	39,300
Intergovernmental	7,449,765	7,449,765	5,265,941	(2,183,824)
Charges for Services	209,250	209,250	104,740	(104,510)
Investment Earnings	2,000	2,000	5,871	3,871
Miscellaneous	51,442	51,442	204,599	153,157
Total Revenues	9,241,434	9,241,434	7,103,257	(2,138,177)
EXPENDITURES				
Current:				
Highways and Streets:				
Administration	830,913	830,913	1,069,875	(238,962)
Maintenance	1,320,016	1,320,016	1,110,037	209,979
Construction	6,212,763	6,212,763	2,975,253	3,237,510
Equipment and Maintenance Shops	988,742	988,742	899,949	88,793
Total Highways and Streets	9,352,434	9,352,434	6,055,114	3,297,320
Debt Service:				
Principal	-	-	23,908	(23,908)
Interest	-	-	19	(19)
Total Debt Service	-	-	23,927	(23,927)
Total Expenditures	9,352,434	9,352,434	6,079,041	3,273,393
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(111,000)	(111,000)	1,024,216	1,135,216
OTHER FINANCING SOURCES (USES)				
Lease Proceeds	-	-	23,655	23,655
Sale of Capital Assets	111,000	111,000	29,900	(81,100)
Total Other Financing Sources (Uses)	111,000	111,000	53,555	(57,445)
NET CHANGE IN FUND BALANCE	$ -	$ -	1,077,771	$ 1,077,771
Fund Balance - Beginning of Year			7,138,316	
FUND BALANCE - END OF YEAR			$ 8,216,087	

See accompanying Notes to Required Supplementary Information.

LINCOLN COUNTY
BUDGETARY COMPARISON SCHEDULE
HUMAN SERVICES SPECIAL REVENUE FUND
YEAR ENDED DECEMBER 31, 2022

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES				
Taxes	$ 1,028,642	$ 1,028,642	$ 992,222	$ (36,420)
Intergovernmental	-	-	42,444	42,444
Total Revenues	1,028,642	1,028,642	1,034,666	6,024
EXPENDITURES				
Intergovernmental:				
Human Services	1,028,642	1,028,642	1,034,666	(6,024)
NET CHANGE IN FUND BALANCE	$ -	$ -	-	$ -
Fund Balance - Beginning of Year			-	
FUND BALANCE - END OF YEAR			$ -	

See accompanying Notes to Required Supplementary Information.

LINCOLN COUNTY
BUDGETARY COMPARISON SCHEDULE
DITCH SPECIAL REVENUE FUND
YEAR ENDED DECEMBER 31, 2022

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES				
Special Assessments	$ 370,364	$ 370,364	$ 483,411	$ 113,047
Miscellaneous	-	-	5,001	5,001
Total Revenues	370,364	370,364	488,412	118,048
EXPENDITURES				
Current:				
Conservation of Natural Resources:				
Other	350,789	350,789	424,174	(73,385)
Debt Service:				
Principal	15,950	15,950	15,000	950
Interest	3,625	3,625	3,507	118
Total Debt Service	19,575	19,575	18,507	1,068
Total Expenditures	370,364	370,364	442,681	(72,317)
NET CHANGE IN FUND BALANCE	$ -	$ -	45,731	$ 45,731
Fund Balance (Deficit) - Beginning of Year			(1,052,083)	
FUND BALANCE (DEFICIT) - END OF YEAR			$ (1,006,352)	

See accompanying Notes to Required Supplementary Information.

I. GENERAL BUDGET POLICIES

The Board of County Commissioners adopts estimated revenue and expenditure budgets for the General Fund, the special revenue funds, and the Debt Service Fund. The expenditure budget is approved at the fund level. The County does not budget for the Opioid Response Fund.

The budgets may be amended or modified at any time by the Board of County Commissioners. Expenditures may not legally exceed budgeted appropriations. Comparisons of final budgeted revenues and expenditures to actual are presented in the required supplementary information for the General Fund and special revenue funds.

II. BUDGET BASIS OF ACCOUNTING

Budgets are adopted on a basis consistent with generally accepted accounting principles.

III. BUDGET AMENDMENTS

During 2022, the County made no budget amendments.

IV. EXCESS OF EXPENDITURES OVER BUDGET

The following funds had expenditures in excess of budget at the fund level for the year ended December 31, 2022:

	Final Budget	Actual	Excess
Human Services Fund	$ 1,028,642	$ 1,034,666	$ 6,024
Ditch Fund	370,364	442,681	72,317

These over expenditures were funded with greater than anticipated revenues.

V. CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS

The following changes were reflected in the valuation performed on behalf of the Public Employees Retirement Association for the year ended June 30:

A. General Employees Fund

2022

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 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 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 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.

V. CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)

A. General Employees Fund (Continued)

2020 (Continued)

Changes in Actuarial Assumptions (Continued)

- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% 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, 2020 through December 31, 2023 and 0.0% after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

2019

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- The employer supplemental contributions 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 in Actuarial Assumptions

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed postretirement benefit increase was changed from 1.0% 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 0.0%, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.

V. CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)

A. General Employees Fund (Continued)

2018 (Continued)

Changes in Plan Provisions (Continued)

- Postretirement benefit increases were changed from 1.0% per year with a provision to increase to 2.5% upon attainment of 90.0% funding ratio to 50.0% 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 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, 15.0% for vested deferred member liability, and 3.0% for nonvested deferred member liability.
- The assumed postretirement benefit increase rate was changed from 1.0% per year for all years to 1.0% per year through 2044 and 2.5% per year thereafter.
- The State's contribution for the Minneapolis Employees Retirement Fund equals $16 million in 2017 and 2019 and $6 million thereafter.
- The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from $21 million to $31 million in calendar years 2019 to 2031. The state's contribution changed from $16 million to $6 million in calendar years 2019 to 2031.

2016

Changes in Actuarial Assumptions

- The assumed postretirement benefit increase rate was changed from 1.0% per year through 2035 and 2.5% thereafter to 1.0% per year for all future years.
- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate was changed from 7.9% to 7.5%.
- 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.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

V. CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)

A. General Employees Fund (Continued)

<u>2015</u>

Changes in Actuarial Assumptions

- The assumed postretirement benefit increase rate was changed from 1.0% per year through 2030 and 2.5% per year thereafter to 1.0% per year through 2035 and 2.5% 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 $6.0 million, which meets the special funding situation definition, was due September 2015.

B. Police and Fire Fund

<u>2022</u>

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 have been no changes since the prior valuation.

<u>2021</u>

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.

V. CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)

B. Police and Fire Fund (Continued)

2021 (Continued)

Changes in Actuarial Assumptions (Continued)

- 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 have been no changes since the previous valuation.

2020

Changes in Actuarial Assumptions

- The mortality 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 in Actuarial Assumptions

- The mortality 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 in Actuarial Assumptions

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

Changes in Plan Provisions

- Postretirement benefit increases were changed to 1.0% for all years, with no trigger.
- An end date of July 1, 2049 was added to the existing $9 million state contribution.
- New annual state aid will equal $4.5 million in fiscal years 2019 and 2020, and 9 million thereafter until the plan reached 100% funding, or July 1, 2048, if earlier.

V. CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)

B. Police and Fire Fund (Continued)

2018 (Continued)

Changes in Plan Provisions (Continued)

- 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 16.2% to 16.95% of pay, effective January 1, 2019, and 17.7% 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 0.0%, 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 in Actuarial Assumptions

- Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect was proposed rates that averaged 0.34% lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements.
- The Combined Service Annuity (CSA) load was 30.05 for vested and nonvested deferred members. The CSA has been changed to 33.0% for vested members and 2.0% 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 65.0% to 60.0%.
- 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 postretirement benefit increase rate was changed from 1.0% for all years to 1.0% per year through 2064 and 2.5% thereafter.
- The single discount rate was changed from 5.6% per annum to 7.5% per annum.

V. CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)

B. Police and Fire Fund (Continued)

2017 (Continued)

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2016

Changes in Actuarial Assumptions

- The assumed postretirement benefit increase rate was changed from 1.0% per year through 2037 and 2.5% per year thereafter to 1.0% per year for all future years.
- The assumed investment return was changed from 7.9% to 7.5%.
- The single discount rate changed from 7.9% to 5.6%.
- 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 in Actuarial Assumptions

- The assumed postretirement benefit increase was changed from 1.0% per year through 2030 and 2.5% per year thereafter to 1.0% per year through 2037 and 2.5% thereafter.

Changes in Plan Provisions

- The postretirement benefit increase to be paid after the attainment of the 90.0% funding threshold was changed from inflation up to 2.5%, to a fixed rate of 2.5%.

C. Correctional Fund

2022

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 5.42%.
- The benefit increase assumption was changed from 2.00% per annum to 2.00% per annum through December 31, 2054 and 1.50% per annum thereafter.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

V. CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)

C. Correctional Fund (Continued)

2021

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 the 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 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 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 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 have been no changes since the previous valuation.

2020

Changes in Actuarial Assumptions

- The mortality 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 in Actuarial Assumptions

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

V. CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)

C. Correctional Fund (Continued)

2019 (Continued)

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2018

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 postretirement benefit increase was changed from 2.5% per year to 2.0% 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 from 0.0%, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Postretirement 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 85.0% for two consecutive years or 80.0% 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 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).

V. CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)

C. Correctional Fund (Continued)

2017

Changes in Actuarial Assumptions

- 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 in Actuarial Assumptions

- The assumed investment return was changed from 7.9% to 7.5%%. The single discount rate changed from 7.9% 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 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.

VI. OTHER POSTEMPLOYMENT BENEFITS

As disclosed on the Schedule of Change in the Total OPEB Liability, Related Ratios, and Notes, no assets have been irrevocably deposited in a trust to advance fund the employer's obligation. Therefore, the actuarial valuation of assets is zero.

The following changes were reflected in the valuation performed for the OPEB liability for the year ended:

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 rates were updated to reflect the latest experience study.
- The 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

- There have been no changes since the prior valuation.

2020

- The healthcare trend rates were changed to better anticipate short term and long term medical increases.
- The mortality tables were updated from the 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.
- The salary increase rates were changed from a flat 3.00% per year for all employees to rates which vary by service and contract group.
- The discount rate was changed from 3.30% to 2.90%.

2019

- There have been no changes since the prior valuation.

2018

- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2014 Generational Improvement Scale (with Blue Collar adjustment for Police and Fire Personnel) to the RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scales (with Blue Collar adjustment for Police and Fire Personnel).
- The retirement and withdrawal tables for all employees were updated.
- The discount rate was changed from 4.00% to 3.30%.

SUPPLEMENTARY INFORMATION

LINCOLN COUNTY
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
YEAR ENDED DECEMBER 31, 2022

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget
REVENUES				
Taxes	$ 417,071	$ 417,071	$ 400,969	$ (16,102)
Special Assessments	25,000	25,000	41,655	16,655
Intergovernmental	579	579	17,336	16,757
Miscellaneous	-	-	3,257	3,257
Total Revenues	442,650	442,650	463,217	20,567
EXPENDITURES				
Debt Service:				
Principal Payments	855,000	855,000	1,207,000	(352,000)
Interest	130,866	130,866	151,604	(20,738)
Fiscal Charges	199,513	199,513	222,499	(22,986)
Total Debt Service	1,185,379	1,185,379	1,581,103	(395,724)
EXCESS OF REVENUES UNDER EXPENDITURES	(742,729)	(742,729)	(1,117,886)	(375,157)
OTHER FINANCING SOURCES				
Transfers In	742,729	742,729	742,729	-
Loans Issued	-	-	212,673	212,673
Total Other Financing Sources	742,729	742,729	955,402	212,673
NET CHANGE IN FUND BALANCE	$ -	$ -	(162,484)	$ (162,484)
Fund Balance - Beginning of Year			1,727,055	
Prior Period Adjustment			3,241,156	
Fund Balance - Beginning of Year, as Restated			4,968,211	
FUND BALANCE - END OF YEAR			$ 4,805,727	

Custodial Funds

Southwest Regional Solid Waste Commission - To account for the receipts and disbursements of the Southwest Regional Solid Waste Commission.

Taxes and Penalties - To account for the collection of taxes and penalties and their distribution to other governmental units.

State Revenue - To account for the receipts and disbursements collected on behalf of the state.

Jail Inmate - To account for receipts and disbursements relating to jail inmates.

Lake Benton Lake Improvement District - To account for the receipts and disbursements of Lake Benton's lake quality and management operations.

Lake Shaokatan Lake Improvement District - To account for the receipts and disbursements Lake Shaokatan's lake quality and management operations.

LINCOLN COUNTY
COMBINING STATEMENT OF FIDUCIARY NET POSITION – CUSTODIAL FUNDS
DECEMBER 31, 2022

	Custodial Funds			
	Southwest Regional Solid Waste Commission	Taxes and Penalties	State Revenue	Jail Inmate
ASSETS				
Cash and Pooled Investments	$ 19,789	$ 205,462	$ 28,142	$ -
Taxes Receivable For Other Governments	-	102,892	-	-
Total Assets	19,789	308,354	28,142	-
LIABILITIES				
Due to Other Governments	2,680	205,462	28,142	-
NET POSITION				
Restricted for:				
Individuals, Organizations, and Other Governments	$ 17,109	$ 102,892	$ -	$ -

LINCOLN COUNTY
COMBINING STATEMENT OF FIDUCIARY NET POSITION – CUSTODIAL FUNDS (CONTINUED)
DECEMBER 31, 2022

	Custodial Funds		
	Lake Benton Lake Improvement District	Lake Shaokatan Lake Improvement District	Total Custodial Funds
ASSETS			
Cash and Pooled Investments	$ 153,339	$ 78,986	$ 485,718
Taxes Receivable For Other Governments	-	-	102,892
Total Assets	153,339	78,986	588,610
LIABILITIES			
Due to Other Governments	-	-	236,284
NET POSITION			
Restricted for:			
Individuals, Organizations, and Other Governments	$ 153,339	$ 78,986	$ 352,326

LINCOLN COUNTY
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION – CUSTODIAL FUNDS
YEAR ENDED DECEMBER 31, 2022

	Custodial Funds			
	Southwest Regional Solid Waste Commission	Taxes and Penalties	State Revenue	Jail Inmate
ADDITIONS				
Contributions:				
Individuals	$ -	$ -	$ -	$ 3,399
Taxes and Assessments Collected for Others	-	8,293,613	-	-
Charges for Services	-	-	1,147,519	-
Total Additions	-	8,293,613	1,147,519	3,399
DEDUCTIONS				
Property Tax Allocation	-	8,314,873	-	-
Miscellaneous Allocations	-	-	-	3,413
Payments to Other Entities	7,865	-	1,147,519	-
Total Deductions	7,865	8,314,873	1,147,519	3,413
NET INCREASE (DECREASE) IN FIDUCIARY NET POSITION	(7,865)	(21,260)	-	(14)
Fiduciary Net Position - Beginning of Year	24,974	124,152	-	14
FIDUCIARY NET POSITION - END OF YEAR	$ 17,109	$ 102,892	$ -	$ -

LINCOLN COUNTY
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION – CUSTODIAL FUNDS (CONTINUED)
YEAR ENDED DECEMBER 31, 2022

	Custodial Funds		
	Lake Benton Lake Improvement District	Lake Shaokatan Lake Improvement District	Total Custodial Funds
ADDITIONS			
Contributions:			
Individuals	$ -	$ -	$ 3,399
Taxes and Assessments Collected for Others	69,232	2,900	8,365,745
Charges for Services	4,000	-	1,151,519
Total Additions	73,232	2,900	9,520,663
DEDUCTIONS			
Property Tax Allocation	-	-	8,314,873
Miscellaneous Allocations	-	-	3,413
Payments to Other Entities	2,467	1,835	1,159,686
Total Deductions	2,467	1,835	9,477,972
NET INCREASE (DECREASE) IN FIDUCIARY NET POSITION	70,765	1,065	42,691
Fiduciary Net Position - Beginning of Year	82,574	77,921	309,635
FIDUCIARY NET POSITION - END OF YEAR	$ 153,339	$ 78,986	$ 352,326

LINCOLN COUNTY
SCHEDULE OF INTERGOVERNMENTAL REVENUES
YEAR ENDED DECEMBER 31, 2022

	Primary Government
SHARED REVENUES	
State:	
Highway Users Tax	$ 4,913,566
County Program Aid	502,052
PERA Rate Reimbursement	12,336
Disparity Reduction Aid	31,138
Police Aid	60,099
State Aquatic Invasive Species Aid	63,732
State Riparian Aid	102,592
Enhanced 911	164,246
Market Value Credit	203,818
Total Shared Revenues	6,053,579
PAYMENTS	
Local:	
Payments In Lieu of Taxes	229,942
GRANTS	
State:	
Minnesota Department of:	
Corrections	10,292
Natural Resources	14,611
Public Safety	290,868
Transportation	24,191
Veterans Affairs	7,500
Pollution Control Agency	117,145
Water and Soil Resources Board	59,788
Total State	524,395
Federal:	
Department of:	
Treasury	1,119,523
Election Assistance Commission	25,527
Housing and Urban Development	227,819
Homeland Security	25,537
Total Federal	1,398,406
Total State and Federal Grants	1,922,801
Total Intergovernmental Revenues	$ 8,206,322

REPORTS RELATED TO *GOVERNMENT AUDITING STANDARDS* AND SINGLE AUDIT

INDEPENDENT AUDITORS' 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*

Board of County Commissioners
Lincoln County
Ivanhoe, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lincoln 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 Lincoln County's basic financial statements, and have issued our report thereon dated September 15, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Lincoln 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 Lincoln County's internal control. Accordingly, we do not express an opinion on the effectiveness of Lincoln 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. However, as described in the accompanying schedule of findings and recommendations, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 Lincoln County's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and recommendations as items 2022-001 and 2022-002 to be material weaknesses.

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. We consider the deficiency described in the accompanying schedule of findings and recommendations as item 2022-003 to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lincoln 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.*

Lincoln County's Responses to Findings

Government Auditing Standards require the auditor to perform limited procedures on Lincoln County's responses to the findings identified in our audit and described in the accompanying schedule of findings and recommendations. Lincoln County's responses were not subjected to the other auditing procedures applied in the audit of the financial statements, and, accordingly, we express no opinion on the responses.

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 Lincoln County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Brainerd, Minnesota
September 15, 2023

CliftonLarsonAllen LLP
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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of County Commissioners
Lincoln County
Ivanhoe, Minnesota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Lincoln County's 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 Lincoln County's major federal programs for the year ended December 31, 2022. Lincoln 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, Lincoln 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; 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 Lincoln 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 Lincoln 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 Lincoln 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 Lincoln 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 Lincoln 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 Lincoln 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 Lincoln 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 Lincoln 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Brainerd, Minnesota
September 15, 2023

LINCOLN COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2022

Federal Grantor/Pass-Through Agency/ Grant Program or Cluster Title	Federal Assistance Listing Number	Pass-through Grant Numbers	Total Federal Expenditures	Passed Through to Subrecipients
U.S. Department of Housing and Urban Development				
Passed Through Minnesota Department of Employment and Economic Development				
Community Development Block Grants/State's Program and Nonentitlement Grants in Hawaii	14.228	CDAP-18-0046-O-FY19 9	$ 227,819	$ -
U.S. Department of Treasury				
Direct				
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	1,069,523	-
COVID-19 Local Assistance and Tribal Consistency Fund	21.032	N/A	50,000	-
Total Department of Treasury			1,119,523	
U.S. Election Assistance Commission				
Passed through Minnesota Department of Revenue				
COVID-19 HAVA Election Security Grants	90.404	G53HAVA2020	25,527	-
U.S. Department of Homeland Security				
Passed Through Minnesota Department of Public Safety				
Boating Safety Financial Assistance	97.012	Lincoln SBG 08182022	3,985	-
Disaster Grants - Public Assistance	97.036	EMGP-20221221-4903	6,038	-
Emergency Management Performance Grants	97.042	F-EMPG-2020-LINCONCO-3977	15,514	-
Total Department of Homeland Security			25,537	-
Total Expenditures of Federal Awards			$ 1,398,406	$ -

Notes:

1. The Schedule of Expenditures of Federal Awards presents the federal award programs expended by Lincoln County. The County's reporting entity is defined in Note 1 to the financial statements.

2. The accompanying Schedule of Federal Awards includes the federal grant activity of Lincoln County under programs of the federal government for the year ended December 31, 2022. The information in this schedule is presented in accordance with 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) from the Office of Management and Budget (OMB). Because the schedule presents only a selected portion of Lincoln County, it is not intended to and does not present the financial position or change in net position of Lincoln County.

3. Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards for all awards. Under these principles, certain types of expenditures are not allowable or are limiting as to reimbursements. Lincoln County has elected not to use the ten percent de minimis indirect cost rate allowed under Uniform Guidance.

LINCOLN COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2022

Section I – Summary of Auditors' Results

Financial Statements

1. Type of auditors' report issued: Unmodified

2. Internal control over financial reporting:

   - Material weakness(es) identified? __x__ yes ______ no
   - Significant deficiency(ies) identified? __x__ yes ______ none reported

3. Noncompliance material to financial statements noted? ______ yes __x__ no

Federal Awards

1. Internal control over major federal programs:

   - Material weakness(es) identified? ______ yes __x__ no
   - Significant deficiency(ies) identified? ______ yes __x__ none reported

2. Type of auditors' report issued on compliance for major federal programs: Unmodified

3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? ______ yes __x__ no

Identification of Major Federal Programs

Assistance Listing Number	Name of Federal Program or Cluster
21.027	COVID-19 Coronavirus State and Local Fiscal Recovery Funds

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

Auditee qualified as low-risk auditee? ______ yes __x__ no

Section II – Financial Statement Findings

2022-001 MATERIAL AUDIT ADJUSTMENTS

Type of Finding: Material Weakness in Internal Control Over Financial Reporting

Condition: As part of the audit, we proposed account reclassification entries relating to the coding of receipts and disbursements, accruals, GASB 84 reporting, prior period adjustment to adjust beginning fund balance for the debt service fund, and other correcting entries. These entries indicate a lack of controls over the year-end financial reporting process. The absence of this control procedure is considered a material weakness because the potential exists that a material misstatement of the financial statements could occur and not be prevented or detected by the County's internal control.

Criteria or Specific Requirement: County management is responsible for establishing and maintaining internal controls for the proper recording of all County's receipts and disbursements, including reclassifications between funds and recording of accruals.

Effect: The design of the internal controls over recording receipts and disbursements, including reclassifications, could affect the County's ability to detect or prevent a misappropriation of assets or fraudulent activity.

Cause: The County has a limited number of personnel.

Repeat Finding: Yes, 2021-001.

Recommendation: We recommend County management be consistently aware of all procedures and processes involved in recording receipts, disbursements, and reclassifications, and develop internal control policies to ensure proper recording of these items.

Views of Responsible Officials and Planned Corrective Action: There is no disagreement with the audit finding. Management will continue to rely on the audit firm to propose account reclassification entries, and will review, approve and accept responsibility for the entries.

Section II – Financial Statement Findings (Continued)

2022-002 ANNUAL FINANCIAL REPORTING UNDER GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP)

Type of Finding: Material Weakness in Internal Control Over Financial Reporting

Condition: As part of the audit, management requested us to prepare a draft of the financial statements, including the related notes to the financial statements. The County does not have an internal control policy in place over financial reporting that would enable management to prepare its annual financial statements and determine related footnote disclosures are complete and presented in accordance with applicable accounting and reporting standards. Management reviews and accepts responsibility for the financial statements.

Criteria or Specific Requirement: Management is responsible for establishing and maintaining internal controls, and for the fair presentation of the financial statements including the related disclosures, in conformity with U.S. generally accepted accounting principles (GAAP).

Effect: The potential exists that a material misstatement of the annual financial statements could occur and not be prevented or detected by the County's internal controls.

Cause: The County relies on the audit firm to prepare the annual financial statements and related footnote disclosures. However, the County management has reviewed and approved the annual financial statements and related footnote disclosures.

Repeat Finding: Yes, 2021-002.

Recommendation: Management should continue to evaluate their internal staff capacity to determine if an internal control policy over the annual financial reporting is beneficial.

Views of Responsible Officials and Planned Corrective Action: There is no disagreement with the audit finding. Management will continue to rely on the audit firm to draft the financial statements and the related notes to the financial statements, and will review, approve and accept responsibility for the annual financial statements prior to their issuance.

Section II – Financial Statement Findings (Continued)

2022-003 SEGREGATION OF DUTIES

Type of Finding: Significant Deficiency in Internal Control Over Financial Reporting

Condition: Adequate segregation of the accounting functions necessary to ensure adequate internal accounting control is not in place in a number of departments throughout the County.

Criteria or Specific Requirement: County management should constantly be aware of the need to have adequate segregation of duties regarding the processing of transactions for the County. In addition, County management should be aware that the concentration of duties and responsibilities in one or a very few individuals is not desirable from an internal control perspective.

Effect: The lack of adequate segregation of duties can result in incorrect financial information, failure to detect misstatements or misappropriations, and lack of adherence to the County's procedures.

Cause: The County has a limited number of personnel within several County departments.

Repeat Finding: Yes, 2021-003.

Recommendation: We recommend County management be aware of the lack of segregation of duties within the accounting functions and provide oversight to ensure the internal control policies and procedures are being implemented by organization staff.

Views of Responsible Officials and Planned Corrective Action: There is no disagreement with the audit finding. Management will continue to reassess the cost versus benefit of adding additional positions to resolve the lack of segregation of duties.

Section III – Findings and Questioned Costs – Major Federal Programs

Our audit did not disclose any matters required to be reported in accordance with 2 CFR 200.516(a).

Section IV – Other Item for Consideration – Minnesota Legal Compliance

None noted.

Section V – Prior Year Item Resolved

None noted.

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INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE

Board of County Commissioners
Lincoln County
Ivanhoe, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lincoln County (the County), Minnesota, as of and for the year ended December 31, 2022, and the notes to the financial statements which collectively comprise the County's basic financial statements as listed in the table of contents and have issued our report thereon dated September 15, 2023.

In connection with our audit, nothing came to our attention that caused us to believe that Lincoln 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 Lincoln County's noncompliance with the above-referenced provisions, insofar as they relate to accounting matters.

The purpose of this report is solely to describe the scope of our testing of compliance relating to the provisions of the *Minnesota Legal Compliance Audit Guide for Counties* and the results of that testing, and not to provide an opinion on compliance. Accordingly, this communication is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Brainerd, Minnesota
September 15, 2023